

## ANNEX 1: STATEMENT OF THE EAHC INTERNAL CONTROLLER<sup>27</sup>

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<sup>28</sup>, I have reported my advice and recommendations to the Director on the overall state of internal control in the Executive Agency for Health and Consumers.

*I hereby certify that the information provided in Parts 2 and 3.1 of the present Annual Activity Report and in its annexes 2 to 5 is, to the best of my knowledge, accurate and exhaustive.*

Luxembourg, 30 March 2011

Signed

*Robert Geeraerts*

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<sup>27</sup> EAHC staff member designated by the Director to oversee the implementation of internal control systems within the Agency.

<sup>28</sup> SEC(2003)59 of 21.01.2003

## ANNEX 2: HUMAN AND FINANCIAL RESOURCES BY ABB ACTIVITY

The table below gives an overview of the human resources mentioned.

### Executive Agency for Health and Consumers – Human resources on 31st December 2010

	Planned	Actual	% implemented
Seconded officials and temporary agents	12	11	92%
Contractual agents <sup>29</sup>	38	34	89%
<b>Total</b>	<b>50</b>	<b>45</b>	<b>90%</b>

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<sup>29</sup> For 60% of the indicated vacancies employment offers were sent (and accepted) before 31.12.2010. Doing so, the Agency ensured to maintain the 2009 vacancy rate of 4% at 31.12.2010.

**ANNEX 3: DRAFT ACCOUNTS AND FINANCIAL REPORTS**

**Annex 3 Financial Reports - DG PHEA - Financial Year 2010****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 : Recovery of undue Payments****Table 9 : Ageing Balance of Recovery Orders****Table 10 : Waivers of Recovery Orders****Table 11 : Negotiated Procedures (excluding Building Contracts)****Table 12 : Summary of Contracts (excluding Building Contracts)****Table 13 : Building Contracts****Table 14 : Contracts declared Secret**

**Additional comments**

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations	Commitments made	%
		1	2	3=2/1
<b>Title 17 : Health and consumer protection</b>				
17 02	Consumer policy	13,76	13,75	99,96 %
17 03	Public health	40,83	40,81	99,96 %
17 04	Food and feed safety, animal health, animal welfare and plant health	13,32	13,32	100,00 %
<b>Total Title 17</b>		<b>67,91</b>	<b>67,88</b>	<b>99,96 %</b>
<b>Total DG PHEA</b>		<b>67,91</b>	<b>67,88</b>	<b>99,96 %</b>

\* 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).

% Outturn on commitment appropriations

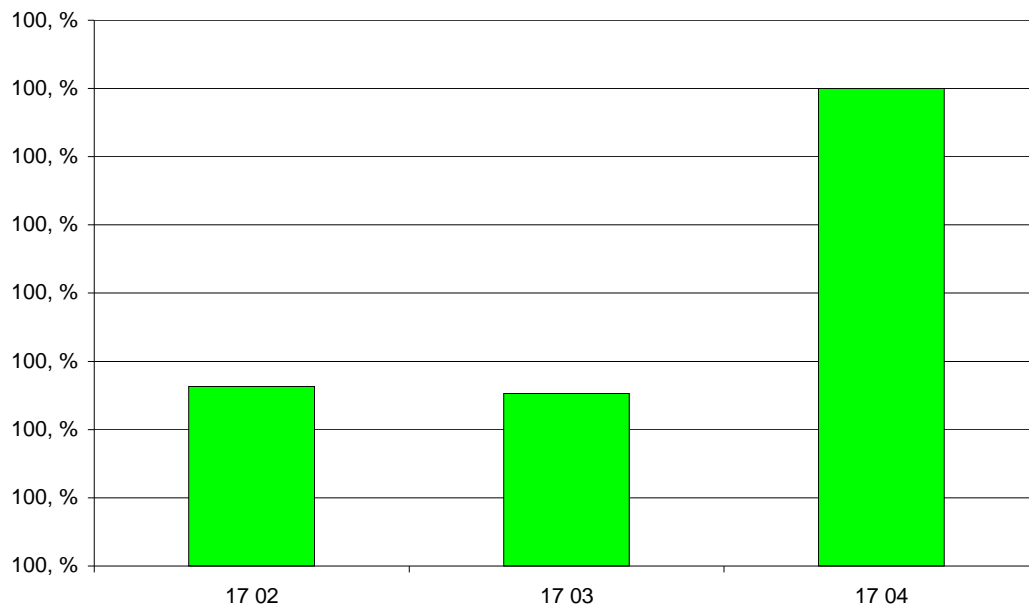
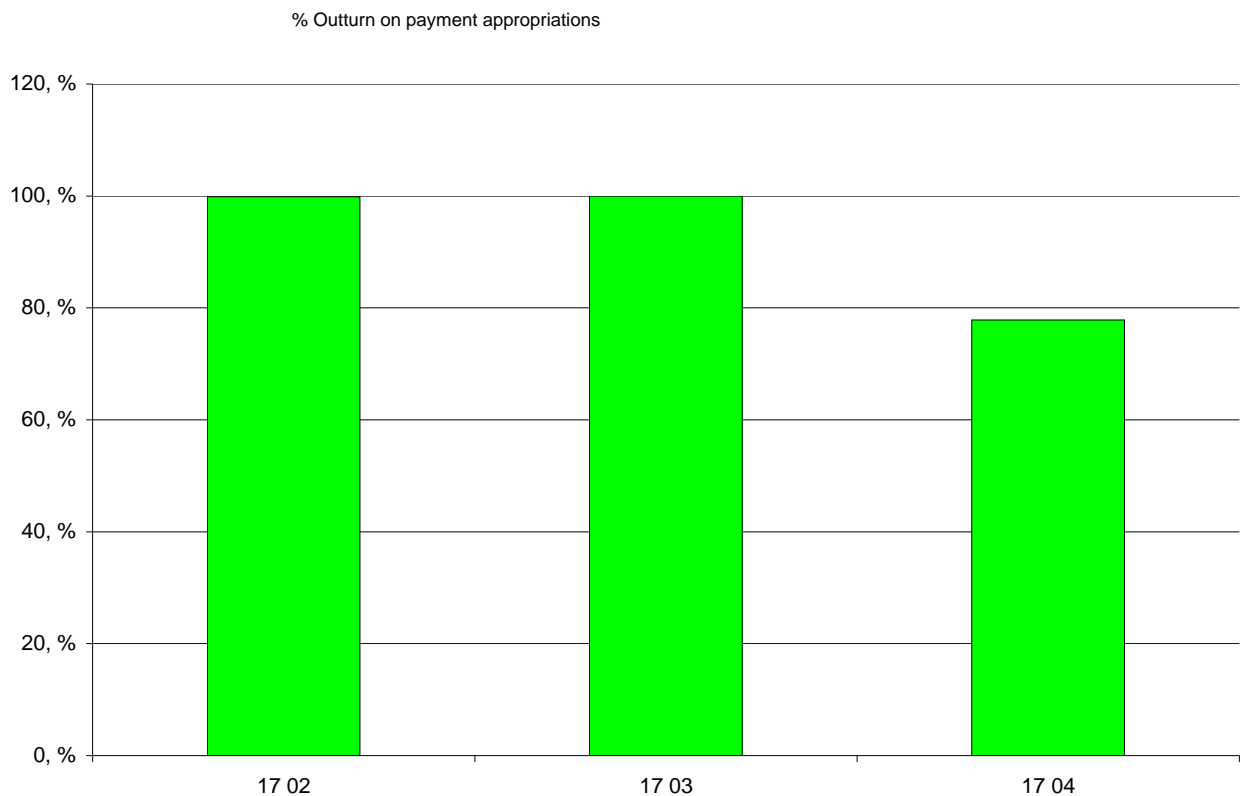


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Payment appropriations	Payments made	%
		1	2	3=2/1
<b>Title 17 : Health and consumer protection</b>				
17 02	Consumer policy	9,48	9,47	99,86 %
17 03	Public health	37,59	37,58	99,98 %
17 04	Food and feed safety, animal health, animal welfare and plant health	5,35	4,16	77,84 %
<b>Total Title 17</b>		<b>52,42</b>	<b>51,21</b>	<b>97,70 %</b>
<b>Total DG PHEA</b>		<b>52,42</b>	<b>51,21</b>	<b>97,70 %</b>

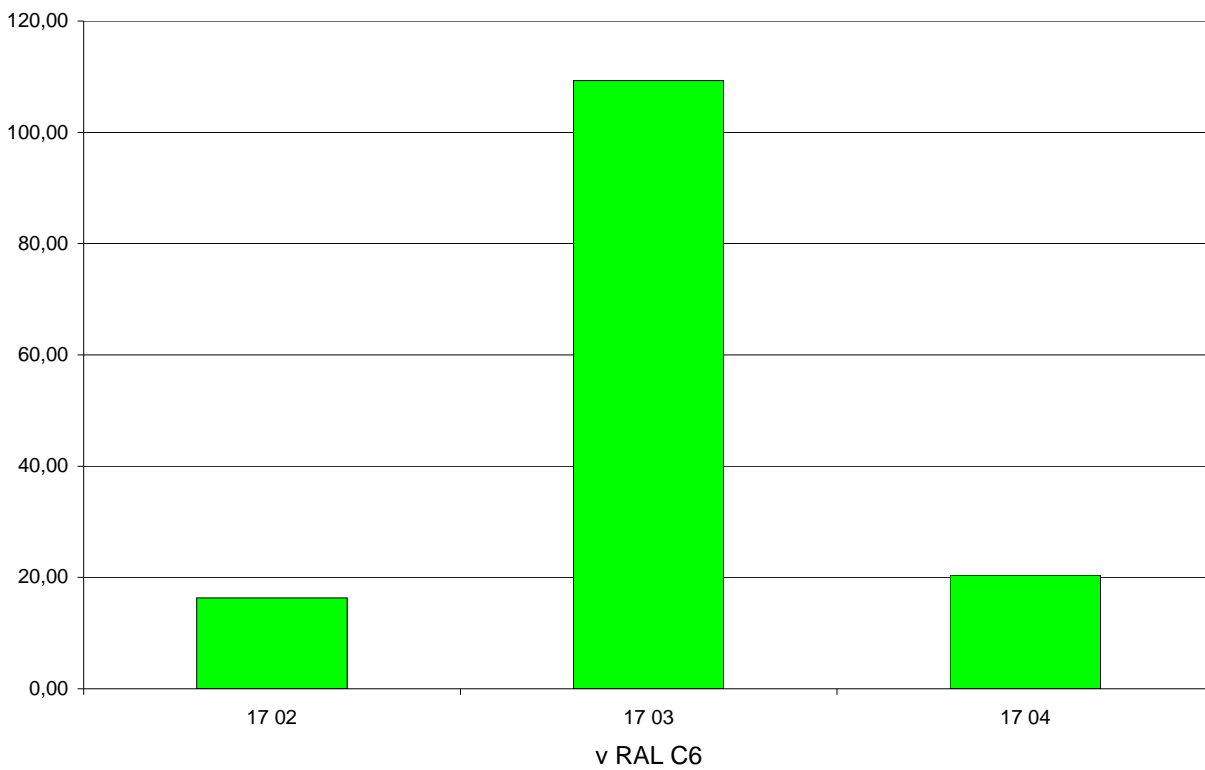
\* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).



**TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio €)**

Chapter	2010 Commitments to be settled				Commitments to be settled from financial years previous to 2010	Total of Commitments to be settled at end of financial year 2010 (incl.corrections)	Total of Commitments to be settled at end of financial year 2009
	Commitments 2010	Payments 2010	RAL 2010	% to be settled			
	1	2	3=1-2	4=1-2//1			
<b>Title 17 : Health and consumer protection</b>							
17 02	Consumer policy	13,75	1,04	12,71	92,43 %	3,60	12,10
17 03	Public health	40,81	4,23	36,58	89,63 %	72,70	106,06
17 04	Food and feed safety, animal health, animal	13,32	0,00	13,32	100,00 %	7,13	11,39
<b>Total Title 17</b>		<b>67,88</b>	<b>5,27</b>	<b>62,61</b>	<b>92,23 %</b>	<b>83,43</b>	<b>129,54</b>
<b>Total DG PHEA</b>		<b>67,88</b>	<b>5,27</b>	<b>62,61</b>	<b>92,23 %</b>	<b>83,43</b>	<b>146,04</b>

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



**TABLE 4 : BALANCE SHEET PHEA**

<b>BALANCE SHEET</b>	<b>2010</b>	<b>2009</b>
A.I. NON CURRENT ASSETS	7 284 106,57	18 172 548,29
A.I.5. LT Pre-Financing	7 284 106,57	18 172 548,29
A.II. CURRENT ASSETS	22 746 524,58	1 652 436,70
A.II.2. Short-term Pre-Financing	22 746 524,58	1 638 371,74
A.II.3. Short-term Receivables		14 064,96
<b>ASSETS</b>	<b>30 030 631,15</b>	<b>19 824 984,99</b>
P.III. CURRENT LIABILITIES	-44 791 137,58	-9 609 318,26
P.III.4. Accounts Payable	-44 791 137,58	-9 609 318,26
<b>LIABILITIES</b>	<b>-44 791 137,58</b>	<b>-9 609 318,26</b>
<b>NET ASSETS (ASSETS less LIABILITIES)</b>	<b>-14 760 506,43</b>	<b>10 215 666,73</b>
P.I.2. Accumulated Surplus / Deficit	0,00	0,00
Non-allocated central (surplus)/deficit*	14 760 506,43	-10 215 666,73
<b>TOTAL</b>	<b>0,00</b>	<b>0,00</b>

\* 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

It should be noted that the balance sheet and economic outturn account 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 tables 4 and 5 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 5 : ECONOMIC OUTTURN ACCOUNT PHEA**

<b>ECONOMIC OUTTURN ACCOUNT</b>	<b>2010</b>	<b>2009</b>
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	76 088 661,74	40 796 843,22
II.1.2. OPERATING EXPENSES	76 088 661,74	40 796 843,22
II.1.2.1. Administrative Expenses	0,00	
II.1.2.2. Operating Expenses	76 088 661,74	40 796 843,22
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	-2 552,64	-29 974,20
II.2. FINANCIAL OPERATIONS	-2 552,64	-29 974,20
II.2.1. Financial revenue	-2 552,64	-29 974,20
<b>ECONOMIC OUTTURN ACCOUNT</b>	<b>76 086 109,10</b>	<b>40 766 869,02</b>

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Additionally, the figures included in tables 4 and 5 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 2010 - DG PHEA**

Legal Times							
Maximum Payment Time	Total Number of Payments	Nbr of Payments	Percentage	Average Payment Times	Nbr of Late Payments	Percentage	Average Payment Times
30	17	16	94,12 %	13,00	1	5,88 %	34,00
45	333	316	94,89 %	15,88	17	5,11 %	54,29
90	31	28	90,32 %	64,61	3	9,68 %	135,33

<b>Total Number of Payments</b>	<b>381</b>	<b>360</b>	<b>94,49 %</b>		<b>21</b>	<b>5,51 %</b>	
<b>Average Payment Time</b>	<b>22,04</b>			<b>19,54</b>			<b>64,90</b>

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments	Percentage	Average Payment Times	Nbr of Late Payments	Percentage	Average Payment Times
20	124	114	91,94 %	10,22	10	8,06 %	28,30
30	226	169	74,78 %	14,11	57	25,22 %	41,25
75	31	19	61,29 %	57,00	12	38,71 %	94,33

<b>Total Number of Payments</b>	<b>381</b>	<b>302</b>	<b>79,27 %</b>		<b>79</b>	<b>20,73 %</b>	
<b>Average Payment Time</b>	<b>22,04</b>			<b>15,34</b>			<b>47,67</b>

Suspensions							
Average Report Approval	Average Payment	Number of Suspended	% of Total Number	Total Number of Payments	Amount of Suspended	% of Total Amount	Total Paid Amount
34	25	160	41,99 %	381	20 098 068,00	39,45 %	50 950 492,72

Late Interest paid in 2010			
DG	GL Account	Description	Amount (Eur)

**TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2010**

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		
<b>Title 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY/EU AGREEMENTS AND PROGRAMMES</b>								
66	OTHER CONTRIBUTIONS AND REFUNDS	10 200,64	14 064,96	24 265,60	10 200,64	14 064,96	24 265,60	0,00
	<b>Total Title 6</b>	<b>10 200,64</b>	<b>14 064,96</b>	<b>24 265,60</b>	<b>10 200,64</b>	<b>14 064,96</b>	<b>24 265,60</b>	<b>0,00</b>
<b>Title 9: MISCELLANEOUS REVENUE</b>								
90	MISCELLANEOUS REVENUE	2,84	0,00	2,84	2,84	0,00	2,84	0,00
	<b>Total Title 9</b>	<b>2,84</b>	<b>0,00</b>	<b>2,84</b>	<b>2,84</b>	<b>0,00</b>	<b>2,84</b>	<b>0,00</b>
<b>Total DG PHEA</b>		<b>10 203,48</b>	<b>14 064,96</b>	<b>24 268,44</b>	<b>10 203,48</b>	<b>14 064,96</b>	<b>24 268,44</b>	<b>0,00</b>

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS**  
**(Number of Recovery Contexts and corresponding Transaction Amount)**

RECOVERY ORDERS ISSUED IN 2010 Year of Origin (commitment)	No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount
2008	1	4 193,46	1	4 193,46
2009	2	6 007,18	2	6 007,18
	<b>3</b>	<b>10 200,64</b>	<b>3</b>	<b>10 200,64</b>

EXPENSES		
	Nbr	Amount
INCOME LINES IN INVOICES	0	

	No error / irregularity	
	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	72	1 968 024,27

	No error / irregularity	
	Nbr	Credit Note Amount
CREDIT NOTES	4	-593 335,00

**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2010 FOR PHEA**

<b>Year of Origin</b>	<b>Number at 01/01/2010</b>	<b>Number at 31/12/2010</b>	<b>Evolution</b>	<b>Open Amount (Eur) at 01/01/2010</b>	<b>Open Amount (Eur) at 31/12/2010</b>	<b>Evolution</b>
2009	2		-100,00 %	14 064,96		-100,00 %
Totals	2		-100,00 %	14 064,96		-100,00 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2010 >= EUR 100.000

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
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Total DG PHEA	
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Number of RO waivers	0
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*Justifications:*

No data to be reported

No data to be reported

**TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG PHEA - YEAR 2010**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
<b>Total</b>		

**No data to be reported**



**TABLE 13 : BUILDING CONTRACTS**

<b>Total number of contracts :</b>	<b>0</b>
<b>Total amount :</b>	

<b>Legal base</b>	<b>Contract Number</b>	<b>Contractor Name</b>	<b>Description</b>	<b>Amount (€)</b>
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**No data to be reported**

**TABLE 14 : CONTRACTS DECLARED SECRET**

Total Number of Contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)
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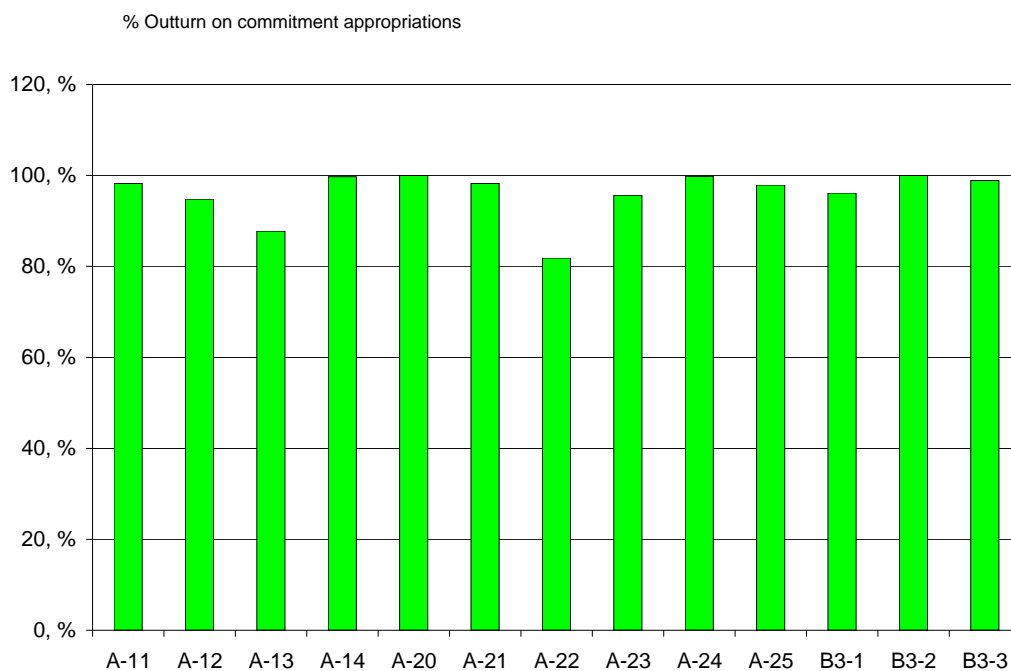
**No data to be reported**

**Annex 3 Financial Reports - PHEA - Financial Year 2010****Administrative Budget****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 : Recovery of undue Payments****Table 9 : Ageing Balance of Recovery Orders****Table 10 : Waivers of Recovery Orders**

**Additional comments**

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations	Commitments made	%
		1	2	3=2/1
<b>Title A-1 EXPENSES FOR PERSONNEL LINKED TO THE AGENCY</b>				
A-11	PERSONNEL IN ACTIVITY	3,19	3,13	98,23 %
A-12	RECRUITMENT AND PAYROLL SERVICE	0,07	0,06	94,78 %
A-13	SOCIAL INFRASTRUCTURE AND TRAINING	0,16	0,14	87,77 %
A-14	OTHER SERVICES	0,29	0,29	99,76 %
<b>Total Title A-1</b>		<b>3,71</b>	<b>3,63</b>	<b>97,84 %</b>
<b>Title A-2 CENTRAL SUPPORT COSTS</b>				
A-20	BUILDINGS AND ASSOCIATED COSTS	0,59	0,59	100,00 %
A-21	TELECOMMUNICATION AND COMPUTERS	0,30	0,29	98,28 %
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	0,01	0,01	81,88 %
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	0,02	0,02	95,63 %
A-24	POSTAL CHARGES	0,01	0,01	99,81 %
A-25	SUPPLEMENTARY SERVICES	0,15	0,15	97,88 %
<b>Total Title A-2</b>		<b>1,08</b>	<b>1,07</b>	<b>98,97 %</b>
<b>Title B0-3 EXPENDITURE LINKED TO THE AGENCY OPERATIONS</b>				
B3-1	MEETINGS AND MISSIONS	0,62	0,60	96,15 %
B3-2	OPERATIONAL DATA PROCESSING	0,50	0,50	99,99 %
B3-3	INFORMATION, PUBLICATION & OTHER SERVICES	0,86	0,85	98,92 %
<b>Total Title B0-3</b>		<b>1,99</b>	<b>1,95</b>	<b>98,33 %</b>
<b>TOTAL PHEA%</b>		<b>6,77</b>	<b>6,65</b>	<b>98,16 %</b>

\* 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).

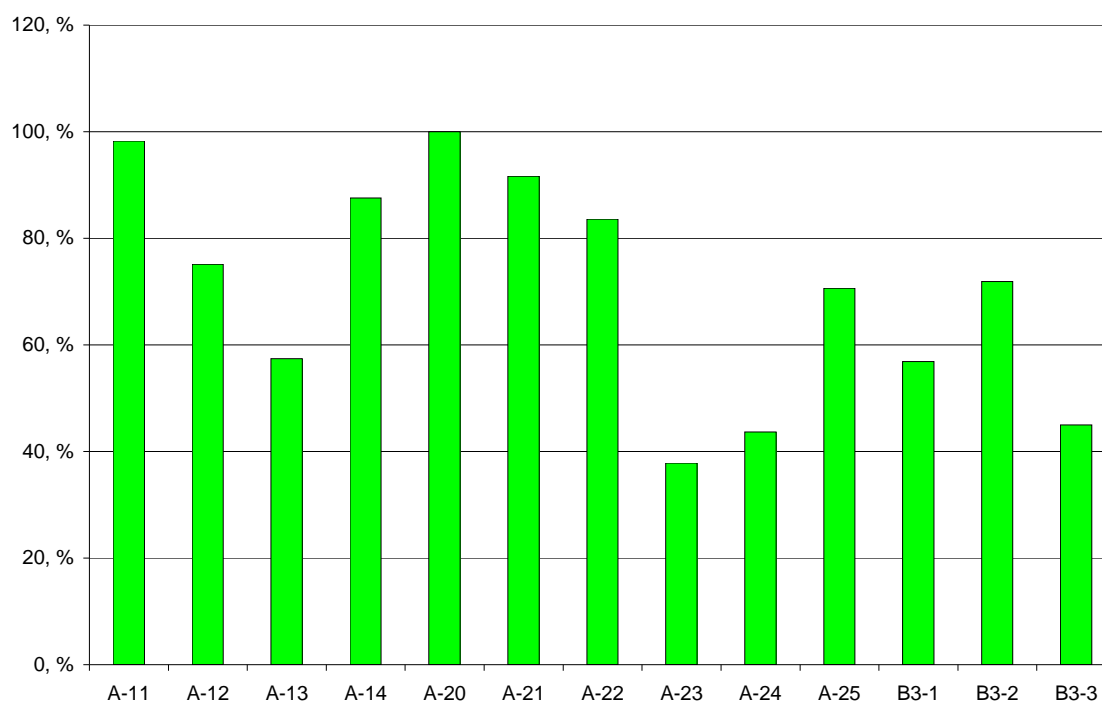


**TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)**

Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
<b>TITLE A-1 EXPENSES FOR PERSONNEL LINKED TO THE AGENCY</b>				
A-11	PERSONNEL IN ACTIVITY	3,19	3,13	98,23 %
A-12	RECRUITMENT AND PAYROLL SERVICE	0,08	0,06	75,14 %
A-13	SOCIAL INFRASTRUCTURE AND TRAINING	0,22	0,13	57,40 %
A-14	OTHER SERVICES	0,34	0,30	87,57 %
<b>TOTAL A-1</b>		<b>3,83</b>	<b>3,62</b>	<b>94,44 %</b>
<b>TITLE A-2 CENTRAL SUPPORT COSTS</b>				
A-20	BUILDINGS AND ASSOCIATED COSTS	0,59	0,59	100,00 %
A-21	TELECOMMUNICATION AND COMPUTERS	0,36	0,33	91,63 %
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	0,03	0,03	83,60 %
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	0,03	0,01	37,83 %
A-24	POSTAL CHARGES	0,01	0,01	43,66 %
A-25	SUPPLEMENTARY SERVICES	0,29	0,20	70,61 %
<b>TOTAL A-2</b>		<b>1,32</b>	<b>1,17</b>	<b>88,73 %</b>
<b>TITLE B0-3 EXPENDITURE LINKED TO THE AGENCY OPERATIONS</b>				
B3-1	MEETINGS AND MISSIONS	0,75	0,43	56,88 %
B3-2	OPERATIONAL DATA PROCESSING	0,88	0,63	71,91 %
B3-3	INFORMATION, PUBLICATION & OTHER SERVICES	1,46	0,66	45,01 %
<b>TOTAL B0-3</b>		<b>3,10</b>	<b>1,72</b>	<b>55,55 %</b>
<b>TOTAL PHEA%</b>		<b>8,26</b>	<b>6,52</b>	<b>78,93 %</b>

\* 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).

% Outturn on payment appropriations



**TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio €)**

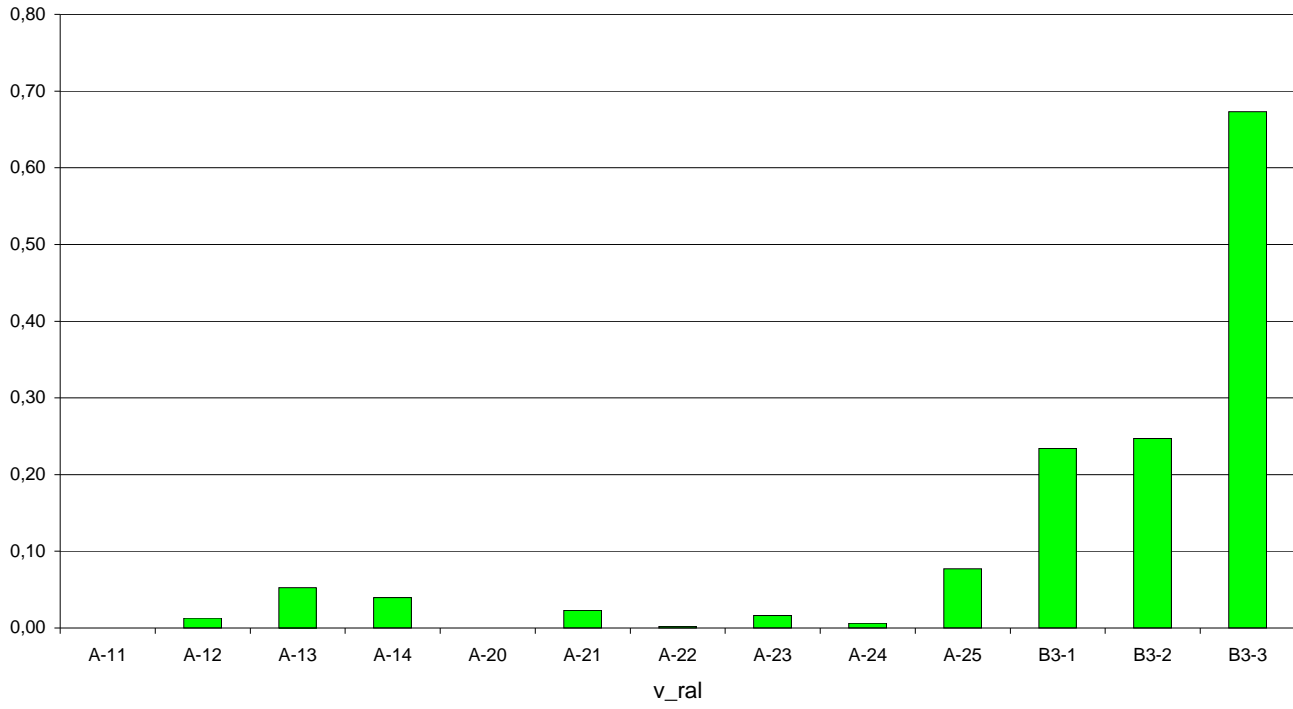
Chapter		2010 Commitments to be settled			
		Commitments 2010	Payments 2010	RAL 2010	% to be settled
		1	2	3=1-2	4=1-2//1
<b>Title A-1 EXPENSES FOR PERSONNEL LINKED TO THE AGENCY</b>					
A-11	PERSONNEL IN ACTIVITY	3,13	-3,13	0,00	0,00 %
A-12	RECRUITMENT AND PAYROLL SERVICE	0,06	-0,05	0,01	20,46 %
A-13	SOCIAL INFRASTRUCTURE AND TRAINING	0,14	-0,09	0,05	37,63 %
A-14	OTHER SERVICES	0,29	-0,25	0,04	13,54 %
<b>Total Title A-1</b>		<b>3,63</b>	<b>-3,53</b>	<b>0,11</b>	<b>2,90 %</b>

<b>Title A-2 CENTRAL SUPPORT COSTS</b>					
A-20	BUILDINGS AND ASSOCIATED COSTS	0,59	-0,59	0,00	0,00 %
A-21	TELECOMMUNICATION AND COMPUTERS	0,29	-0,27	0,02	7,87 %
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	0,01	-0,01	0,00	24,27 %
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	0,02	0,00	0,02	87,79 %
A-24	POSTAL CHARGES	0,01	0,00	0,01	100,00 %
A-25	SUPPLEMENTARY SERVICES	0,15	-0,07	0,08	50,88 %
<b>Total Title A-2</b>		<b>1,07</b>	<b>-0,94</b>	<b>0,12</b>	<b>11,69 %</b>

<b>Title B0-3 EXPENDITURE LINKED TO THE AGENCY OPERATIONS</b>					
B3-1	MEETINGS AND MISSIONS	0,60	-0,36	0,23	39,20 %
B3-2	OPERATIONAL DATA PROCESSING	0,50	-0,26	0,25	49,15 %
B3-3	INFORMATION, PUBLICATION & OTHER SERVICES	0,85	-0,18	0,67	78,86 %
<b>Total Title B0-3</b>		<b>1,95</b>	<b>-0,80</b>	<b>1,15</b>	<b>59,09 %</b>

<b>TOTAL PHEA%</b>		<b>6,65</b>	<b>-5,27</b>	<b>1,38</b>	<b>20,81 %</b>
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Breakdown of Commitments remaining to be settled (in Mio EUR)



**TABLE 4 : BALANCE SHEET PHEA**

<b>BALANCE SHEET</b>	<b>2010</b>	<b>2009</b>
<b>A.I. NON CURRENT ASSETS</b>	83 415,00	107 291,00
A.I.1. Intangible Assets	38 410,00	65 896,00
A.I.2. Property, plant and equipment	45 005,00	41 395,00
<b>A.II. CURRENT ASSETS</b>	<b>1 759 421,03</b>	<b>1 952 630,84</b>
A.II.2. Short-term Pre-Financing	29 940,00	
A.II.3. Short-term Receivables	-2 702,15	27 572,68
A.II.5. Cash and Cash Equivalents	1 732 183,18	1 925 058,16
<b>ASSETS</b>	<b>1 842 836,03</b>	<b>2 059 921,84</b>
<b>P.II. NON CURRENT LIABILITIES</b>		-27 692,00
P.II.2. Long-term provisions		-27 692,00
<b>P.III. CURRENT LIABILITIES</b>	<b>-1 117 567,29</b>	<b>-989 583,02</b>
P.III.4. Accounts Payable	-1 117 567,29	-989 583,02
<b>LIABILITIES</b>	<b>-1 117 567,29</b>	<b>-1 017 275,02</b>
<b>NET ASSETS (ASSETS less LIABILITIES)</b>	<b>725 268,74</b>	<b>1 042 646,82</b>
Non-allocated central (surplus)/deficit*	725 268,74	1 042 646,82
<b>TOTAL</b>	<b>0,00</b>	<b>0,00</b>

\* 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

It should be noted that the balance sheet and economic outturn account 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 tables 4 & 5 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 5 : ECONOMIC OUTTURN ACCOUNT PHEA**

<b>ECONOMIC OUTTURN ACCOUNT</b>	<b>2010</b>	<b>2009</b>
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT	317 378,08	-700 009,89
II.1.1. OPERATING REVENUES	-6 419 219,22	-5 897 019,66
II.1.1.1. Other operating revenue	-6 419 219,22	-5 897 019,66
II.1.2. OPERATING EXPENSES	6 736 597,30	5 197 009,77
II.1.2.1. Administrative Expenses	6 736 193,92	5 197 009,75
II.1.2.2. Operating Expenses	403,38	0,02
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT		14,00
II.2. FINANCIAL OPERATIONS		14,00
II.2.2. Financial expenses		14,00
<b>ECONOMIC OUTTURN ACCOUNT</b>	<b>317 378,08</b>	<b>-699 995,89</b>

It should be noted that the balance sheet and economic outturn account 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 tables 4 & 5 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 2010 - PHEA**

**Legal Times**

Maximum Payment Time	Total Number of Payments	Nbr of Payments	Percentage	Average Payment	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	385	371	96,36 %	10,18	14	3,64 %	61,07
45	457	444	97,16 %	17,45	13	2,84 %	52,69

<b>Total Number of Payments</b>	<b>842</b>	<b>815</b>	<b>96,79 %</b>		<b>27</b>	<b>3,21 %</b>	
<b>Average Payment Time</b>	<b>15,52</b>			<b>14,14</b>			<b>57,04</b>

**Target Times**

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments	Percentage	Average Payment	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	2	2	100,00 %	6,00			
30	840	786	93,57 %	13,39	54	6,43 %	46,78

<b>Total Number of Payments</b>	<b>842</b>	<b>788</b>	<b>93,59 %</b>		<b>54</b>	<b>6,41 %</b>	
<b>Average Payment Time</b>	<b>15,52</b>			<b>13,37</b>			<b>46,78</b>

**Suspensions**

Average Report	Average Payment	Number of Suspended	% of Total Number	Total Number of Payments	Amount of Suspended	% of Total Amount	Total Paid Amount
0	27	59,	7,01 %	842,	269 551,64	6,90 %	3 904 863,10

Late Interest paid in 2010			
DG	GL Account	Description	Amount (Eur)

**TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2010**

<b>Title</b>	<b>Description</b>	<b>Year of Origin</b>	<b>Revenue and Income recognized</b>	<b>Revenue and Income cashed</b>	<b>Outstanding Balance</b>
A-1	EUROPEAN COMMUNITY	2009	0,00	0,00	0,00
A-1	EUROPEAN COMMUNITY	2010	6 640 327,00	3 085 867,00	3 554 460,00
A-2	PARTICIPATION OF THIRD COUNTRIES	2009	770,17	770,17	0,00
A-2	PARTICIPATION OF THIRD COUNTRIES	2010	134 173,00	61 633,00	72 540,00
A-9	MISCELLANEOUS REVENUE	2010	1 783,71	0,00	1 783,71
<b>TOTAL</b>			<b>6 776 283,71</b>	<b>3 148 270,17</b>	<b>3 628 783,71</b>

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS**  
**(Number of Recovery Contexts and corresponding Transaction Amount)**

RECOVERY ORDERS ISSUED IN 2010 Year of Origin (commitment)	TOTALS	
	Nbr	RO Amount
Sum:		

EXPENSES	Nbr	Amount
	INCOME LINES IN INVOICES	0,

	Nbr	Amount
	NON ELIGIBLE AMOUNT IN COST CLAIMS	0,

	Credit Note	Context	No error / irregularity	
			Nbr	Amount
CREDIT NOTES				

**TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2010 FOR PHEA**

<b>Year of Origin</b>	<b>Number at 01/01/2010</b>	<b>Number at 31/12/2010</b>	<b>Evolution</b>	<b>Open Amount (Eur) at 01/01/2010</b>	<b>Open Amount (Eur) at 31/12/2010</b>	<b>Evolution</b>
2009	2	1	-50,00 %	770,17	0,00	-100,00 %
2010		1			270,29	
<b>Totals</b>	2	2	0,00 %	770,17	270,29	-64,91 %

**TABLE 10 : RECOVERY ORDER WAIVERS IN 2010 >= EUR 100.000**

	<b>Waiver Central Key</b>	<b>Linked RO Central Key</b>	<b>RO Accepted amount (Eur)</b>	<b>LE Account Group</b>	<b>Commission Decision</b>	<b>Comments</b>
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<b>Total PHEA</b>	
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<b>Number of RO waivers</b>	<b>0</b>
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***Justifications:***

## ANNEX 4: MATERIALITY CRITERIA

### Materiality criteria used

To obtain the qualified reasonable assurance statement on which the Annual Declaration is based included in the present Report, a set of materiality criteria were used.

The materiality criteria used are based on the Standing Instructions for the preparation of Annual Activity Reports for 2010.

As far as EAHC activities are concerned, deficiencies are considered material by applying the following qualitative and quantitative criteria.

### Qualitative criteria for defining significant weaknesses

- does the deficiency point to significant and repetitive errors affecting the legality and regularity of the executed operations;
- does the deficiency affect - or is it likely to affect - in a significant manner the reputation and/or credibility of the Agency and/or the Commission;
- does the deficiency concern a critical or an important issue raised by the European Court of Auditors and/or the Commission (i.e. its Internal Audit Service or the Agency's parent DG (SANCO));
- does the weakness identify a serious deficiency in the Agency's (internal) control system and/or (internal) control arrangements;
- does the Agency judge that it does not have sufficient evidence from internal control systems and/or audit coverage (i.e. ex-post audit).

### Quantitative criteria for defining significant weaknesses

For errors affecting the legality and/or regularity of the financial transaction:

- does the potential total financial impact exceed 2% of the total budget paid for the activity during the reporting period, in case of a randomly selected sample.

The potential total financial impact is calculated by applying the average rate of adjustments to the advantage of the Agency resulting from all audits finalised for the programme so far to the amount of un-audited payments for the programme in the year of the annual declaration.

However, the defined materiality thresholds will only be applied if the number of grants audited is sufficiently representative for the overall amount of grants managed by the Agency. This is to say, that the sample of audited contracts should cover at least 5% of the total number of open contracts at the end of the preceding year to the annual declaration.

## ANNEX 5: INTERNAL CONTROL TEMPLATE FOR BUDGET IMPLEMENTATION

### I. Grant management

#### 1. Characteristics of the Agency's policy environment and beneficiaries: co-financing through reimbursement of eligible costs

##### Summary :

The Executive Agency for Health and Consumers is entrusted with a number of implementing tasks concerning EU grants and contracts under the subsequent Public Health Programmes<sup>30</sup> and the Consumer Programme<sup>31</sup>, multi annual EU programmes.

Accordingly, the Agency manages the various implementation phases of Community programmes from the publication of an annual call for proposals, through evaluation and negotiation to the signing of grant agreements and the monitoring of the projects awarded for co-financing.

##### Key inherent risks in this environment :

The programmes are implemented through "indirect centralised management", which implies Community financial contributions via the intermediary of the Agency awarding co-financing contracts signed with external parties (E.g. public or private organisations, academic institutions).

The projects are carried out by mono contractors or consortia of multiple public and academic organisations, NGO's and private entities<sup>32</sup>, located in different countries within Europe (even outside the EU), and involve relative important sums of co-financing contributions.

To mitigate the risks inherent to the evaluation process of a call for proposals, the Agency developed procedures to ensure that the best proposals are chosen in a competent, objective, impartial and transparent manner. These measures were next submitted for assessment and approval to the Agency's parent DG (SANCO), and were implemented under the Commission's supervision to ensure that only projects which are relevant for the programmes' success are selected.

It is to be noted that the requirement to calculate and reimburse 'actual' eligible costs under complex rules (e.g. no profit, no double financing, co-financing needed) gives rise to mainly unintentional 'errors' in cost claims. This situation leads under the given legal and financial framework governing the programmes, to the frequent occurrence of errors made by beneficiaries issuing cost statements, each operating their own control system. Moreover, in view of the actual cost concept, the Agency disposes of a limited possibility to control eligibility of costs via desk checks whilst the large number of beneficiaries hampers the reliance on the

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<sup>30</sup> Council and European Parliament Decision N° 1786/2002/EC of 23.09.2002 adopting a programme of Community action in the field of public health (2003-2008) and Decision N° 1350/2007/EC of 23.10.2007 establishing a second programme of Community action in the field of health (2008-2013)

<sup>31</sup> Council and European parliament Decision N° 1926/2006/EC of 18.12.2006 constitutes the financial framework of consumer policy (2007-2013)

<sup>32</sup> although exceptionally a project might be carried out by a single contractor

assurance from the beneficiaries' control system.

Regarding operational risks, controls are essentially based on declarations from the beneficiaries via technical reports.

**Management mode:**

Indirect Centralised Management. EC grants are awarded indirectly with intermediary of the Agency. For multi-beneficiary projects, the co-ordinating main beneficiary manages the distribution of funds between the consortium members. Actual eligible costs are reimbursed, covering up to a maximum of these eligible costs, requiring co-financing and non-profit.

**Grant period:**

Disbursed over a project lifetime of 1 up to 3 years.

**Average value/ range:**

See point 2.1.1.2. of the AAR.

**Number of coordinators / beneficiaries:**

See point 2.1.1.2. of the AAR.

**Grant basis:**

Actual eligible costs, limited to 60% of costs<sup>33</sup> for PHP grants, and varying from 50% up to 95% for operating grants under the Consumer Programme.

**Volume of transactions per year:**

See point 2.1.1.2. and Annex 3 of the AAR.

**2. Elements of the internal control systems and actors, through programme life cycle.**

The objectives of these controls are to ensure good quality of selected projects, good performance and sound financial management.

**Selection process** (of beneficiaries, intermediaries, agencies etc.), including preventive measures

**Characteristics of the selection process of beneficiaries**

Proposals are selected according to their contribution to the work programme and other criteria imposed by the legal basis. The objectivity in proposal selection is ensured by seeking the opinion of (external) independent reviewers (who are required to be independent of the candidates and to declare every conflict of interest). Beneficiaries are checked against a legal entity list and the Commission Early Warning System.

<sup>33</sup> As from the PHP Call 2008, the actual eligible costs are limited to 60% of costs per project instead of per consortium contractor.

<p><b>Preventive and directive</b> measures to improve the quality of financial management and provision of data by beneficiaries and intermediaries</p>	<p><b>Description of the communication strategy towards beneficiaries, internal proceedings</b></p> <p>Measures have been set up for co-ordination between the Agency and its parent DG, smooth communication with (potential) contractors and further intensified controls (e.g. identification of recurrent projects).</p> <p>Specific communication has been developed to ensure that beneficiaries understand the call for proposals objectives, the contract requirements and provisions allowing hence to reduce the number of errors and omissions in the claims made to the Agency.</p> <p>It is important to refer to:</p> <ul style="list-style-type: none"> <li>➤ The Agency's internet website;</li> <li>➤ The organisation of Call Information days;</li> <li>➤ Extensive proposal guides for beneficiaries on applying for projects, making of an estimated project budget, the eligibility of costs and making of final cost claims, audit certificates and access by auditors;</li> <li>➤ Direct contact for (potential) contractors to the Agency's project officers and financial officers to address and resolve particular queries.</li> </ul>
<p><b>Detective and corrective controls:</b></p> <p>Verification of commitments, pre-financing, interim, payments and key milestones.</p> <p>Monitoring of the project</p>	<p><b>Controls before and during the implementation period of the projects</b></p> <p>Premise: description of the ex ante control methodology in terms of scope</p> <p><u>Project selection phase:</u></p> <p>In line with the Commission Financial Regulation on grant management, the Agency applies selection and award criteria. (External) independent experts having signed a declaration of absence of conflict of interest, evaluate the proposals and document their assessments. Doing so, the Agency aims to ensure that projects are selected in view of their relevance for the programme in a transparent, objective and impartial way.</p> <p><u>Contract negotiation phase:</u></p> <p>Determining project budget, co-funding and pre-financing schemes. Beneficiaries are screened against a legal entity list, are required to comply with the rules for participation covering technical competence, resources and other participation criteria. Basic deficiencies in contractors' understanding of the contract provisions can be detected and rectified this way, with a resulting corrective effect during the implementation of the project.</p> <p><u>Contract preparation phase:</u></p> <p>Review and checks of technical action plan and budget</p>

	<p>in view of consistency and plausibility. Legal &amp; Financial Viability checks, safeguarding measures (financial guarantees, inclusion of specific contractual provisions (e.g. joint financial liability of beneficiaries, recovery clauses, termination) to increase the possibility that the Agency will succeed in recovering sums that might be unduly paid. Also, the contractor's financial viability is verified to ensure that they will not be over-dependent on the Community support (to decrease the risk to over claim) or that project completion would be jeopardised (e.g. due to bankruptcy).</p> <p><u>Project management:</u></p> <p>Project officers – assisted by financial officers - check operational and financial deliverables including the project final technical implementation report. Guidelines are available for beneficiaries and staff. During lifetime of project only pre-financing made implying entirety of funds paid remain propriety of the European Community. Offsetting pre-financing amounts against final cost claim.</p> <p>100% of final cost claim is subject to ex ante financial (desk) checks with substantive sampled supporting documentation of individual cost items to ensure costs have been claimed in the correct categories, in respect of the contractual provisions and budgets have not been exceeded.</p> <p>When audit certificates are required, beneficiaries have to make their cost claims certified by an independent auditor. The auditor checks whether the claims made are actual, correctly recorded in the accounts and in the eligible period.</p> <p>Assisted by financial officers, controls on operational, financial and legal matters are carried out by and under the responsibility of the project officers, stating the by the European Union Financial Regulation defined "Certified correct". The "Passed for payment" is delivered by the Project Officer's Head of Unit.</p>
<p><b>Corrective controls and audits:</b></p> <p>Either on the system or on individual projects.</p> <p>At the end of the project (before or after the final payment)</p>	<p><b>Controls at the end of the project</b></p> <p><i>Description of the ex post control strategy</i></p> <p>In view of the increasing number of finalised projects in the Agency's portfolio, the on-site financial audits are outsourced to a contracted audit firm, monitored by the EAHC ex-post control audit cell.</p> <p>Projects and beneficiaries to be audited are partly selected at random, partly on the basis of identified risk profiles, as high value beneficiaries or on the basis of specific requests from the operational officers. Before an</p>

	<p>audit is carried out, the ex-post audit cell of the parent DG is consulted.</p> <p>Carried out after the final payment, on-the-spot checks and audits of the contractor's accounting records and supporting documentation enable the Agency to apply corrections, avoiding recovery procedures when the audit is performed before the last payment.</p> <p>Following the closure of the audit, the audit cell follows-up with the Agency's project officer the implementation of the audit results, including the implementation to non audited projects in the case of identified systematic errors, eventually involving more EAHC project officers.</p> <p>It is to be noted that – as part of its audit strategy - the Agency reminds its contractors on a regular basis that their accounts may be audited hence creating a considerable dissuasive effect on beneficiaries, being subject to contractual provisions as recovery clauses, penalty and/or termination of the contract.</p>
<b>3. Key indicators supporting reasonable assurance</b>	
<p><b>Input:</b></p> <p>Resources devoted to ensure legality and regularity of underlying transactions</p>	<p>Number of EAHC internal staff dealing with:</p> <ul style="list-style-type: none"> <li>ex-ante verification: 1</li> <li>ex-post control: 1 (2 part-time)</li> <li>internal audit: 1 (1 part-time)</li> </ul>
<p><b>Output:</b></p> <p>Controls during project implementation</p>	<p>100% of transactions are subject to an ex-ante desk control before authorisation by the Authorising Officer.</p>
<p><b>Output:</b></p> <p>Controls carried out during the ex-post phase of projects</p>	<p>The Agency's on-the-spot-control cell is administratively attached to the Director's office and operates independently from the Agency units.</p> <p>The on-the spot controls strategy implemented by the EAHC's audit team or with the support of external contractors (outsourced audits), focused on the following objectives:</p> <ul style="list-style-type: none"> <li>• Maximise the impact of corrective and recovery mechanisms by targeting audit efforts on those beneficiaries which: <ul style="list-style-type: none"> <li>○ Receive significant contributions from the programme budget managed by the Agency;</li> <li>○ Have a higher a priory risk profile (in terms of the type of the received grant, the structure of the multi-beneficiary consortium, the duration of the action/programme of the</li> </ul> </li> </ul>

	<p>grant, beneficiaries which have received more than one grant)</p> <ul style="list-style-type: none"> <li>o Have been identified at risk (in terms of possible overcharging, fraud and/or irregularities).</li> </ul> <ul style="list-style-type: none"> <li>• Assess the regularity and legality of financial transactions and provide input to the Annual Declaration of Assurance by providing estimates on the residual error rate in the population on the basis of <ul style="list-style-type: none"> <li>o Qualitative analysis of the population assessing the inherent risks of the spent budget.</li> </ul> </li> </ul> <p>The purpose of the ex-post strategy is to enable EAHC, by the end of the programmes, to declare the budget managed under its control below the materiality level specified in Annex 4.</p> <p>For details on the performed controls, see point 3.1.1. of the AAR.</p>
<b>4. Internal and external supervisory and audit controls</b>	
<p><b>Verification that processes are working as designed</b></p>	<p>Thanks to formal risk assessments addressing the strengths, concerns and opportunities associated with the Agency's mission, objectives and tools, EAHC implements its risk control system in line with the Commission guidelines.</p> <p>In addition, (line)management carries-out supervision using:</p> <ul style="list-style-type: none"> <li>✓ management's information gathered through day-to-day work and experience;</li> <li>✓ the ex-ante and ex-post controls and reporting;</li> <li>✓ the results of annual Internal Control Standards (ICS) reviews ('almost full compliance with baseline requirements') and the discussion of the conclusions at management level;</li> <li>✓ the audits and consultancy work performed by the Agency's IAC supplemented by audits performed by the Commission Internal Audit Service (IAS) and the European Court of Auditors..</li> </ul>
<p><b>Monitoring of performance of 3<sup>rd</sup> party auditors, externally contracted auditors</b></p>	<p>The Agency out-sources its ex-post financial audits to a contracted audit firm, monitored by the EAHC ex-post control audit cell, eventually via joint audits involving auditors of the internal EAHC team of auditors.</p>
<p><b>IAC, IAS, ECA, EP Feedback on adequacy of the</b></p>	<p>See point 2.3.2. above of the AAR.</p>

system	
<p><b>High level management reporting and its role in identifying problem issues</b></p>	<p>The Agency reports on a quarterly basis to its parent DG and Steering Committee, composed of five Commission representatives.</p> <p>The Agency's Steering Committee meets four times a year. It supervises the Agency's activities, provides guidance to the Agency management and adopts decisions in compliance with the relevant Commission Decisions and guidelines on Executive Agencies.</p> <p>The Agency management receives feedback on the effectiveness of the operational processes through several information channels:</p> <ul style="list-style-type: none"> <li>✓ Follow-up and monitoring arrangements, including bi-weekly management meetings, follow-up of the implementation of the Agency's Annual Work Programme;</li> <li>✓ Regular meetings of management and departments, involving the Director and the heads of departments to monitor progress towards the achievements of the Annual Work Programme;</li> <li>✓ Minutes of meetings are established and available to staff (via the intranet);</li> <li>✓ Daily financial scoreboards on the status and progress achieved of transactions and budget execution;</li> <li>✓ Reporting of the progress made during the year via the Annual Activity Report</li> </ul>

## II. Procurement

### 1. Characteristics of the Agency's policy environment and stakeholders

#### Summary :

The Executive Agency for Health and Consumers is entrusted with a number of implementing tasks concerning EU grants and contracts under the subsequent Public Health Programmes<sup>34</sup>, the Consumer Programme<sup>35</sup>, multi annual EU programmes and the Better Training for Safer Food initiative<sup>36</sup>.

Accordingly, the Agency buys mainly services in the area of scientific studies, data collection, training, information campaign etc. The contractors are mainly universities, medical centres, research institutes, consultancy firms. There are 28 procurement contracts awarded in 2009.

#### Key inherent risks in this environment :

Procurement is highly regulated. Detailed rules exist with in depth guidance based on experience and the jurisprudence of court judgements. In-depth knowledge is necessary to manage procurement effectively (risk of choosing wrong procedure/threshold).

Sometimes no (or a very limited of) offers are received. In certain areas there is a risk for over-dependency on contractors due to the limited number of economic providers and/or need for specific and advanced knowledge.

Errors or mismanagement risk costing substantial resources (human and financial), if they are contested, even unsuccessfully.

A reputational risk for the Agency and the Commission exists if fraud or criminality is discovered.

#### Management mode:

Indirect Centralised Management. procurement contracts are awarded indirectly with intermediary of the Agency.

#### Contract period:

Running over a period of 1 up to 3 years.

#### Average value/ range:

At 31.12.2009, the Agency's portfolio of procurement contracts contained 32 procurement, split between the different activities as 10 Public Health

<sup>34</sup> Council and European Parliament Decision N° 1786/2002/EC of 23.09.2002 adopting a programme of Community action in the field of public health (2003-2008) and Decision N° 1350/2007/EC of 23.10.2007 establishing a second programme of Community action in the field of health (2008-2013)

<sup>35</sup> Council and European parliament Decision N° 1926/2006/EC of 18.12.2006 constitutes the financial framework of consumer policy (2007-2013)

<sup>36</sup> "Better Training for Safer Food" is a Commission initiative aimed at organising a Community (EU) training strategy in the areas of food law, feed law, animal health and animal welfare rules, as well as plant health rules.

Programme contracts, 10 Consumer Programme contracts and 12 Better Training for Safer Food contracts.

**2. Management and control systems – the basis of the declaration of assurance**

<p><b>Planning and selection process of contractors, including preventive controls</b></p>	<ul style="list-style-type: none"> <li>➤ As regards planning, each of the three operational activities develops in the 4<sup>th</sup> quarter of year N-1 a detailed work programme to be adopted by the Commission and the Agency's Steering Committee which specifies the areas for which call for tenders will be organised and, where appropriate, the related budget;</li> <li>➤ The work programme, once adopted, constitutes a Financing Decision as specified in Art 75 of the EC Financial Regulation;</li> <li>➤ Preventive actions are implemented with the aim of reinforcing sound financial management, enhancing open and transparent procurement procedures, promoting accountability and integrity of financial and operational actors as well as reporting of irregularities by staff (including measures ensuring effective protection of whistleblowers), and improving internal controls;</li> <li>➤ For high value contracts (above 60.000 €) an evaluation committee is set up to prepare the selection of the contractors. Members of evaluation committees are asked to sign a document reminding them of their obligation to declare any potential conflict of interest;</li> <li>➤ Declaration of lack of conflict of interest (not only for member of committee but also for the manager);</li> <li>➤ Control of purchases and services contracts: the Advisory Committee for Procurement Contracts (ACPC) verifies that the procedures for the public procurement have been correctly followed. This Committee verifies the correct application of the procedures for contracts above 125.000 €;</li> <li>➤ Before a contract is signed, contractors must show that they are not in one of the situations of exclusion specified in the Financial Regulation (bankruptcy, failure to pay tax or social security contribution, convicted of an offence concerning their professional conduct). Before each transaction is authorised, staff are automatically alerted by the computerised financial system if the Commission is aware of this or any similar problem. Information on exclusions will be shared with all organisations involved in managing EU funds, including the Member States, with effect from 1 January 2009 (Early warning system).</li> </ul>
<p><b>Communication and</b></p>	<ul style="list-style-type: none"> <li>➤ Transparency measures: calls for tender are published in</li> </ul>

<p><b>information</b></p>	<p>the Official Journal and the Agency's website. Updated information and 'Questions and Answers' are posted regularly on the website;</p> <ul style="list-style-type: none"> <li>➤ Adequate communication to unsuccessful tenderers;</li> <li>➤ All contracts and transactions related to these contracts are recorded in the Commission accounting system Abac;</li> <li>➤ Technical training in procurement as well as information campaigns and work-shops on ethics and integrity are mandatory to all Agency staff;</li> <li>➤ All staff involved in financial management have the responsibility to alert the Agency Internal Controller, the Director, the Chairman of the Agency's Steering Committee or OLAF if they suspect any irregular, illegal or criminal activity.</li> </ul>
<p><b>Detective and corrective controls:</b> Performance monitoring, and verification of payments and key milestones.</p>	<ul style="list-style-type: none"> <li>➤ Financial circuits: every financial transaction requires at least two staff members to be involved (the EU Financial Regulation "four eyes" principle). One person must initiate the transaction, and a second person verifies it;</li> <li>➤ Controls carried out by operational units on reports in order to deliver the assessment 'Certified Correct';</li> <li>➤ Controls carried out by decentralised financial units on financial and legal matters in order to deliver the "passed for payment". See Internal Control Template for grants.</li> </ul>
<p><b>3. Feedback which enables control activities to be optimised</b></p>	
<p><b>Verification that processes are working as designed</b></p>	<ul style="list-style-type: none"> <li>➤ See Internal Control Template grant management.</li> </ul>
<p><b>Monitoring of performance of independent bodies, 3<sup>rd</sup> party auditors, externally contracted auditors</b></p>	<ul style="list-style-type: none"> <li>➤ See Internal Control Template grant management.</li> </ul>
<p><b>IAC, IAS, ECA recommendations on the functioning of the system and their follow-up</b></p>	<ul style="list-style-type: none"> <li>➤ 2010 is the second year the Agency manages procurement contracts. The majority of the contracts were concluded in the last trimester of the year.</li> </ul>
<p><b>High level management reporting and its role in identifying problem issues</b></p>	<ul style="list-style-type: none"> <li>➤ Opinions delivered by the ACPC are forwarded to the Authorising Officer. The opinions are key building blocks for the Authorising Officer to deliver his approval of the transaction. Moreover, when appropriate, in case of negative opinion of the Committee recommendations for corrective actions are formulated, hence avoiding</li> </ul>

	future negative opinions.
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