

## **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 Parts 2 and 3.1 of the present AAR and in its annexes 2 to 5 is, to the best of my knowledge, accurate and exhaustive.

Brussels, 31 March 2011

*- Signed -*

Mark Johnston

*Acting Director*

## ANNEX 2: Human and Financial resources

### HUMAN RESOURCES BY ABB ACTIVITY

Activity code	ABB Activity	Human Resources per ABB activity		
		Establishment Plan posts	External Personnel	Total
11 02	Fisheries markets	12	4	16
11 03	International fisheries and Law of the Sea	28	4	32
11 04	Governance of the Common Fisheries	5	0	5
11 06	European Fisheries Fund (EFF)	34	18	52
11 07	Conservation, management and exploitation of living aquatic resources	52	7	59
11 08	Control and enforcement of the Common Fisheries Policy	55	16	71
11 09	Maritime policy	24	14	38
11 80	Administrative support	59	8	67
11 81	Policy strategy and coordination	38	7	45
	<b>Total</b>	<b>307</b>	<b>78</b>	<b>385</b>

*General remark: the above data rely on the snapshot of Commission personnel actually employed in DG MARE as of 31/12/2010. These data do not constitute full-time-equivalent units throughout the year.*

**IMPLEMENTATION OF THE GLOBAL ENVELOPE (OTHER ADMINISTRATIVE EXPENDITURE)**

CONCERNED BUDGET LINES: 11.010211.00.01 TO 11.010211.00.06

(In Euro)		2010 Credits		
Budget Line	Description of the Budget Line	Available credits	Commitments	Payments
11.010211.00				
11.010211.00.01.10	Missions	1.820.515	1.820.515	1.567.150
11.010211.00.01.30	Hospitality	20.000	20.000	7.829
11.010211.00.02.20	External meetings	778.000	778.000	686.674
11.010211.00.02.40	Conferences	27.000	27.000	18.273
11.010211.00.03	Committees	100.000	100.000	66.456
11.010211.00.04	Studies and consultations	0	0	0
11.010211.00.05	Development of IT systems and maintenance	0	0	0
11.010211.00.06	Training	143.993	143.993	91.922
	<b>TOTAL</b>	<b>2.889.508</b>	<b>2.889.508</b>	<b>2.483.304</b>

**Annex 3 Financial Reports - DG MARE - 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

*It should be noted that DG MARE, together with certain other DGs, are currently examining an issue concerning the accounting treatment of part of the expenses paid by national paying agencies/managing authorities for certain financial engineering actions. It is not known at this stage what, if any, impact this review could have on future accounts.*

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
<b>Title 11 : Maritime affairs and Fisheries</b>				
11 01	Administrative expenditure of `Maritime affairs and Fisheries¿ policy area	6,26	6,09	97,29 %
11 02	Fisheries markets	30,50	30,44	99,81 %
11 03	International fisheries and law of the sea	161,80	151,66	93,74 %
11 04	Governance of the common fisheries policy	5,82	5,70	98,04 %
11 06	European fisheries fund (EFF)	643,18	642,29	99,86 %
11 07	Conservation, management and exploitation of living aquatic resources	49,00	48,70	99,38 %
11 08	Control and enforcement of the common fisheries policy	54,53	53,83	98,72 %
11 09	Maritime policy	5,60	3,93	70,17 %
<b>Total Title 11</b>		<b>956,67</b>	<b>942,63</b>	<b>98,53 %</b>
<b>Total DG MARE</b>		<b>956,67</b>	<b>942,63</b>	<b>98,53 %</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).

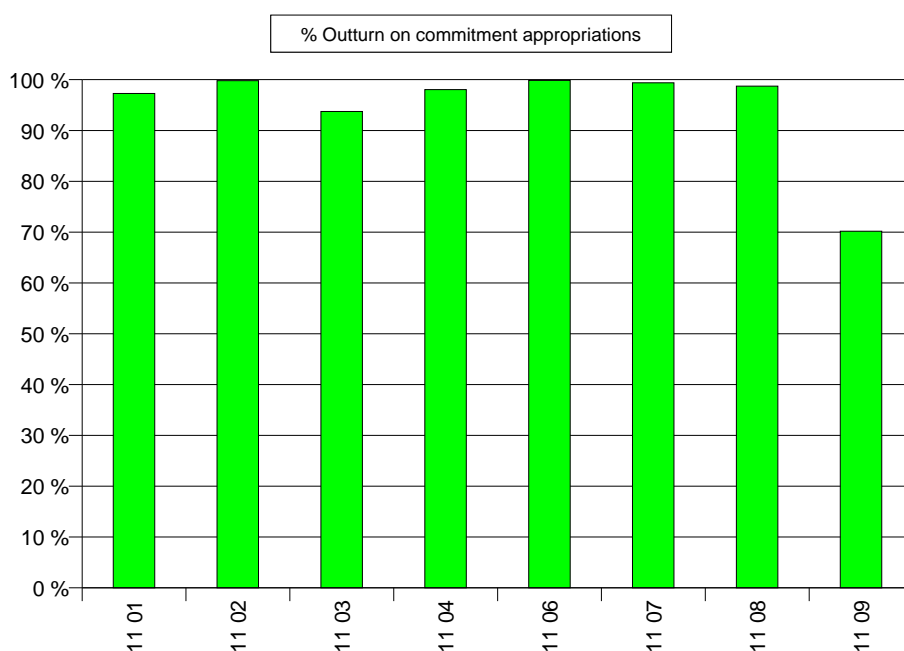
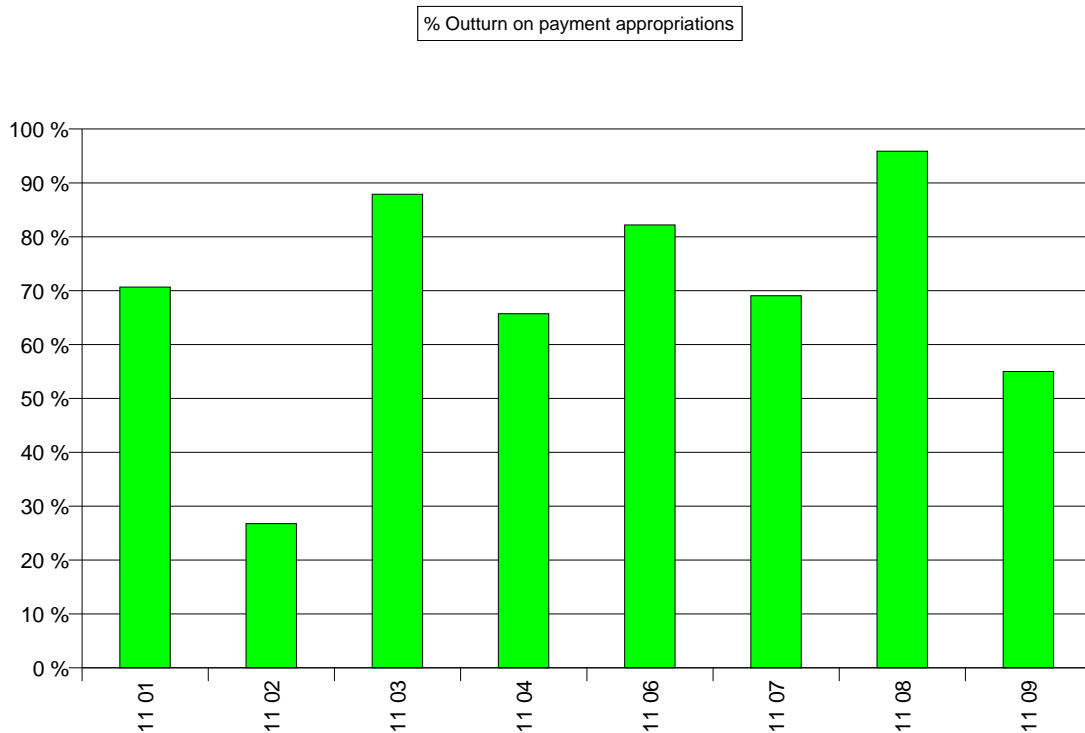


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
<b>Title 11 : Maritime affairs and Fisheries</b>				
11 01	Administrative expenditure of `Maritime affairs and Fisheries¿ policy area	8,17	5,77	70,66 %
11 02	Fisheries markets	40,50	10,84	26,76 %
11 03	International fisheries and law of the sea	162,98	143,23	87,88 %
11 04	Governance of the common fisheries policy	5,48	3,60	65,71 %
11 06	European fisheries fund (EFF)	480,23	394,75	82,20 %
11 07	Conservation, management and exploitation of living aquatic resources	39,50	27,27	69,04 %
11 08	Control and enforcement of the common fisheries policy	32,93	31,57	95,89 %
11 09	Maritime policy	7,70	4,23	55,00 %
<b>Total Title 11</b>		<b>777,48</b>	<b>621,27</b>	<b>79,91 %</b>
<b>Total DG MARE</b>		<b>777,48</b>	<b>621,27</b>	<b>79,91 %</b>

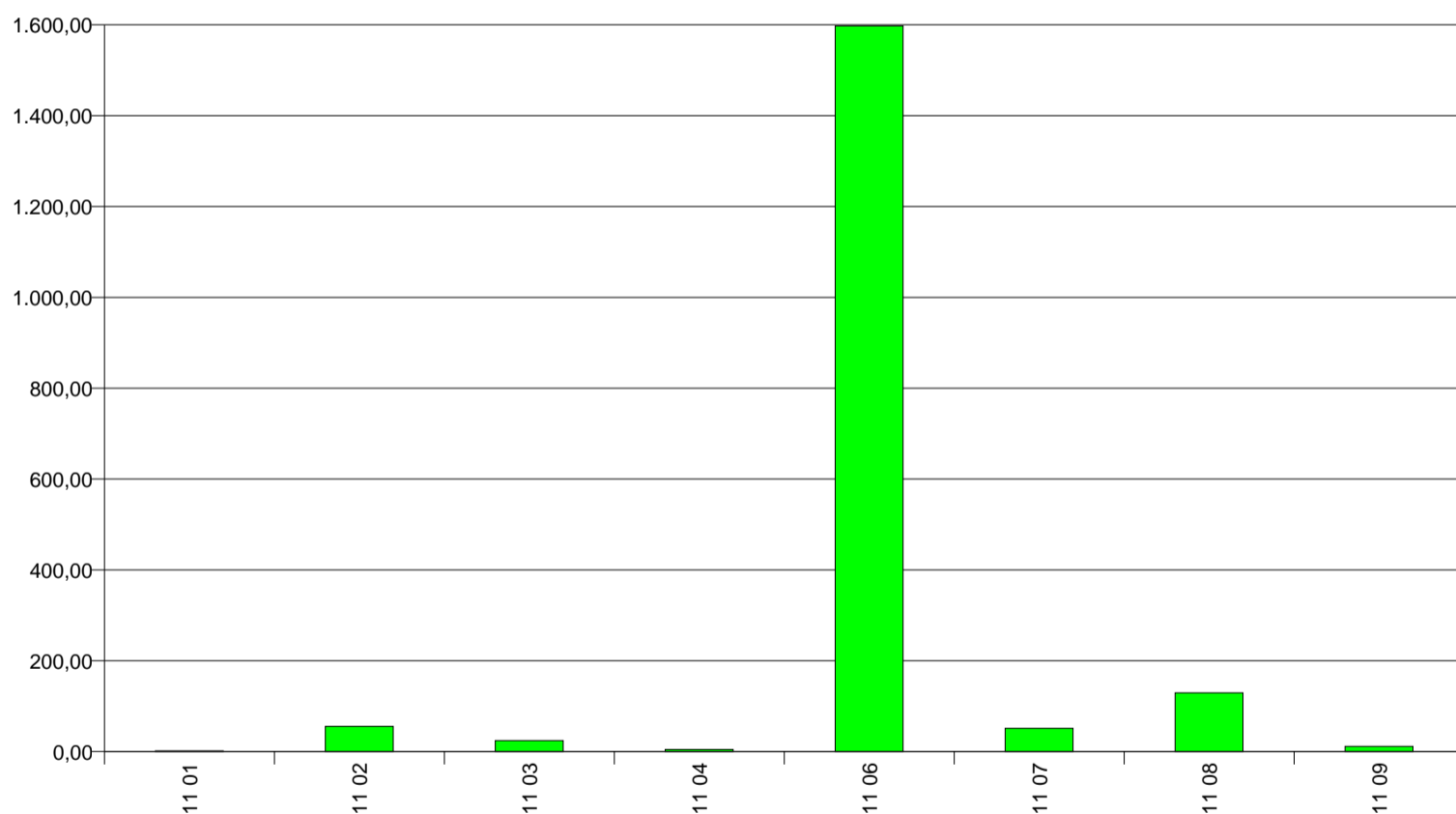
\* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).



**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 (incl.corrections)	
	Commitments 2010	Payments 2010	RAL 2010	% to be settled				
	1	2	3=1-2	4=1-2/1				
<b>Title 11 : Maritime affairs and Fisheries</b>								
11 01	Administrative expenditure of `Maritime affairs and Fisheries¿ policy area	5,99	4,54	1,46	24,32 %	0,00	1,46	1,91
11 02	Fisheries markets	30,44	8,71	21,73	71,39 %	33,76	55,50	35,89
11 03	International fisheries and law of the sea	151,66	136,48	15,19	10,01 %	9,09	24,28	18,25
11 04	Governance of the common fisheries policy	5,70	2,31	3,39	59,41 %	1,22	4,60	4,09
11 06	European fisheries fund (EFF)	642,29	9,50	632,79	98,52 %	964,82	1.597,61	1.357,86
11 07	Conservation, management and exploitation of living aquatic resources	48,70	22,88	25,82	53,02 %	25,40	51,21	36,29
11 08	Control and enforcement of the common fisheries policy	53,83	9,84	43,99	81,72 %	85,35	129,34	151,32
11 09	Maritime policy	3,93	0,46	3,47	88,36 %	8,04	11,51	11,83
<b>Total Title 11</b>		942,54	194,71	747,83	79,34 %	1.127,68	1.875,51	1.617,46
<b>Total DG MARE</b>		942,54	194,71	747,83	79,34 %	1.127,68	<b>1.875,51</b>	1.617,46

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



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

**TABLE 4 : BALANCE SHEET MARE**

<b>BALANCE SHEET</b>	<b>2010</b>	<b>2009</b>
<b>A.I. NON CURRENT ASSETS</b>	<b>586.416.495,85</b>	<b>586.416.495,85</b>
A.I.1. Intangible Assets		
A.I.2. Property, plant and equipment		
A.I.3. Long-term investments		
A.I.4. Loans		
A.I.5. LT Pre-Financing	586.416.495,85	586.416.495,85
A.I.6. LT Receivables		
<b>A.II. CURRENT ASSETS</b>	<b>128.888.691,26</b>	<b>114.269.354,52</b>
A.II.1. Inventories		
A.II.2. Short-term Pre-Financing	78.155.058,64	59.642.719,70
A.II.3. Short-term Receivables	50.733.632,62	54.626.634,82
A.II.4. Short-term Investments		
A.II.5. Cash and Cash Equivalents		
<b>ASSETS</b>	<b>715.305.187,11</b>	<b>700.685.850,37</b>
<b>P.I. NET ASSETS/LIABILITIES</b>		
P.I.1. Reserves		
<b>P.II. NON CURRENT LIABILITIES</b>		
P.II.1. Employee Benefits		
P.II.2. Long-term provisions		
P.II.3. Long-term financial liabilities		
P.II.4. Other long-term Liabilities		
<b>P.III. CURRENT LIABILITIES</b>	<b>-473.402.336,45</b>	<b>-494.766.218,59</b>
P.III.2. Short-term provisions		
P.III.3. Short-term financial liability		
P.III.4. Accounts Payable	-473.402.336,45	-494.766.218,59
<b>LIABILITIES</b>	<b>-473.402.336,45</b>	<b>-494.766.218,59</b>
<b>NET ASSETS (ASSETS less LIABILITIES)</b>	<b>241.902.850,66</b>	<b>205.919.631,78</b>

P.I.2. Accumulated Surplus / Deficit	0,00	0,00
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Non-allocated central (surplus)/deficit*	-241.902.850,66	-205.919.631,78
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<b>TOTAL</b>	<b>0,00</b>	<b>0,00</b>
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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 MARE**

<b>ECONOMIC OUTTURN ACCOUNT</b>	<b>2010</b>	<b>2009</b>
<b>II.1 SURPLUS/ DEF. FROM OPERATING ACTIVT</b>	<b>570.721.324,90</b>	<b>522.094.596,12</b>
II.1.1. OPERATING REVENUES	-5.416.572,83	-21.025.906,15
II.1.1.0. Own resource and contributions		
II.1.1.1. Other operating revenue	-5.416.572,83	-21.025.906,15
II.1.2. OPERATING EXPENSES	576.137.897,73	543.120.502,27
II.1.2.1. Administrative Expenses	3.073.115,45	1.072.939,87
II.1.2.2. Operating Expenses	573.064.782,28	542.047.562,40
<b>II.2. SURPLUS/DEF. NON OPERATING ACTIVIT</b>	<b>-83.432,42</b>	<b>-23.510,82</b>
II.2. FINANCIAL OPERATIONS	-83.432,42	-23.510,82
II.2.1. Financial revenue	-87.085,33	-24.410,55
II.2.2. Financial expenses	3.652,91	899,73
II.2. OTHER NON OPERATING ACTIVITIES		
II.2.3. Movement in empl. benefits liabi		
II.2.4. Share of net surplus/def. associ		
III.2. Extraordinary Gains		
III.2. Extraordinary Gains		
III.2. Extraordinary Gains		
III.3. Extraordinary Losses		
III.3. Extraordinary Losses		
III.3. Extraordinary Losses		
IV. Budgetary Adjustments (superseded)		
IV. Budgetary Adjustments (superseded)		
IV. Budgetary Adjustments (superseded)		
V. SAP/PS Accounts		
V. SAP/PS Accounts		
V. SAP/PS Accounts		
<b>ECONOMIC OUTTURN ACCOUNT</b>	<b>570.637.892,48</b>	<b>522.071.085,30</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 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 MARE**

<b>Legal Times</b>							
<b>Maximum Payment Time (Days)</b>	<b>Total Number of Payments</b>	<b>Nbr of Payments within Time Limit</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>	<b>Nbr of Late Payments</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>
15	2				2	100,00 %	26,50
30	439	215	48,97 %	22,36	224	51,03 %	41,66
45	1212	829	68,40 %	29,68	383	31,60 %	72,70
60	163	123	75,46 %	38,98	40	24,54 %	78,05

<b>Total Number of Payments</b>	<b>1816</b>	<b>1167</b>	<b>64,26 %</b>		<b>649</b>	<b>35,74 %</b>	
<b>Average Payment Time</b>	<b>41,05</b>			<b>29,31</b>			<b>62,17</b>

<b>Target Times</b>							
<b>Target Payment Time (Days)</b>	<b>Total Number of Payments</b>	<b>Nbr of Payments within Target Time</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>	<b>Nbr of Late Payments</b>	<b>Percentage</b>	<b>Average Payment Times (Days)</b>
15	2				2	100,00 %	26,50
20	15	5	33,33 %	11,80	10	66,67 %	39,80
30	1799	705	39,19 %	22,68	1094	60,81 %	53,06

<b>Total Number of Payments</b>	<b>1816</b>	<b>710</b>	<b>39,10 %</b>		<b>1106</b>	<b>60,90 %</b>	
<b>Average Payment Time</b>	<b>41,05</b>			<b>22,61</b>			<b>52,90</b>

<b>Suspensions</b>							
<b>Average Report Approval Suspension Days</b>	<b>Average Payment Suspension Days</b>	<b>Number of Suspended Payments</b>	<b>% of Total Number</b>	<b>Total Number of Payments</b>	<b>Amount of Suspended Payments</b>	<b>% of Total Amount</b>	<b>Total Paid Amount</b>
2	85	189	10,41 %	1816	197.095.021,02	36,07 %	546.489.688,06

<b>Late Interest paid in 2010</b>			
<b>DG</b>	<b>GL Account</b>	<b>Description</b>	<b>Amount (Eur)</b>
DG MARE	65010100	Interest on late payment of charges New FR	3 652,91
			<b>3 652,91</b>

**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 5: REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTION</b>								
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	61.406,25	0,00	61.406,25	61.406,25	0,00	61.406,25	0,00
<b>Total Title 5</b>		<b>61.406,25</b>	<b>0,00</b>	<b>61.406,25</b>	<b>61.406,25</b>	<b>0,00</b>	<b>61.406,25</b>	<b>0,00</b>
<b>Title 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY/EU AGREEMENTS AND PROGRAMMES</b>								
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	8.028.320,16	366.665,92	8.394.986,08	7.545.781,05	0,00	7.545.781,05	849.205,03
65	FINANCIAL CORRECTIONS	0,00	790.123,72	790.123,72	0,00	0,00	0,00	790.123,72
66	OTHER CONTRIBUTIONS AND REFUNDS	393.187,05	1.060.424,08	1.453.611,13	357.436,05	1.060.424,08	1.417.860,13	35.751,00
<b>Total Title 6</b>		<b>8.421.507,21</b>	<b>2.217.213,72</b>	<b>10.638.720,93</b>	<b>7.903.217,10</b>	<b>1.060.424,08</b>	<b>8.963.641,18</b>	<b>1.675.079,75</b>
<b>Total DG MARE</b>		<b>8.482.913,46</b>	<b>2.217.213,72</b>	<b>10.700.127,18</b>	<b>7.964.623,35</b>	<b>1.060.424,08</b>	<b>9.025.047,43</b>	<b>1.675.079,75</b>

NB : The recovery orders for financial corrections issued in 2010 have been recorded under chapter 61 and not chapter 65 (the amount concerned is € 3 408 177,13)

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

RECOVERY ORDERS ISSUED IN 2010  Year of Origin (commitment)	Error		Irregularity		OLAF Notified		No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2006	2	96.385,15					1	18.409,00	3	114.794,15
2007			1	20.755,00			1	41.134,00	2	61.889,00
2008	1	7.481,45					1	17.342,00	2	24.823,45
2009	1	212,94					4	188.852,14	5	189.065,08
No Link	2	710.776,84	4	828.643,81	3	1.868.756,60	2	4.622.758,28	11	8.030.935,53
	<b>6</b>	<b>814.856,38</b>	<b>5</b>	<b>849.398,81</b>	<b>3</b>	<b>1.868.756,60</b>	<b>9</b>	<b>4.888.495,42</b>	<b>23</b>	<b>8.421.507,21</b>

**EXPENSES**

	Nbr	Amount
INCOME LINES IN INVOICES	0	

	Error		Irregularity		No error / irregularity	
	Nbr	Non-Eligible Amount	Nbr	Non-Eligible Amount	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	64	5.366.216,66	1	2.356,78	29	46.180.876,83

	Error		No error / irregularity	
	Nbr	Credit Note Amount	Nbr	Credit Note Amount
CREDIT NOTES	#DICT ERR	-56.971,91	#DICT ERR	-1.305.613,07

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 28/02/2011.

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

<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>
1994	1	1	0,00 %	160.927,97	160.927,97	0,00 %
1998	1	1	0,00 %	30.000,00	30.000,00	0,00 %
2003	1	1	0,00 %	15.973,98	15.973,98	0,00 %
2006	2	2	0,00 %	790.123,72	790.123,72	0,00 %
2007	1	1	0,00 %	159.763,97	159.763,97	0,00 %
2009	6		-100,00 %	1.060.424,08		-100,00 %
2010		4			518.290,11	
Totals	12	10	-16,67 %	2.217.213,72	1.675.079,75	-24,45 %

**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 MARE	
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Number of RO waivers	0
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*J u s t i f i c a t i o n s :*

**No data to be reported**

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

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

**No data to be reported**

**TABLE 12 : SUMMARY OF PROCEDURES OF DG MARE EXCLUDING BUILDING CONTRACTS**

<b>Internal procedures &gt; € 60,000</b>	<b>2009</b>		<b>2010</b>	
<b>Contract Class</b>	<b>Count</b>	<b>Amount (€)</b>	<b>Count</b>	<b>Amount (€)</b>
Service	8	17.974.469,80	6	6.119.146,00
<b>TOTAL</b>	<b>8</b>	<b>17.974.469,80</b>	<b>6</b>	<b>6.119.146,00</b>
<b>Procedure Type</b>	<b>Count</b>	<b>Amount (€)</b>	<b>Count</b>	<b>Amount (€)</b>
Negotiated Procedure without publication of a contract notice Art. 126 IR	1	323.000,00		
Open Procedure (Art. 122.2 IR)	7	17.651.469,80	6	6.119.146,00
<b>TOTAL</b>	<b>8</b>	<b>17.974.469,80</b>	<b>6</b>	<b>6.119.146,00</b>

<b>External procedures &gt; € 10,000</b>
<b>Contract Class</b>
<b>TOTAL</b>
<b>Procedure Type</b>
<b>TOTAL</b>

**Additional comments**

**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**

<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>Type of contract</b>	<b>Description</b>	<b>Amount (€)</b>
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**No data to be reported**

## ANNEX 4: Materiality criteria

### *For EFF/FIFG expenditure*

#### Qualitative criteria for defining significant weaknesses

The following factors should be taken into account in determining whether there are significant weaknesses:

- Ø - Whether the deficiency relates to one or more key control elements,
- Ø - The number of such deficiencies,
- Ø - The duration of such deficiencies,
- Ø - The importance of the system or systems affected by such deficiencies in the management and control of the Community Fund concerned in the Member State concerned (volume of funds managed by the system or systems affected as a percentage of total amount of the Community Fund in the Member State),
- Ø - The existence of compensatory measures at national level which effectively reduce the risk,
- Ø - The cause of such deficiencies,
- Ø - The actions taken by the Member State to correct deficiencies and the timetable for their completion.

From the examination carried out on the basis of the above factors, it should be concluded that the deficiencies are significant, and thus lead to consideration of a reservation, where:

- Ø - The problems identified concern key control elements and
- Ø - They are systematic and wide-ranging in their occurrence.

In addition to the above exercise, it should be examined whether the deficiencies give rise to special factors which put at risk the reputation of the Commission (e.g. fundamental incapacity of Member State to deliver remedial measures, risk of widespread fraud) which would lead to the conclusion that the deficiencies are significant notwithstanding the absence of one or more of the above elements.

#### Quantitative criteria for defining reservations

In each case where it is concluded that a deficiency is significant, the quantification of the risk is carried out.

The quantification of risk to Community funds resulting from significant deficiencies in national Management and Control Systems necessarily presents difficulties. The approach which should be applied to ensure a consistent and defensible result is as follows:

- Ø - identify the expenditure “population” in which the risk occurs. For the Structural Funds that concerns the payments made by the DG during the year covered by the AAR to the programmes in the Member States managed by the systems in which the deficiencies have been identified,

- Ø -estimate the maximum percentage of the expenditure in that “population” which could be regarded as affected by irregularities. In certain cases, it may be possible to extrapolate from an error rate identified for transactions controlled. Otherwise, the estimate is made on the basis of the Commission guidelines for determining flat rate corrections (Commission Decision C (2001)476 of 02.03.2001).
- Ø -compare the amount thus obtained to the total payments carried out during the year for EFF and FIG.

From this process it can then be determined whether the risk that the significant systems deficiencies led to the submission of irregular statements of expenditure resulting in undue payments from the Commission budget is material.

For the purpose of quantification, it should be noted that where the Commission has taken action to interrupt or suspend payments to the Member State or has taken a financial correction decision, this should be taken into account to reduce the amount of expenditure at risk where appropriate.

#### *For Direct management expenditure*

To judge the significance of weaknesses, DG MARE uses an approach based on both qualitative and quantitative criteria. Even if the amount at risk is under the materiality threshold, a reservation may still be made on qualitative grounds.

#### Qualitative criteria for defining significant weaknesses

For the main direct expenditure (fisheries control, data collection and Fisheries markets and Outermost regions), DG MARE used an approach based on the following criteria

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

#### Quantitative criteria for defining reservations

In establishing a judgement on materiality, it is necessary to ensure that sufficient weight is given to the significance of the detected error rate in relation to the payments made in the year in question for the policy area concerned.

Taking account of the fact that the programmes/contracts are multi-annual and that the Member States audited have been chosen on the basis of a risk analysis, a deficiency should materialise and a reservation should be made if the potential financial impact of errors detected by ex-post controls during the year exceeds 2% of the annual payments made for the programmes concerned and if the multi-annual error rate resulting from the current year and previous years' ex-post control activity account for more than 2% of the sampled payments audited for those activities.

## *Fisheries Partnership Agreements*

### Materiality criteria

Given that Fisheries Partnership Agreements provide a financial contribution principally to gain access to fishing possibilities in third countries, qualitative factors such as weaknesses detected in the functioning of the internal control system at the level of the Commission or factors which affect or are likely to affect in a significant manner the reputation of the Commission, are considered as materiality criteria.

## ANNEX 5: Internal Control Template(s) for budget implementation (ICT)

### 5.1 Shared Management Expenditure

<p><b>1. Characteristics of DG policy environment:</b></p> <p><b>Summary:</b> For structural interventions for fisheries, DG MARE manages two instruments, the Financial Instrument for Fisheries Guidance (FIFG) for the years up to 2007 and the European Fisheries Fund (EFF) for the period 2007-2013. These instruments contribute to achieving the goals of the CFP by underpinning the restructuring of the sector. They strengthen economic and social cohesion within the Union by encouraging the development of coastal areas in which fishing is a major component of economic activity. Resources are allocated on the basis of multi-annual programmes drawn up by the Member States.</p> <p><b>Key inherent risks in this environment :</b></p> <p>Large number of different organisations and beneficiaries;          Many different types of measures and projects;          Detailed eligibility requirements at Community and national level;          Multi-annual framework which affects design and control systems.</p>	
<p><b>Management mode:</b></p> <p>Shared management – While the general rules governing assistance from the FIFG/EFF are laid down at EU level, the projects themselves are selected by the Member State under its own responsibility and the Commission exercises a supervisory role on the MS Management and Control Systems (shared management – see article 10 of the EFF regulation).</p> <p><b>Grant period:</b> Disbursed over a 9 year period for a 7 year programme.</p> <p><b>Grant basis:</b> Co-financing with Member State: EU contribution ranging from 15% to 85% (FIFG) or from 5% to 95% (EFF), depending on the programme and the type of action, the minimum and the maximum co-financing rate are fixed by the regulation.</p> <p><b>Number of operational programmes for FIFG over the 2000-2006 period:</b> 60</p> <p><b>Average amount managed per FIFG operational programme over the 2000-2006 period:</b> €66 million (ranging from €1,5 billion (Spain Objective 1) to €51 000 (Portugal Technical Assistance CCA))</p> <p><b>Number of operational programmes for EFF over the 2007-2013 period:</b> 26 (one per Member State, except Luxembourg)</p> <p><b>Average amount managed per EFF operational programme over the 2007-2013 period:</b> €66 million (ranging from €1,1 billion (Spain) to €5 million (Austria))</p>	
<p><b>2. Elements of the internal control system and actors, through programme life cycle</b></p>	
<p><b>Preventive measures:</b>          Negotiation and approval of programmes, including main elements of Management and Control Systems in Member States</p>	<ul style="list-style-type: none"> <li>• For 2000-2006 programmes the Commission negotiated programme content and management arrangements which were communicated in the programme documentation sent by the Member States to the Commission. The Member States designated a Managing Authority per programme as the body responsible for execution of the programme and the first level controls of expenditure and a Paying Authority to certify payment claims to the Commission.</li> <li>• For the 2007-13 programmes, establishment of a satisfactory system architecture (Managing Authority, Certifying Authority, Intermediate Bodies and Audit Authority) was a condition of programme approval. The Commission ensured that existing information on relevant weaknesses identified in the 2000-2006 period was used to improve the national systems.</li> </ul>
<p><b>Preventive and supervisory measures:</b> Compliance assessment of set-up of Management and Control Systems</p>	<ul style="list-style-type: none"> <li>• For the 2000-2006 period, the Member States sent a description of the management and control system to the Commission, including details of the organisation of the managing and paying authorities, intermediate bodies reporting to them, the audit services and the body issuing the winding-up declaration. Between 2001 and 2004 the Commission carried out a desk check of all the system descriptions (FIFG mono-fund programmes) and recommended changes where necessary. It also performed on-the-spot audits of a sample of systems in the Member States to verify the descriptions.</li> </ul>

	<ul style="list-style-type: none"> <li>• To advance the scrutiny of systems in the new period, the Member States assess the compliance of their Management and Control Systems with the regulatory requirements. They submit a description of the systems, the results of an independent assessment of the set-up of the systems and an independent report and opinion on compliance within 12 months of the approval of each operational programme and before the submission of the first interim application for payment (article 71 of the EFF Regulation). They also had to present to the Commission an audit strategy within 9 months of the approval of the operational programme except for smaller programmes which were exempted on the grounds of proportionality.</li> <li>• Where there are reservations in the Compliance Assessment Opinion or the Commission itself has observations, it will ensure that corrective measures concerning key elements of the systems have been taken before reimbursing interim payments claims.</li> </ul>
<p><b>Preventive and supervisory measures:</b> Supervisory and central checks and monitoring during the initial phases of the programme</p>	<p>Throughout the implementation period, the Operational Units of DG MARE hold regular meetings with Member States' Managing Authorities. These include the annual examination meetings to review the progress made in implementing the programmes on the basis of the Annual Report on Implementation approved by the Monitoring Committee. The Budget unit of DG MARE which is responsible for audits has discussions with the responsible Audit Authorities in annual bilateral and multilateral meetings. Management and control issues are discussed with the Member States' representatives on the basis of guidance documents in the FIFG and EFF committees.</p> <p>The DG provides advice and formal guidance on issues such as management checks and sampling for audits to establish benchmarks and disseminate good practice.</p> <p>The Commission participates in an advisory role in Monitoring Committees organised by the national Managing Authorities. This is a forum in which issues related to programme implementation, management and control are addressed.</p>
<p><b>Detective and corrective controls:</b> Primary level verification by Managing Authority of correctness of expenditure declared from financed operations and their compliance with grant conditions; reporting to the Commission on interim payments and key milestones</p>	<p>Throughout the implementation period the managing authorities in Member States are required to carry out the following checks:</p> <ul style="list-style-type: none"> <li>• Ensure compliance of projects with selection criteria and beneficiary's understanding of the terms and conditions;</li> <li>• Desk checks of all expenditure based on supporting documents, including progress reports, etc.;</li> <li>• On-the-spot visits to a significant number of projects selected on a risk based analysis to verify delivery of the project outputs (investment, services) and reality and eligibility of declared expenditure;</li> <li>• Correcting irregular expenditure and recovery of EU funds as appropriate;</li> <li>• Drawing up annual reports on implementation and a final report summarising the implementation of the entire programme, which are scrutinised by the Commission.</li> </ul> <p>In 2003-2004 the Member States and the Commission performed a mid-term review of each programme, followed by changes to improve the implementation and impact and allocation of a "performance reserve" of 4% of the original budget allocation.</p> <p>For the EFF programmes, an interim evaluation will be submitted by Member States by the end of June 2011, with the aim of adjusting the programmes and improving the quality of assistance and its implementation, and preparing the strategic debate. This evaluation will be based on a method and common standards developed by the Commission.</p>
<p><b>Detective and corrective controls :</b> Second level verification by paying authority, including reporting of irregularities and recoveries</p>	<p>Each periodic statement of expenditure is checked and certified as correct by the Paying Authority for FIFG or Certifying Authority for EFF.</p> <p>Assurance is based on the Paying/Certifying Authority's desk checks and, if necessary, on-the-spot-verifications and the information on checks performed by the Managing and Audit Authorities. The Paying/Certifying Authority also monitors and reports to the Commission information on irregularities and suspected fraud and recoveries made.</p>

<p><b>Supervisory and corrective controls:</b> Audits by the Audit Authority</p>	<p>The responsible audit body performs system audits and carries out substantive testing of projects to cover 5% of expenditure by programme closure; it passes on findings of systems weaknesses and irregular expenditure found to the Managing Authority and to the Paying/Certifying Authority for correction; it issues an Annual Control Report on the work carried out and conclusions drawn.</p> <p>For the 2007-2013 period, the Audit Authority for each programme performs system audits and sample checks in line with the Audit Strategy approved by the Commission and will provide an annual audit opinion on the functioning of systems based on the results of its audit activity which accompanies the Annual Control Report to be submitted by the end of each year.</p>
<p><b>Supervisory and corrective controls:</b> Audits by the Commission</p>	<p>Throughout the implementation period, the DG's audit sector carries out systems audits with substantive testing to confirm assurance on the effective functioning of the systems and requires the Member States to correct any system weaknesses and irregular expenditure found. The Commission uses the results of its own audits as well as the results of the national Audit Authority to obtain assurance.</p>
<p><b>Supervisory and corrective controls:</b> Audits by the European Court of Auditors</p>	<p>At any time during the implementation period, and for three years after partial or final closure, the European Court of Auditors can carry out system audits with substantive testing of a sample of transactions, as part of the audit work performed to support the annual opinion issued by the Court on the EU budget (Déclaration d'Assurance).</p>
<p><b>Corrective controls and audit:</b> Final payment and programme closure</p>	<ul style="list-style-type: none"> <li>• At the end of the programming period, an independent person, body or Audit Authority in the Member State reviews the audit work done and provides an opinion on the expenditure declared for the programme as a whole.</li> <li>• The Commission scrutinises all such "winding-up" declarations and if necessary asks for further information or the performance of more audit work. This may lead to corrections.</li> <li>• Supporting documents have to be kept accessible for audit by the Commission and the European Court of Auditors for three years after partial or final closure.</li> </ul>
<p><b>3. Supervision and monitoring of the internal control systems and audit follow-up</b></p> <p><i>Feedback mechanisms which integrate the control system and enable control activities to be optimised</i></p>	
<p><b>Exchange of results of control activities, provision of advice and guidance</b></p>	<ul style="list-style-type: none"> <li>• DG MARE follows a "single-audit" approach which involves integrating the results of the control activities of other Commission services and the Member States into DG MARE's analysis in order to optimise the impact of all available audit evidence and to obtain the highest level of assurance.</li> <li>• The Member States send to the Commission annual control reports setting out the results of their audit work and also communicate reports on individual system audits, irregularities detected, resulting recoveries and withdrawals, and pending recoveries. In turn, the Commission sends its own audit strategy and the results of its audits to the Member States and ensures that recommendations to correct systems weaknesses are implemented. The activities of Member States' audit services are guided by the use of standardised reports and common audit practices based on the Structural Funds audit manual. The Member States and Commission discuss the findings reported in the Member States' annual control reports and audit reports of the Commission in annual bilateral coordination meetings, which also monitor implementation of action plans with specific Member States as required. The annual audit programmes of the Commission services and Member States are consolidated and exchanged.</li> <li>• The Commission also provides advice and formal written guidance on control and audit issues on an ongoing basis, including through specialised technical meetings. An annual multilateral "Homologues Group" meeting of the financial control authorities is held to discuss developments in audit and control issues of general interest. Annual meetings are also held (by the Operational Units of the DG) with the Managing Authority to discuss progress on implementation of the programmes and projects and to identify problems at an early stage.</li> </ul>

	<ul style="list-style-type: none"> <li>• In the 2007-13 period, the integration of control systems has been further enhanced by consolidation of the improvements in cooperation made during the 2000-06 period and the requirement of an annual audit opinion by the Audit Authority.</li> </ul>
<b>Management reporting and the AAR</b>	<ul style="list-style-type: none"> <li>• The political priorities of the Commission are transposed into specific objectives in the DG's Annual Management Plan. Implementation of the key actions to be carried out and the progress achieved on the relevant targets and indicators appropriate to each action are monitored through the mid-term assessment of the AMP. The progress made during the year is reported in the Annual Activity Report (AAR), and eventually in the "Synthesis Report" for the Commission as a whole.</li> <li>• The DG monitors the effective functioning of systems in each Member State and provides an annual assessment of the assurance provided by the systems in the AAR.</li> <li>• In order to coordinate the implementation of the objectives of the DG, regular Directors' meetings take place so that all necessary decisions can be taken or information exchanged at any stage of the process. Frequent meetings are also organised between the Commissioner and the Director General. The Director General is regularly informed during Financial Management and Internal Control meetings. The detailed screening of the achievement of the objectives as laid down in the AMP involves all Units of the DG twice a year (Mid-Term Assessment of the AMP and Annual Activity Report).</li> </ul>
<b>Feedback on adequacy of the systems:</b> IAC, IAS, European Court of Auditors, European Parliament	See part 3.1.2 of the AAR.
<b>Verification</b> that systems in the Member States are functioning effectively	Description per programme and per programme period See part 3.1.1.1 of the AAR.

## 5.2 Direct Centralised Management Expenditure

<p><b>1. Characteristics of DG policy environment:</b></p> <p><b>Summary:</b> the following description relates to contributions which are made to Member States in respect of:</p> <ul style="list-style-type: none"> <li>Ø Fisheries markets, i.e. interventions under the common organisation of the markets in fishery and aquaculture products (CMO) and the compensation scheme for operators in the Outermost Regions (Chapter 11.02)</li> <li>Ø Data collection carried out by Member States in support of the CFP (Chapter 11.07)</li> <li>Ø Expenditure incurred by Member States in the framework of surveillance and control of the CFP (Chapter 11.08)</li> </ul> <p>Fisheries markets expenditure was implemented by DG AGRI under shared management arrangements until 15 October 2006. From that date this expenditure has been managed by DG MARE under direct centralised management. Intervention expenditure is paid directly by the Member States to producer organisations in respect of compensation for withdrawals, independent withdrawals, carry-over aid, independent carry-over aid, private storage aid, allowance for tuna intended for processing and aid for the preparation of operational programmes. The expenditure paid by the Member States is reimbursed biannually by the Commission. For operators located in the Outermost Regions of France (French Guiana and Réunion), Spain (The Canary Islands) and Portugal (The Azores and Madeira), the Member States concerned directly pay to the economic operators the compensation for the additional costs incurred in the marketing of certain fishery products within the limits specified for each region. The compensation paid by the Member States is reimbursed by the Commission on a biannual basis.</p> <p>In the area of data collection, Member States are responsible for the collection, management and use of certain data needed to conduct the CFP. This is done in the framework of multi-annual national programmes. A number of categories of public expenditure (inter alia, staff, rental and operating costs of vessels, consumables) incurred by the</p>
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Member States in collecting, managing and using the data is eligible for a Community contribution. The level of the contribution is 50% of the eligible expenditure. The data is provided through Member States marine and statistical agencies. Reimbursement from the Community budget is made to the Member State authorities responsible for the programmes, after evaluation and acceptance of technical and financial reports.

Member States are responsible for controlling the CFP and ensuring that the rules on catches, fishing methods and gear are respected. Certain expenditure (new technologies, pilot projects, training, seminars, patrol vessels and aircraft) incurred by the Member States in implementing monitoring and control systems and which have been included in an annual fisheries control programme accepted by the Commission is eligible for a Community contribution.

**Key inherent risks in this environment :**

- Member States may misinterpret or misapply the rules in making payments to producers' organisations or operators in the outermost regions.
- Payments from Member States to producer organisations or operators in the Outermost Regions may be based on erroneous declarations by the latter.
- Member States may not be fully acquainted with the financial procedures for fisheries markets, including IT applications.
- Ineligible expenditure may be reported by the Member States in execution of the data collection programme or Member States may be unable to substantiate the actual costs incurred in collecting the data - the legal framework establishes an 'actual eligible costs' system (no profit, no lump sum, co-financing needed).
- In most Member States a number of different institutes are involved in the collection of data and not all institutes may have the same understanding of the rules.
- Member States may have difficulty in charging correct amounts to the control programme for assets which are used for control and other activities.
- Necessity for Member States to respect Community public procurement rules in relation to purchases above the threshold for their application.
- Nature of eligible costs concept which may only provide a limited possibility to control eligibility of costs by desk checks.
- Member States may submit incomplete information leading to lengthy reimbursement periods.
- Risk of over financing due to the difficulty to verify the reality of the costs spent, particularly labour costs recorded in time sheets.

***Management mode:***

Direct centralised management.

Contributions to Member States on the basis of the reimbursement of actual eligible costs.

Member State co-financing required for the data collection programme and for control and surveillance.

***Contribution Period:***

Fisheries markets expenditure is normally claimed by Member States and reimbursed by the Commission in the same budgetary year. Member States may also submit claims relating to previous exercises.

Data collection programmes cover expenditure incurred by the Member States in the year in question. Payments are normally completed by the end of the following year.

For surveillance and control the Member States should enter into legal and budgetary commitments by the end of the year following the year of the decision to contribute to their programme. Payments are dependent on the duration of the legal commitments entered into by the Member States.

***Number of Member States with programmes which were granted contributions in 2010:***

Data collection: 22

Surveillance and control: 19

Fisheries markets:

12 received reimbursements in relation to interventions in fishery products.

All 3 eligible Member States received reimbursements in relation to the fisheries programme for the Outermost Regions.

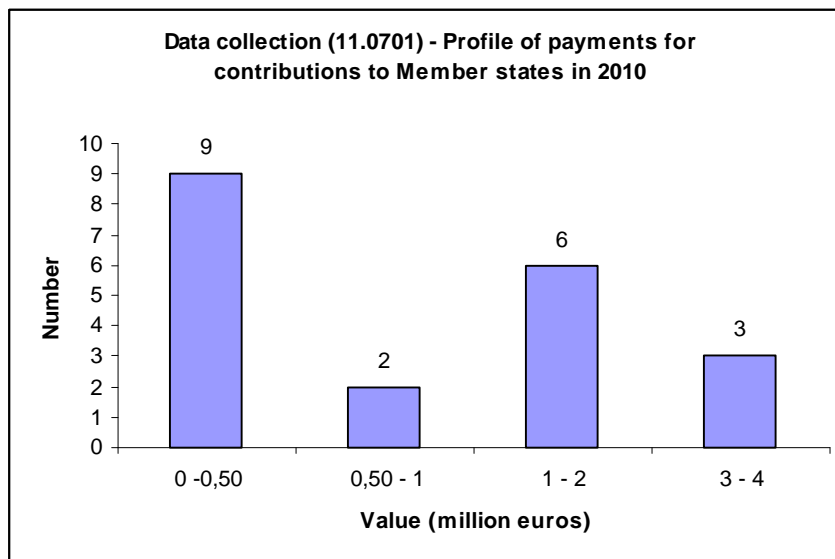
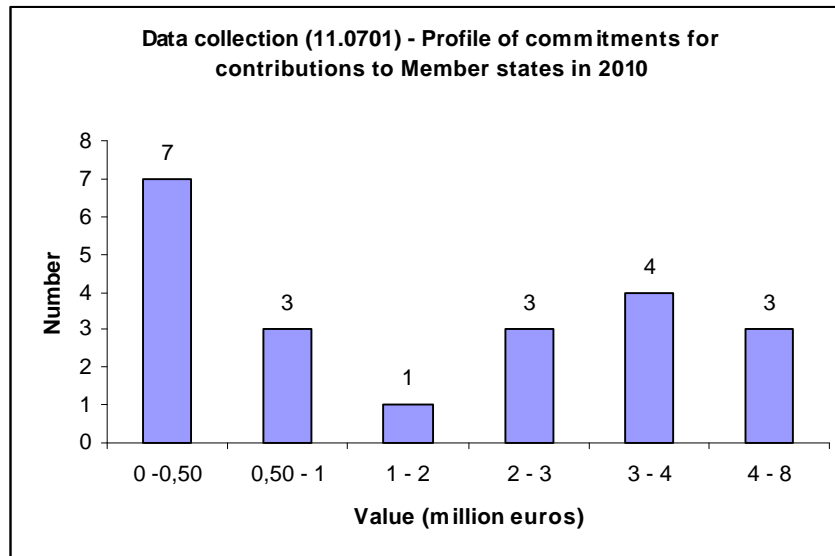
***Average value/ range:***

Data collection: € million per Member State

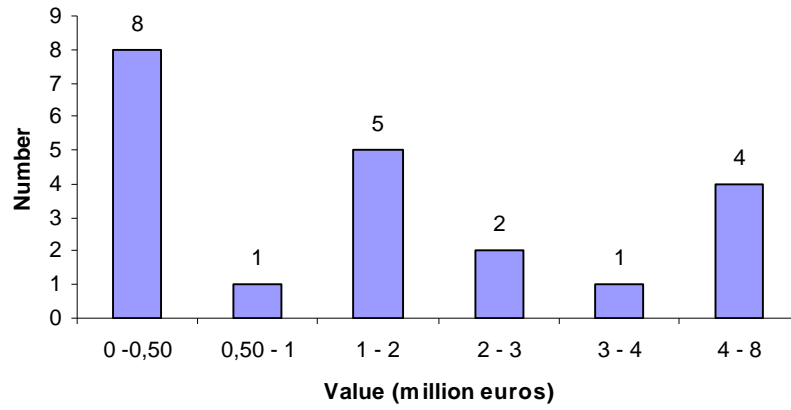
Surveillance and control: € million per Member State

Intervention in fishery products: € million per Member State claiming reimbursement

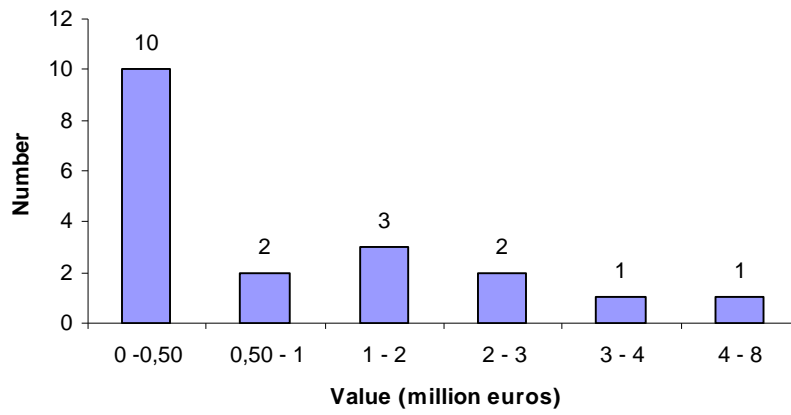
Fisheries programme for the Outermost Regions: € million per Member State claiming reimbursement



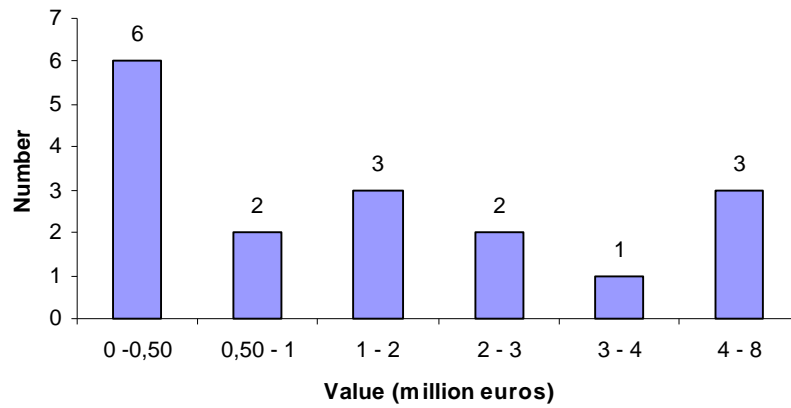
**Control (11.0801) - Profile of commitments for contributions to Member states in 2010**

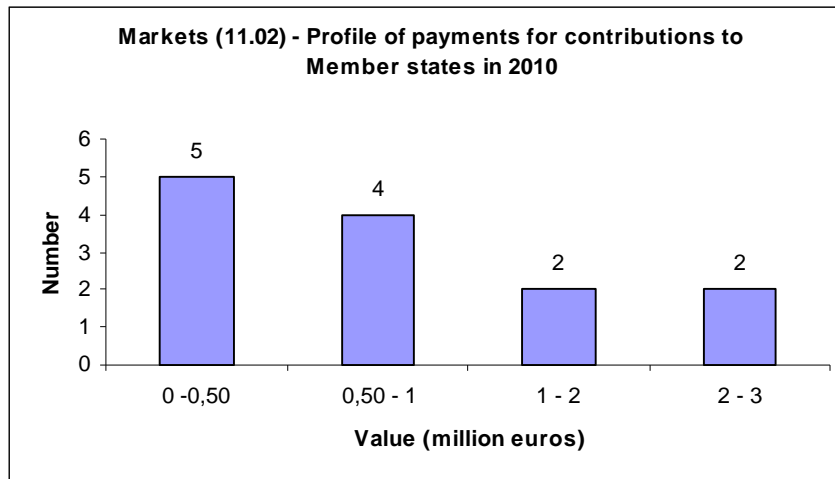


**Control (11.0801) - Profile of payments for contributions to Member states in 2010**



**Markets (11.02) - Profile of commitments for contributions to Member states in 2010**





**Contribution basis:**

*Data collection:* 50% from the EU budget.

*Surveillance and Control:* 95 % or 50 % EU contribution, depending on the nature of the expenditure.

*Fisheries markets expenditure:* 100% reimbursement of expenditure paid by Member States.

**Volume of transactions per year:**

Data Collection (Member States' programmes) – Chapter 1107

Commitment appropriations: €43.9 million (21 transactions)

Payment appropriations: €2.4 million (20 transactions)

Control (Member States' programmes) – Chapter 1108

Commitment appropriations: €13.5 million (21 transactions)

Payment appropriations: €20.4 million (26 transactions)

Fisheries Markets (Intervention + Outermost Regions) – Chapter 1102

Commitment appropriations: €30.3 million (17 transactions)

Payment appropriations: €10 million (13 transactions)

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

<p><i>Selection process (of beneficiaries, intermediaries, agencies etc.), including preventive measures</i></p>	<p><b>Characteristics of the selection process of beneficiaries</b></p> <ul style="list-style-type: none"> <li>• All Member States making payments to recognised producer organisations for interventions in fisheries products under the CMO are entitled to reimbursement.</li> <li>• The Outermost Regions are specified in the legal base covering the scheme for assistance for operators in those regions, i.e. the Azores, Madeira, the Canary Islands, French Guiana and Réunion.</li> <li>• For data collection all Member States are eligible to submit a multi-annual national programme for the collection, management and use of fisheries data and respective annual budget forecasts, on the basis of which and following evaluation, the Commission decides the amount of financial assistance to be granted.</li> <li>• Contributions to surveillance and control expenditure are decided by the Commission on the basis of an annual fisheries control programme submitted by the Member State concerned which sets out detailed information on the programme and the items for which an EU contribution is sought.</li> </ul>
<p><b>Preventive and directive measures to improve the quality of financial management and provision of data by</b></p>	<p><b>Description of the DG communication strategy towards beneficiaries, internal proceedings</b></p> <p>The new data collection framework has considerably strengthened the compliance provisions. Thus, MS have to submit their multi-annual national programmes by a certain deadline and may face financial reductions if they do not do so. Similarly, financial reductions, suspensions and recoveries are possible if other obligations of the DCF, such as those concerning access to</p>

<i>beneficiaries and intermediaries</i>	<p>data, data quality and storage are not respected. Moreover, the entire process for assessing and approving the National Programmes and the Annual Community contributions foresees multiple contacts between the national bodies and the Commission services in which eligibility issues are clarified. Similarly, the annual report and expenditure declaration are subject to a feed-back mechanism from the Commission to ensure an efficient and effective management of EU resources for data collection.</p> <p>The relevant authorities in the Member States are invited to submit their annual fisheries control programme. The rules governing the EU contributions are recalled with this invitation. There is regular contact with the Member State authorities on the implementation of the programmes. This may take place by correspondence or in periodic meetings. The financial officers responsible for the follow up of the programmes within the DG are in regular contact with the Member States to clarify and explain rules on eligibility of expenditure.</p> <p>In relation to fisheries markets, the Member States transmit their declarations of expenditure biannually by way of the IT system FIDES. The rules and procedures governing the financial management for fisheries markets are recalled and clarified in the periodic meetings of the Management Committee for Fisheries Products, in the MIS-Payments user manual uploaded in CIRCA (website) and by informing all users on the availability of the MIS-Payments website to upload declarations of expenditure. The financial officers responsible for the follow-up of the programmes are in regular contact with the Member States' national authorities to clarify any query regarding the FIDES system or the rules and procedures governing the financial management for fisheries markets.</p>
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<p><b>Detective and corrective controls:</b> <i>Verification of commitments, pre-financing, interim, payments and key milestones.</i></p> <p><i>Monitoring of the project</i></p>	<p><b>Controls before and during the implementation period of the projects</b></p> <ul style="list-style-type: none"> <li>• The multi-annual data collection programmes, including the annual budget forecasts, and annual fisheries control programmes are checked before approval to ensure compliance with the applicable legislation and the eligibility of the proposed expenditure.</li> <li>• All expenditure declarations are checked by the operational services against the Commission financing decision and the relevant control and data collection programme for eligibility and consistency.</li> <li>• For fisheries markets, Member States designate their competent authorities and notify them to the Commission according to Article 3 of Commission Regulation (EC) No 2003/2006.</li> <li>• Access to the MK-Payments application is given upon registration in order that only authorised users can transmit declarations of expenditure to the Commission.</li> <li>• Member States transmit their declarations of expenditure for fisheries markets biannually by way of the IT system FIDES. The IT application MK-Payments has been specifically developed to allow Member States to transmit their declarations of expenditure (reimbursement claims) together with the supporting documents (proofs of payment, generally bank statements) to the Commission. This IT application performs different checks to ensure that the data uploaded in the system complies with the relevant procedures governing the financial management for fisheries markets. In addition, the responsible financial officers verify the data and the supporting documents which prove that the expenses claimed by Member States were actually incurred.</li> <li>• Prior to authorisation of commitments or payments, ex-ante verification of the transactions is carried out based on the relevant Regulations together with the checks on the data transmitted through FIDES and the proof of payment to ensure the eligibility of the reimbursement claims.</li> <li>• With a view to preventing irregularities and within the monitoring responsibility of the authorising officers by sub-delegation, monitoring missions in the form of on-the-spot checks are conducted by the Commission in order to inform Member States about the interpretation of legislative provisions, to monitor the actual implementation of programmes and to verify the eligibility of costs prior to payment. In 2010, monitoring missions were carried out for expenditure related to control while a procurement procedure was concluded at the end of the year to engage a contractor to carry out monitoring work in the area of data collection.</li> </ul>
<p><b>Corrective controls and audits:</b></p> <p>Either on the system or on individual projects. At the end of the project (before or after the final payment)</p>	<p><b>Controls at the end of the project</b></p> <ul style="list-style-type: none"> <li>• Controls may be carried out by the Commission up to five years following the last payments made by the Member States to producer organisations or operators.</li> <li>• Ex-post controls are carried out on a risk based sample of Member States, based on the value of payments made over a number of years, specific risk factors previous audit coverage, input from the operational service and other factors.</li> </ul>
<p><b>3. Internal and external supervisory and audit controls</b></p>	
<p><b>Verification that processes are working as designed</b></p>	<ul style="list-style-type: none"> <li>• In 2010, verification missions were carried out in five Member States concerning surveillance and control.</li> <li>• A framework contract concerning assistance for the monitoring of the implementation of national programmes for the collection, management and use of data in the fisheries sector was signed on 30.08.2010. The first monitoring missions under that contract will take place in 2011.</li> </ul>
<p><b>Monitoring of performance of 3<sup>rd</sup> party auditors, externally contracted auditors</b></p>	<p>There is no specific external audit activity in relation to this expenditure.</p>
<p><b>High level management</b></p>	<ul style="list-style-type: none"> <li>• The operational services report on the achievement of objectives in the update of the Annual Management Plan and in the preparation of the Annual Activity Report</li> </ul>

<i>reporting and its role in identifying problem issues</i>	<p>(AAR).</p> <ul style="list-style-type: none"> <li>• Regular reports are provided to senior management on budget execution which identify and explain departures from forecast implementation.</li> <li>• Regular financial management meetings provide a structured forum for discussion of significant issues.</li> <li>• The progress made during the year is reported in the Annual Activity Report (AAR), and eventually the synthesis report for the Commission as a whole.</li> </ul>
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### 5.3. *International Fisheries Agreements*

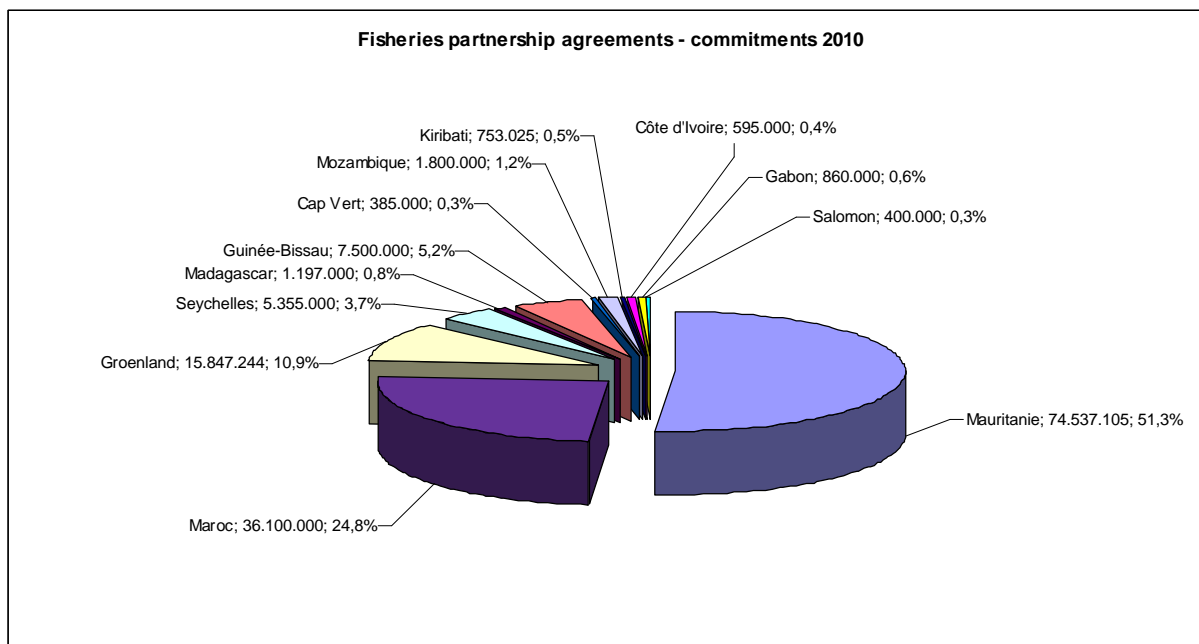
#### *International Fisheries Agreements*

Fisheries Partnership Agreements (FPA) are negotiated and concluded by the Commission, on behalf of the European Union. Under an FPA the EU obtains access to a third country's exclusive economic zone (EEZ) for EU vessels which may carry out fishing activities. In return, the EU provides a financial contribution based on two elements: the economic evaluation of the access by Community vessels to third country waters and fisheries resources, and the needs expressed by the partner country for supporting the implementation of a sustainable fisheries policy in its waters. This financial contribution is paid to each partner country annually, on the basis of the provisions set by the Protocol.

Each agreement is negotiated under a formal mandate given to the Commission by the Council. The choice of the partner country with which the EU negotiates a new agreement, or the renewal of an existing one, is based on several factors. There must be a sufficient demand from the EU side (Member States and industry) and the corresponding interest of the third country in such negotiations. The results of a systematic ex-ante and, where appropriate, ex-post evaluation, including the scientific analysis of the stock situation of the targeted fishery species is duly taken into account. The third country must also have an interest in undertaking sectoral initiatives in partnership with the EU designed to strengthen governance and sustainability of their fisheries sector. The negotiations are carried out on the basis of the in-depth evaluation and analysis which is shared with the stakeholders, as well as with the partner country.

Provided the negotiations are successful, the agreement and protocol are initialled by the Commission and the third country. This is followed by a Council decision on provisional application. The agreements and protocols are then adopted formally by the Council and, since the entry into force of the Lisbon Treaty the consent of the European Parliament is required. A specific Council decision is adopted allocating the available fishing possibilities and providing a breakdown per member state and per category of vessel for the quota of fishing authorisations.

Each year, the Commission identifies in its PDB proposals those agreements that will be in force the following year together with possible future agreements or renewals of protocols. In 2010, the total amount committed and paid in respect of International Fisheries Agreements was respectively €145.329.374 and €136.615.179. While the contributions for FPA in force are covered by the annual allocation on the operational line, the amounts for new and renewed FPA are put in the reserve and only transferred to the operational line once the relevant legal basis enters into force. The following graph provides details on budgetary commitments per agreement in 2010:



An essential element of an FPA is the policy dialogue on fisheries between the EU and the partner country during the negotiation process and the lifetime of the protocol. A percentage of the financial contribution under the agreement is set aside to support the sectoral fisheries policy in the partner country. Both parties agree an annual and a multi-annual plan on the basis of the priorities identified jointly with the Commission through the Joint Committees established under the FPA. For each priority target indicators are defined. In this way, coherence between the FPAs and the fisheries policy of the country is ensured, in particular with regard to the sustainable management of fisheries.

In addition, in order to ensure coherence within the Commission (in particular with DG Development through the European Development Fund (EDF)) and with the Member States and the other parties involved (industry, NGOs, other international institutions), links are established between the support provided within the FPA and other instruments and initiatives.

During the lifetime of a FPA and its protocols a number of key requirements are monitored on a continuous basis. For the most important agreements, dedicated staff have been allocated to the EU Delegations responsible for the countries concerned. The monitoring covers both the assessment of the implementation of the agreement, including the fishing activity of EU vessels (delivery of licences, positioning, infringements procedures, and data collection) and the implementation of agreed national sectoral programmes.

Implementation issues are discussed during the annual Joint Committee meeting set up for each FPA. Where needed the work of this committee is supported by preparatory technical and/or scientific meetings. For the implementation of the actions planned within the sectoral policy, a list of objectives is broken down in annual targets and indicators. These objectives and targets are revised during the annual Joint Committee and adapted in the light of real progress on the ground. This regular check allows the Commission to follow the use of the resources and propose, if necessary, corrective measures.

The main challenge faced by the Commission in the implementation of the FPAs and their negotiation is to ensure that the financial contribution paid by the EU budget represents a fair balance between the access to third country waters and the positive returns for the EU.