

ANNEX 1: Statement of the Resources Director

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG.

I hereby certify that the information provided in Part 2 and Point 3.1 of the present AAR and in its annexes 2 to 7 is, to the best of my knowledge, accurate and exhaustive.

Brussels,

(signed)

Isabelle Bénoliel

ANNEX 2: Human and Financial resources by ABB activity

Human Resources by ABB activity

Human Resources by ABB activity (based on figures 31/12/2009)				
Code ABB Activity	ABB Activity	Establishment Plan posts	Estimates of External Personnel	Total
03/01	Cartels, anti-trust and liberalization	262	44	306
03/02	Control and State aid	171	32	202
03/03	Merger control	81	16	97
03/04	Policy Strategy and coordination	187	14	199
03/05	Administrative support	83	46	129
Total		784	152	936

Financial resources by ABB activity

IMPLEMENTATION OF THE GLOBAL ENVELOPE
BUDGET LINES CONCERNED: 03 01 02 11 00 01 TO 03 01 02 11 00 06
 (based on information received from BUDG services following the 2011 Budget circular)

(IN EUROS)		APPROPRIATIONS 2009 (C1)			APPROPRIATIONS carried over (C8)	
BUDGET LINE	BUDGET LINE DESCRIPTION	AVAILABLE APPROPRIATIONS 2009	COMMITMENTS 2009	PAYMENTS 2009	AMOUNTS OF APPROPRIATIONS CARRIED OVER FROM 2008	% IMPLEMENTATION ON APPROPRIATIONS CARRIED OVER FROM 2008
03.010211.00		7.590.788			75.219	0%
03.010211.00.01.10	Mission expenses		928.467	857.777	278.707	54%
03.010211.00.01.30	Representation expenses		12.000	10.659	398	100%
03.010211.00.02.20	Meeting costs		338.0000	256.655	108.922	77%
03.010211.00.02.40	Conference costs		79.150	48.586	47.533	100%
03.010211.00.03	Meetings of committees		200.000	71.938	144.497	21%
03.010211.00.04	Studies and consultations		4.417.386	2.928.918	2.271.962	94%
03.010211.00.05	Development of management and information systems		1.307.097	31.213	1.529.590	100%
03.010211.00.06	Further training and management training		299.801	138.453	100.266	71%
03.010211.99	Reserve	3257				
	TOTAL	7.594.035	7.581.901	4.344.200	4.557.095	89%

Annex 3 Financial Reports - DG COMP - Financial Year 2009**Table 1 : Commitments****Table 2 : Payments****Table 3 : Commitments to be settled****Table 4 : Balance Sheet****Table 5 : Economic Outturn Account****Table 6 : Average Payment Time Limits****Table 7 : Income****Table 8 : Forecasts of Revenue****Table 9 : Recovery of undue Payments****Table 10 : Ageing Balance of Recovery Orders****Table 11 : Waivers of Recovery Orders****Table 12 : Negotiated Procedures (excluding Building Contracts)****Table 13 : Summary of Contracts (excluding Building Contracts)****Table 14 : Building Contracts****Table 15 : Contracts declared Secret**

Additional comments

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2009 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title 03 : Competition				
03 01	Administrative expenditure of 'Competition' policy area	7,60	7,58	99,81 %
Total Title 03		7,60	7,58	99,81 %
Total DG COMP		7,60	7,58	99,81 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

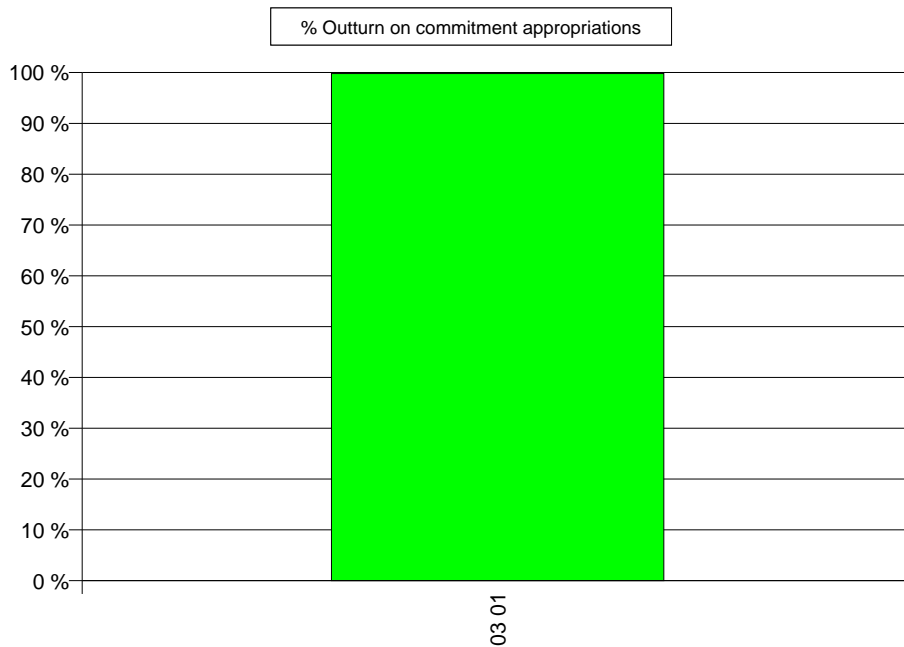


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2009 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title 03 : Competition				
03 01	Administrative expenditure of 'Competition' policy area	12,15	8,38	68,98 %
03 03	Cartels, anti-trust and liberalisation	3,77	3,07	81,60 %
Total Title 03		15,92	11,46	71,96 %
Total DG COMP		15,92	11,46	71,96 %

* 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 payment appropriations for the period (e.g. internal and external assigned revenue).

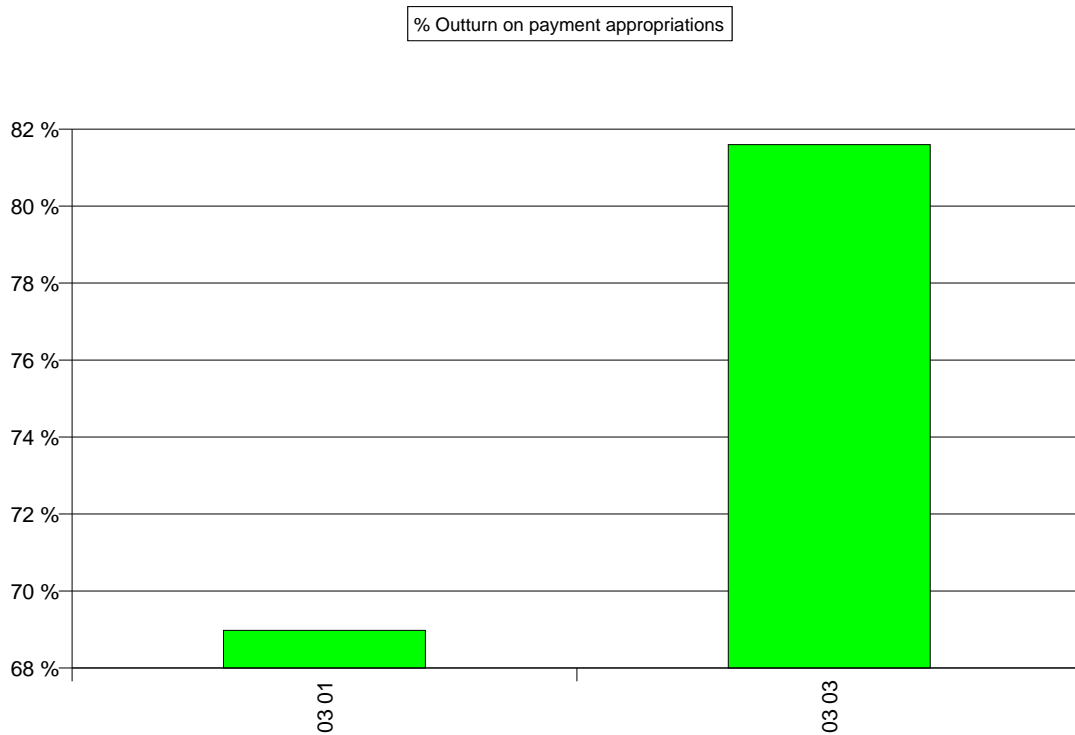


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2009 (in Mio €)

Chapter	2009 Commitments to be settled				Commitments to be settled from financial years previous to 2009	Total of Commitments to be settled at end of financial year 2009 (incl.corrections)	Total of Commitments to be settled at end of financial year 2008 (incl.corrections)
	Commitments 2009	Payments 2009	RAL 2009	% to be settled			
	1	2	3=1-2	4=1-2/1			
Title 03 : Competition							
03 01	Administrative expenditure of 'Competition' policy area	7,58	4,34	3,24	42,70 %	0,00	4,56
03 03	Cartels, anti-trust and liberalisation	0,00	0,00	0,00	#DIV/0	0,72	3,82
Total Title 03		7,58	4,34	3,24	42,70 %	0,72	8,38
Total DG COMP		7,58	4,34	3,24	42,70 %	0,72	8,38

Breakdown of Commitments remaining to be settled (in Mio EUR)

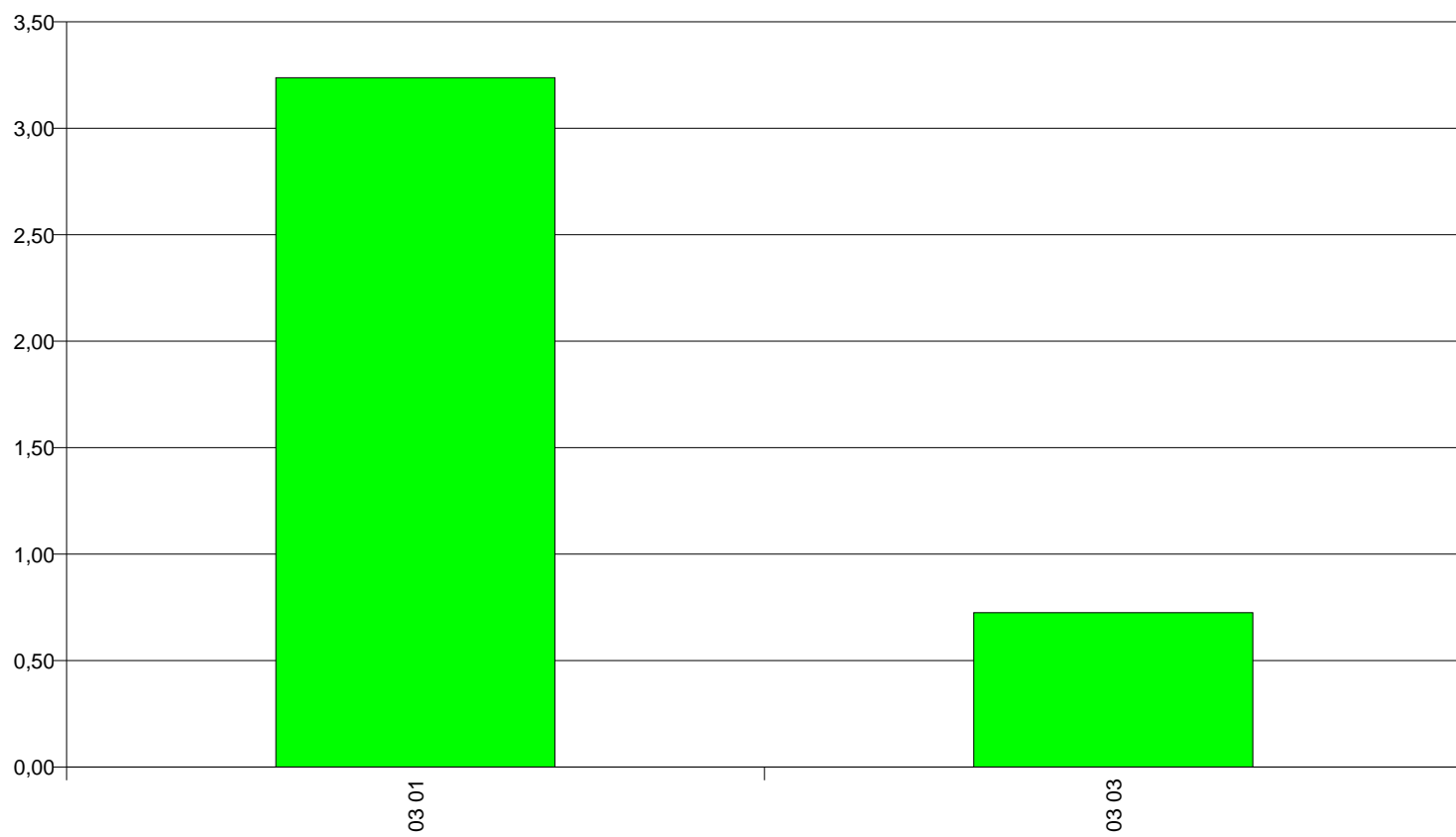


TABLE 4 : BALANCE SHEET

BALANCE SHEET		
DG COMP	2009	2008
NON CURRENT ASSETS	0,00	
LT Pre-Financing	0,00	
CURRENT ASSETS	11 694 169 655,67	9 822 755 412,83
Short-term Pre-Financing	124 780,97	23 564,63
Short-term Receivables	11 694 044 874,70	9 822 731 848,20
ASSETS	11 694 169 655,67	9 822 755 412,83
NON CURRENT LIABILITIES	0,00	
Employee Benefits	0,00	
CURRENT LIABILITIES	-1 339 094,02	-34 666 310,45
Short-term provisions	-404 000,00	-404 000,00
Accounts Payable	-935 094,02	-34 262 310,45
LIABILITIES	-1 339 094,02	-34 666 310,45
NET ASSETS (ASSETS less LIABILITIES)	11 692 830 561,65	9 788 089 102,38
P.I.2. Accumulated Surplus / Deficit	0,00	823 462,42
Non-allocated central (surplus)/deficit*	-11 692 830 561,65	-9 788 912 564,80
NET ASSETS	-11 692 830 561,65	-9 788 089 102,38

* This figure is a balancing amount presented here so as to reflect the fact that the accumulated result of the Commission is not attributed to each DG

TABLE 5 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT		
DG COMP	2009	2008
FROM OPERATING ACTIVIT	-2 610 173 907,83	-3 113 364 339,05
OPERATING REVENUES	-2 626 418 035,28	-3 171 262 857,94
Other operating revenue	-2 626 418 035,28	-3 171 262 857,94
OPERATING EXPENSES	16 244 127,45	57 898 518,89
Administrative Expenses	4 731 701,25	4 075 542,49
Operating Expenses	11 512 426,20	53 822 976,40
SURPLUS/DEF. NON OPERATING ACTIVIT	500,17	
FINANCIAL OPERATIONS	500,17	
Financial expenses	500,17	
ECONOMIC OUTTURN ACCOUNT	-2 610 173 407,66	-3 113 364 339,05

It should be noted that the balance sheet and economic outturn account of Directorate General , presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in table 14 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2009 - DG COMP

Full Year 2009

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	300	275	91,67 %	16,92	25	8,33 %	40,12
45	25	22	88,00 %	25,45	3	12,00 %	62,67
60	61	60	98,36 %	23,73	1	1,64 %	63,00

Total Number of Payments	386	357	92,49 %		29	7,51 %	
Average Payment Time	20,44			18,59			43,24

Q4 2009

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	138	132	95,65 %	14,76	6	4,35 %	36,00

Q4 Total Number of Payments	138	132	95,65 %		6	4,35 %	
Q4 Average Payment Time	15,68			14,76			36,00

Late Interest paid in 2009			
DG	GL Account	Description	Amount (Eur)
DG COMP	65010100	Interest on late payment of charges New FR	500,17
			500,17

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2009

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		
Title 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY AGREEMENTS AND PROGRAMMES								
66	OTHER CONTRIBUTIONS AND REFUNDS	2 825 733,35	0,00	2 825 733,35	0,00	0,00	0,00	2 825 733,35
	Total Title 6	2 825 733,35	0,00	2 825 733,35	0,00	0,00	0,00	2 825 733,35
Title 7: INTEREST ON LATE PAYMENTS AND FINES								
70	INTEREST ON LATE PAYMENTS	0,00	126 273,59	126 273,59	0,00	0,00	0,00	126 273,59
71	FINES	2 612 577 042,51	9 922 346 651,82	12 534 923 694,33	-5 684 357,49	730 496 696,39	724 812 338,90	11 810 111 355,43
	Total Title 7	2 612 577 042,51	9 922 472 925,41	12 535 049 967,92	-5 684 357,49	730 496 696,39	724 812 338,90	11 810 237 629,02
Total DG COMP		2 615 402 775,86	9 922 472 925,41	12 537 875 701,27	-5 684 357,49	730 496 696,39	724 812 338,90	11 813 063 362,37

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors

Annex 3 Financial Reports - DG COMP
Report printed on 19/03/2010

TABLE 8: FORECASTS OF REVENUE FOR DG COMP

No data to be reported

Year of Origin
TOTAL

TABLE 9 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

RECOVERY ORDERS ISSUED IN 2009 Year of Origin (commitment)	Irregularity		No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2006	1	23 564,63			1	23 564,63
2008			1	2 802 168,72	1	2 802 168,72
No Link			76	2 786 634 400,00	76	2 786 634 400,00
	1	23 564,63	77	2 789 436 568,72	78	2 789 460 133,35

EXPENSES

	No error / irregularity	
	Nbr	Amount
INCOME LINES IN INVOICES	1	-17 667,30

	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	0	

	No error / irregularity	
	Nbr	Credit Note Amount
CREDIT NOTES	31	-279 129,40

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors. The provisional closure will be based on the recovery context situation at 28/02/2010.

TABLE 10: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2009

Year of Origin	Number at 01/01/2009	Number at 31/12/2009	Evolution	Open Amount (Eur) at 01/01/2009	Open Amount (Eur) at 31/12/2009	Evolution
1992	5	5	0,00 %	1 564 256,31	1 530 463,20	-2,16 %
1999	3	3	0,00 %	5 670 000,00	5 660 095,00	-0,17 %
2001	10	5	-50,00 %	168 260 000,00	52 290 145,48	-68,92 %
2002	9	3	-66,67 %	596 068 000,00	335 900 000,00	-43,65 %
2003	16	6	-62,50 %	212 270 000,00	77 993 725,34	-63,26 %
2004	19	16	-15,79 %	285 629 600,00	263 969 600,00	-7,58 %
2005	27	25	-7,41 %	628 413 000,00	570 570 000,00	-9,20 %
2006	39	39	0,00 %	1 814 420 500,00	1 814 420 500,00	0,00 %
2007	46	46	0,00 %	3 051 665 300,00	3 051 665 300,00	0,00 %
2008	32	29	-9,38 %	3 158 512 269,10	3 017 976 400,00	-4,45 %
2009		69			2 621 087 133,35	
Totals	206	246	19,42 %	9 922 472 925,41	11 813 063 362,37	19,05 %

TABLE 11 : RECOVERY ORDER WAIVERS IN 2009 >= EUR 100.000

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Official Name	Commission Decision	Comments
1	3233900063	3240612220	-4 490 000,00	HME NEDERLAND BV*		
2	3233900139	3230805841	-2 115 869,10	ALLIED ARTHUR PIERRE NV*		
3	3233900178	3240308246	-6 332 988,39	THE CARBIDE GRAPHITE GROUP INC*		
4	3233900179	3240711431	-940 000,00	BERNAY FILM PLASTIQUE SA*		

Total DG COMP	-13 878 857,49
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Number of RO waivers	4
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- 1) *Commission decision C(2009)2128 of 30/03/2009 due to insolvency of the debtor.*
- 2) *Commission decision C(2009)5231 of 03/07/2009 due to insolvency of the debtor.*
- 3) *Commission decision C(2009)5927 of 25/08/2009 due to insolvency of the debtor.*
- 4) *Commission decision C(2009)6123 of 10/08/2009 due to insolvency of the debtor.*

TABLE 12 : CENSUS OF NEGOTIATED PROCEDURES - DG COMP - YEAR 2009

NEGOTIATED PROCEDURES - Contracts > € 60.000

Count :	3
Total amount :	1 400 000,00

Number	Contractor(s)		Type of contract	Description	Amount (€)	Legal base
	Name	Address				
0291254	DUFF & PHELPS LTD*	BANK STREET 40 CANARY WHARF,LONDON,GB	Service	DUFF & PHELPS LTD - EXPERT ASSISTANCE - VALUATION OF IMPAIRED ASSETS	900 000,00	Art. 126 1c
0291259	SCHAEFER ASSOCIATES LTD*	HONEYWELL ROAD 8,LONDON,GB	Service	SCHAEFER ASSOCIATES LTD - EXPERT ASSIST - VALUATION OF IMPAIRED ASSETS	200 000,00	Art. 126 1c
0291265	SCHOUTENS	BERKENHOF LAAN 29,LEUVEN,BE	Service	SCHOUTENS.BE - EXPERT ASSISTANCE - VALUATION OF IMPAIRED ASSETS	300 000,00	Art. 126 1c

TABLE 13 : SUMMARY OF PROCEDURES OF DG COMP EXCLUDING BUILDING CONTRACTS

Internal procedures > € 60,000	2008		2009	
Procedures and types of contracts	Count	Amount (€)	Count	Amount (€)
Service	6	11 327 484,00	7	9 635 820,00
TOTAL	6	11 327 484,00	7	9 635 820,00
Procedures and types of contracts	Count	Amount (€)	Count	Amount (€)
Negotiated Procedures	2	1 555 854,00	3	1 400 000,00
Open Procedures	4	9 771 630,00	4	8 235 820,00
TOTAL	6	11 327 484,00	7	9 635 820,00

External procedures > € 10,000
Procedures and types of contracts
TOTAL
Procedures and types of contracts
TOTAL

Additional comments

After the adoption on 25 February 2009 of the Communication on the Treatment of Impaired Assets in the Community Banking Sector, DG COMP had to set up a process for the assessment of valuations of impaired assets submitted by Member States in the context of State aid procedures. Given the urgency to hire outside experts to assist the Commission in the assessment, it was decided to constitute and make operational as soon as possible a first group of three experts under the negotiated procedure without prior publication of a contract notice (based on Article 126(1)(c) of the Implementing Rules to the Financial Regulation). On 8 May 2009 three service contracts were signed.

In parallel, in order to conclude multiple framework contracts, a call for tender was launched under the open procedure with publication of a contract notice in the OJ. On 18 November 2009, 9 framework contracts in cascade were signed, which constitute the pool of experts needed for the assessment of valuations of impaired assets over the next years. The total estimated value of the framework contracts is 7 millions over three years.

TABLE 14 : BUILDING CONTRACTS

Count :	0
Total amount :	

Contractor(s)						
Number	Name	Address	Type of contract	Description	Amount (€)	Legal base

No data to be reported

TABLE 15 : CONTRACTS DECLARED SECRET

No data to be reported

Count :	0
Total amount :	

	Contractor(s)					
Number	Name	Address	Type of contract	Description	Amount (€)	Legal base

ANNEX 3: Draft annual accounts and financial reports

See document attached to this report.

ANNEX 4: Materiality Criteria

DG COMP applies the guidelines provided in the communication COM(2003)28 final, completed by the discussions with the European Court of Auditors and the work done since, notably the work of families of DGs.

Qualitative assessment

For assessing the significance of the weakness, the following factors are analysed:

- nature and scope of the deficiency,
- duration of the deficiency,
- existence of compensatory measures (mitigating controls which reduces the impact of deficiency),
- existence of effective remedial actions to correct the deficiencies (action plans and financial corrections) which have had a measurable effect.

Quantitative assessment:

In order to quantify the deficiency, DG COMP applies the recommended 2% as threshold for material deficiency i.e. when the value of the transactions affected represents more than 2% of the overall budget of DG COMP.

Reputational assessment

For weaknesses, which are considered significant in qualitative terms but not in quantitative terms, DG COMP takes into account the possible reputational impact they may entail. They will be assessed according to the following factors:

- context and nature of the impact
- awareness,
- duration.

Management and control systems : stages and main actors	
Selection process	<ul style="list-style-type: none"> • Procurement needs for the following year are proposed by the different services via an ex-ante planning table. The table contains a description of the action and relation to on-going cases, the estimated cost and time-frame. It also defines the operational agents. The financial unit further verifies the coherence with the Management Plan and the priorities of the DG for the following year. The proposed planning is presented in the weekly management meeting where the Authorising Officer by Delegation (AOD) gives his final approval. Hence, future procurements are clearly defined and justified from an economic and operational point of view. • All procurement procedures are done with guidance from the financial unit. • The financial unit reviews the procurement documentation before it is sent for publication or before the invitation is sent out. • One member of the financial unit takes part in opening committees as observer for procurement procedures above 60.000 € • Procurement contracts above 60.000 € are reviewed by the local Advisory Committee for Procurements and Contracts (ACPC). • The financial unit reviews the final documentation before the signing of the award decision, the budgetary and legal commitment.
Communication and information	<ul style="list-style-type: none"> • Open calls for tender are published in the Official Journal as well as on the Europa web-site. Updated information and Questions and Answers (Q&A) are posted on the web-site. • Adequate communication to unsuccessful tenderers. • Manual of procedures and internal manual on financial procedures are posted on the intranet. • Network of financial correspondents.
Detective and corrective controls:	<ul style="list-style-type: none"> • Separation of functions for initiation and verification and split between the operational units and the financial unit. • Operational and financial ex-ante verification for all transactions. • Directors must sign to confirm that the work carried out is adequate and in accordance with the terms of the contract before final payments can be made. • Financial circuit check lists. • Procedures manual.
Preventive and corrective controls and audit:	<ul style="list-style-type: none"> • Around 50% of all transactions are subject to ex post audit by the Internal Audit Capability (IAC). • Application of standards to keep the time necessary for

	payments below the legal ceilings and internal targets.
Feedback which enables control activities to be optimised	
Verification that processes are working as designed	<ul style="list-style-type: none"> • The audit plan covers core business processes. • Follow-up audits part of standard IAC approach. • Weekly management meetings as well as monthly financial correspondence meetings, to review progress on cases and other projects.
Monitoring of performance	N/A
High level management reporting	<ul style="list-style-type: none"> • Financial reports on budget execution, expenditures, payment delays, procurement and contract management are submitted regularly to the management. • Priority/problem issues are reviewed systematically during the weekly Senior Management Meetings.

ANNEX 6: Implementation through national or international public-sector bodies

Not applicable to DG COMP in 2009

ANNEX 7: AAR of Executive Agency

Not applicable to DG COMP in 2009