



EUROPEAN COMMISSION

Internal Market and Services DG

DG Internal Market and Services

2010 Annual Activity Report

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PART 1

Policy achievements

1.1 OVERVIEW

In 2010 DG MARKT faced high expectations from other EU institutions, the Member States and a wide range of stakeholders. In challenging circumstances, characterised by a fast-moving financial and economic crisis and substantial management changes, the DG delivered high-quality proposals, initiatives and impact assessments, while maintaining extensive international activities related to the development of Single Market and financial services policies.

The DG began 2010 under the responsibility of a new Commissioner and later welcomed both a new Director-General and a new Deputy Director-General. The post of a second Deputy Director General remained vacant throughout the year. Internal redeployment of staff took place in the context of zero-growth in personnel numbers in order to strengthen operations and improve efficiency. The work programme was intense, while work on briefings and speeches doubled in comparison with 2009.

Considerable efforts were made to widen the DG's stakeholder base and achieve a high execution rate of the work programme while maintaining a high standard of policy making. However, the DG could not deliver all its planned initiatives. Delays were mainly due to new, unplanned initiatives and longer than anticipated public consultations.

DG MARKT's work programme for 2010 was delivered under the auspices of the new Commission and was shaped by President Barroso's political guidelines and the Europe 2020 strategy. Accordingly, three key goals were highlighted in the Management Plan at the beginning of the year: the reinvigoration of the single market, enhancing the provision of services across the EU and the restoration of stability and confidence in financial services.

Reinvigorating of the Single Market

This was a major priority in 2010. An important first step was Professor Mario Monti's Report which identified bottlenecks and missing links in the smooth functioning of the Single Market.

In order to make the Single Market work better for citizens, consumers, businesses large and small, and thus to boost growth and job creation, the Commission issued the Single Market Act (SMA), with a compendium of 50 concrete measures. This was followed by a sustained campaign of consultation and communication. For example, an Ambassadors programme was launched with officials visiting Member States to present the SMA to relevant stakeholders. Work was carried out in partnership with national Governments, the European Parliament and civil society actors to ensure delivery of the actions by the end of 2012, which coincides with the twentieth anniversary of the 1992 Programme for the Single Market. In 2011 we will finalise the public consultations and the final set of measures.

The Single Market Act is designed to bring the opportunities of the EU's vast territory and 500 million people to companies of all sizes and further to strengthen Europe's social market economy by putting people at the heart of its Single Market.

Enhancing the Single Market for services

Services are crucial to the functioning of the internal market because they account for over 70 % of economic activity in the European Union and a similar proportion of employment. In 2010 we enhanced partnerships between the Commission and Member States, with the aid of the Internal

Market Information System (IMI), and gained more experience with the practical use of the system in the area of services.

In 2010 the DG delivered a report on retail market monitoring, providing a comprehensive analysis of the sector. Specific measures to improve the functioning of retail markets will be delivered in 2011 as part of the Single Market Act. The DG also completed the process of mutual evaluation of legislation laid down in the Services Directive and set up the first generation of Points of Single Contact (PSGs) in Member States, which will boost cross-border cooperation and simplify administration

Public procurement and IPR

The evaluation of the e-procurement Action Plan launched in 2008 was completed. Work on the evaluation of current directives on procurement started in 2010 to assess the effectiveness of EU law and policy in this area. The DG prepared the ground for further reform of public procurement policy by holding public consultations to assess the impact of a measure on concessions and the need to expand e-procurement. The Green Paper on public procurement (how to underpin 'Europe 2020' priorities) was postponed to 2011 and will be included in a comprehensive communication on changes to public procurement policy. A free on-line source of information for public procurement, e-CERTIS, was launched.

In 2010 the DG drafted a proposal for a Regulation on the translation arrangements for the future EU patent. Progress was made on closer cooperation on patents, an important item on the EU 2020 agenda. The DG also delivered a report on implementation of the Enforcement Directive, which set high legal standards to enforce different types of rights, but was not designed to deal with the increasing number of IPR infringements on the internet.

Financial services

2010 saw a great deal of further work on reform of financial regulation. A Communication was issued in June on the importance of regulating financial services for sustainable growth, a detailed roadmap to financial services reform in 2010 and 2011.

In September 2010, legislation on the European Supervision Package was adopted, leading to the creation of a European Systemic Risk Board and three European supervisory authorities (ESAs) to oversee the banking industry (EBA), insurance and pensions (EIOPA) and securities (ESMA). They have been operational since 1 January 2011. The Regulation on Credit Rating Agencies was revised to transfer supervisory powers to the new European Securities and Markets Authority (ESMA) and a proposal was made on sanctions and convergence of supervisory authorities in financial markets.

In the course of 2010 agreement was reached in Parliament and Council on the Alternative Investment Fund Managers (AIFM), which ensures that hedge funds and private equity will no longer operate in a regulatory void outside the scope of supervisors and provides for more transparency and security in the field of asset management. In this respect we also delivered initiatives to strengthen Investor Compensation, Deposit Guarantees and Insurance Guarantee Funds. To provide safer and more transparent trading on the derivatives market, we proposed an initiative on OTC derivatives and post-trading markets infrastructure (EMIR). The DG also introduced implementing measures for Undertakings for Collective Investments in Transferable Securities (UCITS 4) to consolidate EU standards for investment funds and carried out preparatory work for an initiative on Packaged Retail Investment Products (PRIIPs) planned for adoption in 2011. This will lay down stricter rules for pre-contractual disclosure for all products and intermediaries.

The DG also proposed an initiative to reduce systemic risks and disorderly short selling trading, and to provide for clear powers of intervention for regulators and ESMA. This proposal prepared the ground for the review of the Market Abuse Directive (MAD) which was postponed for delivery in 2011 due to the link with the review of the Markets in Financial Instruments Directive (MiFID) and the G20

recommendations. In this respect, public consultations were launched on MAD and on MiFID over the course of 2010 and will translate into concrete legislative proposals in 2011 to strengthen further the current regulatory frameworks.

Following intensive work in the Financial Stability Board (FSB), the G20 and the Basel Committee, the DG had planned to bring forward a revision of the Capital Requirements Directive (CRD IV) by the end of 2010 to increase the level of capital held by banks. However, in order to integrate fully the measures known as Basel III (September 2010) and approved at the G20 Seoul Summit (November 2010), it was decided to postpone the CRD initiative to 2011.

The DG put forward a Communication on a framework for crisis management to provide the tools for handling future cross-border bank crises. This will be followed by legislative initiatives in 2011 covering a wide range of issues, from prevention and 'early intervention' to bank resolution measures and financing arrangements.

A Green Paper on corporate governance in financial institutions was issued in June with recommendations to avoid future corporate governance failings in banks and other financial organisations and to deal with remuneration policies in the industry.

In retail financial services, the DG proposed a timeline for migration to the Single European Payments Area (SEPA) for credit transfers and direct debits. DG MARKT had also planned an initiative on responsible lending and borrowing to ensure that these operations, in particular on mortgage credit, are handled within a legal framework providing for responsible consideration of lending decisions. This proposal was pushed back to 2011 so as to complete preparatory work.

Throughout 2010 the DG made efforts to expand our stakeholder base and created the Financial Services Users Group (FSUG) with the aim of providing advice on issues affecting users of financial services. The FSUG is composed of 20 individual experts representing the interests of consumers, retail investors and micro-enterprises.

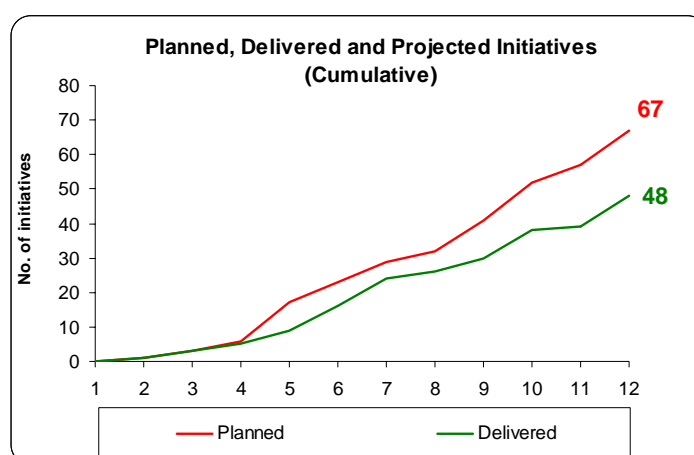
1.2 POLICY ACHIEVEMENTS IN DETAIL

In all, DG MARKT delivered 48 initiatives in 2010, compared with a total of 67 planned. Table 1 provides a snapshot of the DG's record for 2010.

Table 1: Delivery of initiatives – Commission work programme (CWP) and DG MARKT work programme

	CWP		DG MARKT Work Programme			Total
	Strategic	Other	Reports	Implementing Measures	Miscellaneous	
Total planned initiatives	9	21	15	9	13	67
Delivered	7	11	14	9	7	48
Cancelled	0	1	1	0	0	2
Postponed	2	9	0	0	6	17
Execution Rate	78%	52%	93%	100%	54%	72%

Table 2: Delivery of initiatives – cumulative timeframe



In order to ensure delivery of politically important initiatives, planning is closely monitored in the DG. Senior managers review the state of play of each initiative every month. However, securing adoption of all planned initiatives proved a significant challenge for the DG. Postponements and cancellations of initiatives were largely due to the following:

- complexity and expanded scope of some initiatives;
- decisions of the Commissioner to discontinue certain projects;
- delays as a result of international negotiations or input provided late by external partners (e.g. Member States).

In 2010, a large number of new initiatives were added during the year, with high political priority attached to them. Focus of effort was therefore inevitably on the new priority initiatives, with the effect that the overall delivery rate was lower than anticipated. However, the overall number of initiatives delivered was, in proportion, higher than in 2009.

Two strategic initiatives, Revision of the Capital Requirements Directive (CRD IV) and the Review of Market Abuse Directive, were postponed and will be adopted in 2011. The CRD IV review was delayed to ensure that decisions of the G20 (Seoul, 12 November 2010) and the Basel Committee (12 September 2010) were adequately incorporated into the proposal. The Market Abuse Directive was reported to 2011 because this Directive was linked to the on-going examination of MiFID and because maximum priority had to be given to the finalisation of the financial sector reform.

1.2.1 Policy results

The 2 June Communication

Table 3 gives details of the initiatives announced in the 2 June Communication on ‘Regulating financial services for sustainable growth’ that were brought forward by the DG in 2010. Further proposals stemming from the 2 June Communication will follow in 2011.

Table 3: Initiatives announced in the 2 June Communication

- **Revision of the Credit Rating Agencies Regulation (EU-level supervision of CRAs)**
The revision of the Regulation introduced centralised oversight of credit rating agencies operating in the EU, in parallel to establishment of the European Securities and Markets Authority (ESMA).
- **Green Paper on corporate governance in financial institutions**
This Communication identified weaknesses in corporate governance practice in financial institutions and made recommendations to remedy them in order to avoid repetition of corporate

governance failings in banks and other financial institutions revealed by the crisis.

- ***UCITS — implementing measures***
The objectives were to ensure effective implementation of the management company passport, to lay down detailed rules for preparation of key information documents, to improve investor protection, to tighten cooperation between competent authorities and to speed up the notification procedure.
- ***Revision of the Deposit Guarantee Schemes Directive***
The aim of the revision was to enhance consumer (depositor) protection by raising guarantees on bank deposits to €100 000 and to make the Deposit Guarantee Schemes Directive more effective.
- ***White Paper on protection of insurance policy-holders/insurance guarantee schemes***
The White Paper prepared the ground for a policy decision on possible future legislative proposals.
- ***Revision of the Investor Compensation Schemes Directive***
The aim of the revision was to increase investor confidence and ensure more efficient action in the event of fraud or failure.
- ***Creation of a Financial Services User Group (FSUG)***
Establishment of the Financial Services User Group (FSUG) builds on the Commission's experience with the FIN-USE Forum and the Financial Services Consumer Group.
- ***Revision of the Financial Conglomerates Directive (FCD)***
The FCD envisaged a review after a number of years of implementation, which started in 2008. The review was guided by the objectives of the FCD to allow extra supervision of regulated entities that form part of a conglomerate. This was provided by focusing on potential risks of double gearing (multiple use of capital) and of contagion, complexity, concentration and conflicts of interest, collectively known as 'group risks'.
- ***Proposal for legislation on the OTC derivatives markets and post-trading European market infrastructure (EMIR)***
The main goal was to make derivatives markets safer by increasing transparency and decreasing counterparty risk. The legislation proposed would give a mandate for central counterparty clearing (CCP) for standardised derivatives contracts and establish common safety, regulatory and operating standards for CCPs in order to reduce counterparty risk. It would also give a mandate to market participants to record all positions and transactions not cleared by a CCP in trade repositories and establish regulation and supervision of trade repositories in order to increase transparency.
- ***Proposal on short selling/credit default swaps (CDS)***
This proposal for a Regulation aimed to reduce systemic risks and disorderly trading involving short selling and to facilitate monitoring and enforcement against short selling that could involve market abuse.
- ***Communication on an effective and efficient crisis management framework***
The Communication aimed to give authorities the tools they need to resolve cross-border bank crises effectively, thereby reducing costs to the taxpayer. These new tools should increase legal certainty and reduce the risk of legal challenges.
- ***Communication on sanctions in the financial services sector***
This follow-up to the ECOFIN report introduced sanctions designed to act as a deterrent and increased convergence between supervisory powers and objectives across the EU.
- ***Regulation setting a deadline for transition to the SEPA (Single European Payments Area)***
To support migration to the SEPA, this proposal sets deadlines ('end dates') for the transition to SEPA products (credit transfers and direct debits).

Strategic initiatives under the Commission's work programme (CWP)

The DG also delivered seven of its nine 'strategic' initiatives. The two items not delivered were the revision of the Capital Requirements Directive (CRD IV) and the review of the Market Abuse Directive.

Table 4: Delivery of CWP strategic initiatives

- ***Communication on options for bank resolution funds***

The Communication set out options for establishing bank resolution funds. The main objective was to coordinate the way private-sector contributions could be secured to finance resolution measures and to transfer the burdens associated with crisis management from the taxpayer to the banking sector.

- ***Regulation governing translation arrangements for the future EU patent***

Translation arrangements were proposed for the EU patent, as requested by the Council conclusions on an enhanced patent system adopted in December 2009. The EU patent would provide a single title for patent protection in Europe. This is the most affordable and legally secure answer to the challenges facing Europe in the field of patents and innovation.

- ***Report and revision of the Directive on Deposit Guarantee Schemes (see Table 3).***

- ***Proposal for legislation on short selling/credit default swaps (see Table 3).***

- ***Proposal for legislation on the OTC derivatives markets and EMIR (see Table 3).***

- ***Communication on an effective and efficient crisis management framework (see Table 3).***

- ***Single Market Act.***

Other Commission work programme initiatives

The other major initiatives delivered by the DG are listed in Table 5. A full review of the policy activities of the DG in 2010 can be found in Annex 6.

Table 5: Other CWP initiatives

- ***Commission report on the review of securitisation retention***

This report evaluated the increase in the 5% securitisation retention threshold and whether the methods of calculating the retention requirement meet their objective.

- ***Report on retail market monitoring***

This monitoring exercise identified areas in which the retail market is malfunctioning from both the consumers' and suppliers' perspectives. Retail services were analysed as key intermediary services in the modern economy, at the interface between product suppliers and final consumers.

- ***Green Paper on steps to promote e-procurement***

The Green Paper set out steps to facilitate e-procurement and overcome obstacles to cross-border e-procurement.

- ***Communication on e-invoicing***

This Communication mapped out a common framework for interoperable e-invoicing in order to increase uptake to the benefit of all business and trading partners, in particular SMEs.

- ***Green Paper on corporate governance in financial institutions (see Table 3).***

- ***Revision of the Credit Rating Agencies Regulation (see Table 3).***

- ***White Paper on protection of insurance policy-holders/insurance guarantee funds (see Table 3).***

- ***Review of the Investor Compensation Schemes Directive (see Table 3).***

- ***Revision of the Financial Conglomerates Directive (see Table 3).***

- ***Communication on sanctions in the financial services sector (see Table 3).***

- ***Regulation setting a deadline for transition to the SEPA (see Table 3).***

Legislative proposals in the co-decision procedure

The DG continued to work towards successful adoption of proposals for legislation by the European Parliament and the Council on first reading. Table 6 shows the major proposals adopted during 2010.

Table 6: Major proposals adopted by co-decision

- ***Regulation on Central Counterparty Clearing (CCP)***

This Regulation makes CCP mandatory for standardised derivatives. As regards trade repositories, the legislation covers authorisation/registration requirements, access to and participation in a repository, disclosure of data, data quality and timeliness, access to and safeguarding of data, legal certainty of registered contracts, governance and operational reliability.

- ***Revision of the Credit Rating Agencies Regulation (see Table 3).***
- ***Review of the Investor Compensation Schemes Directive (see Table 3).***
- ***Revision of the Deposit Guarantee Schemes Directive (see Table 3).***
- ***Revision of the Financial Conglomerates Directive (see Table 3).***
- ***Proposal for legislation on short selling/credit default swaps (see Table 3).***
- ***Regulation setting a deadline for transition to the SEPA (Single Euro Payments Area) (see Table 3).***

1.2.2 Enforcement of EU law

As in previous years, we reduced the number of formal infringement cases opened against Member States. We also consolidated our good track record of infringement cases closed within the year compared with other Commission DGs. This was mainly thanks to wide use of alternative problem-solving mechanisms, such as EU Pilot and SOLVIT. They not only allowed rapid handling of complaints without resorting to formal infringement proceedings but also proved to demand fewer resources. However, we need to step up our efforts to deliver positive results promptly. To achieve this, we will monitor use of alternative problem-solving mechanisms and ensure closer coordination between the different existing platforms.

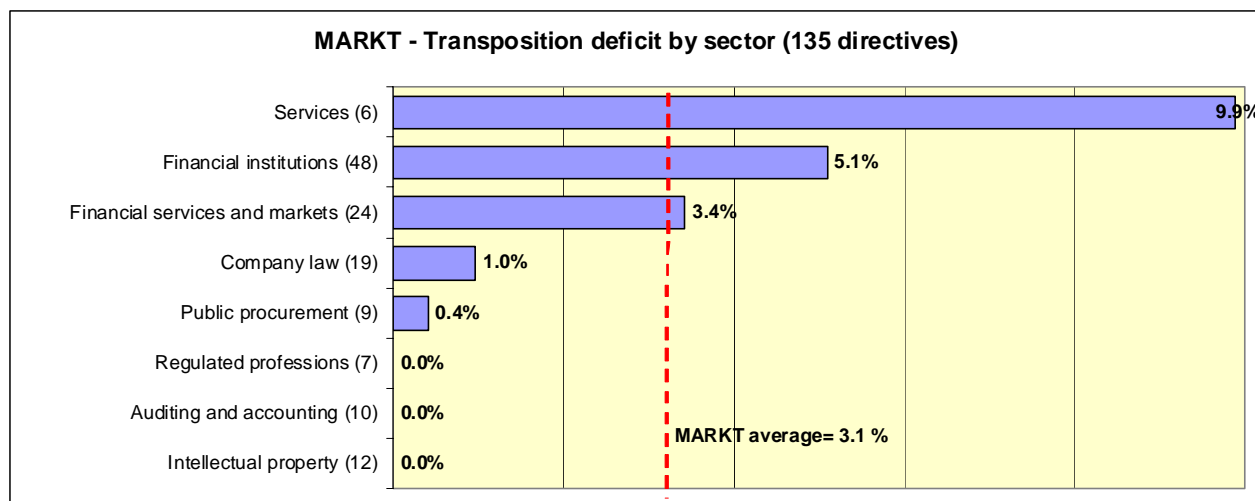
In 2010 we tightened up our monitoring of enforcement of EU law in Member States. Following the appointment of a new Commissioner, we saw it as a priority to improve cooperation between the Commission and each Member State and among Member States themselves. Throughout 2010 we organised workshops in each Member State to address any challenges and difficulties administrations face when it comes to enforcing EU law. Amongst other policy achievements, we prepared the ground for expansion of the Internal Market Information System (IMI) to other areas, beyond the Services and Professional Qualifications Directives.

On the whole, our approach to enforcing EU law in Member States proved effective in 2010, but further integration of law enforcement in the policy-making cycle remains on the agenda for the DG.

Transposition of directives

The rate of non-transposition of directives monitored by DG MARKT stood at 3.1% on 31 December 2010. Considerable efforts have been made to support Member States with transposing Directives into national law within the agreed timeframe. Our approach to transposition will be further tested as the first series of legislative acts on financial services approach their transposition deadlines. For this reason, we have already started raising awareness in the DG to ensure timely inclusion of our policies in national law.

Table 7: Transposition of directives



(number of directives in the sector)

The following directives falling under DG MARKT’s responsibility entered into force in 2010:

Table 8: Directives which entered into force in 2010

- **Amendments to Directives 2006/48/EC and 2006/49/EC (Capital Requirements Directive)**
These revised a number of key sections of the Capital Requirements Directive (CRD).
- **Payment Services Directive (Directive 2009/44/EC)**
This established a legal framework for payment services with the aim of facilitating and reducing the cost of cross-border payments within the European Union.
- **Directive on the internal market of Community postal services (Directive 2008/6/EC)**
This established a regulatory framework for the postal sector at Community level, including measures to guarantee a universal service.
- **Directive on deposit guarantee schemes (Directive 2009/14/EC)**
This raised guarantee levels and will reduce payout delays in the event that deposits in a bank become unavailable as a result of a liquidity crisis or banking failure.

Management of infringement cases

In 2010 DG MARKT topped its 2009 performance in terms of compliance with Commission-wide benchmarks for handling infringement cases. After setting a target of moving to the next step of the infringement proceedings in an average of 14 % of cases every month in 2009, the DG improved its performance by averaging 15.7 % in 2010. In comparison, the Commission-wide average in 2010 was 14.6%. Timely decision-making led to a considerable decrease in the number of infringement cases pending for DG MARKT, from 397 at the beginning of 2010 to 326 by the end of the year.

Table 9: Average duration of closed infringement cases (in months)

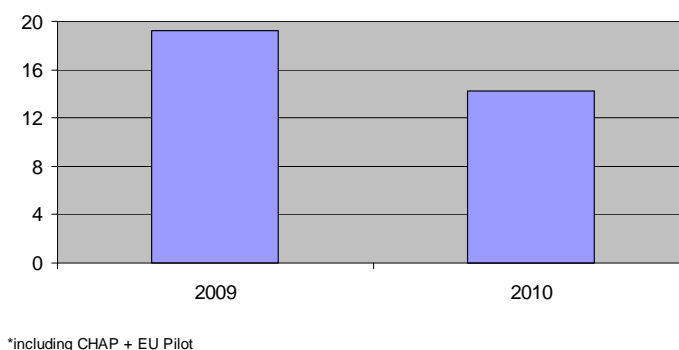
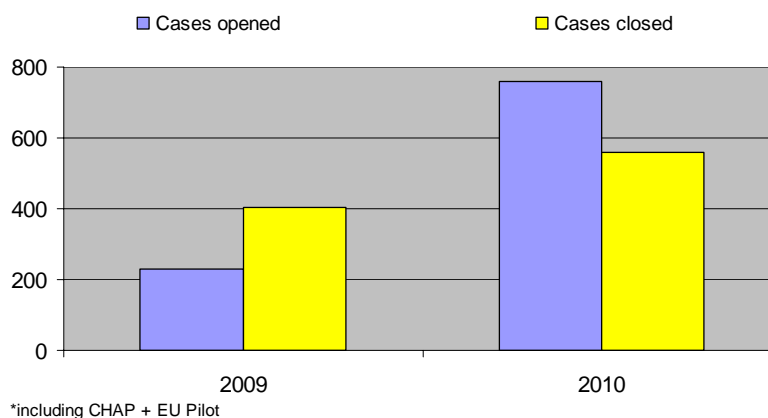


Table 10: Number of infringement cases opened/closed



Alternative problem-solving mechanisms

DG MARKT promotes alternative problem-solving mechanisms such as EU Pilot and SOLVIT. They provide a rapid means of resolving complaints and inquiries without resorting to formal infringement proceedings.

- DG MARKT is the second largest user of EU Pilot within the Commission (269 cases registered at the end of 2010, of which 182 were closed). EU Pilot is mostly used in the areas of public procurement and regulated professions: 41% of the public procurement cases and 20% of the cases related to professional qualifications were closed in 2010.
- Use of SOLVIT has also been increasing in the last few years. However, the number of cases submitted dropped by 12% compared with 2009, from 1 487 to 1 303. Resolution rates went up to over 90%.

Providing better information and advice on EU rights

To inform people better, the **Your Europe** website has been entirely revamped. The new Your Europe offers practical information on EU rights, and also directs users to further help where needed. Your Europe offers information on a cross-sectoral basis – it informs about rights in policy areas managed by a total of 15 DGs. Your Europe also acts a single gateway to all further help and assistance – it gives access to consumer centres, to SOLVIT, Your Europe Advice etc. Efforts have been made to ensure that the new Your Europe is within easy reach via internet, phone or physical networks.

Your Europe Advice (the former Citizens' Signpost Service) offers free advice on EU rights. Questions are answered within one week, in any local language. In 2010, 12 029 cases were eligible for Your Europe Advice (formerly CSS), 476 more than in 2009.

1.2.3 International relations

Following the global economic and financial crisis, the international dimension of the DG's work has grown in volume and importance. The crisis and subsequent slow recovery have underlined the need for closer cooperation and extensive regulatory coordination on a global scale. In the area of financial services, the G20 and the Financial Stability Board are now the main international regulatory fora, while DG MARKT has continued to make active contributions to shaping and promoting regulatory convergence. We have also promoted broader financial and regulatory reform and mutual consistency in dialogues with non-EU countries, in particular the USA, Japan, China, Russia, India and Brazil. In 2010 the Commissioner visited the USA twice for high-level contacts on a wide range of financial services and internal market issues.

Work continued on negotiations for a new generation of Deep and Comprehensive Free Trade Agreements (DCFTAs), which aim for a high degree of market opening and regulatory approximation to the EU acquis. Progress was made in the context of the ongoing market access negotiations of the WTO Government Procurement Agreement (GPA): various GPA members (including the EU) tabled revised offers proposing further expansion of coverage. The agreement with Ukraine will be the first of this kind. Bilateral FTA negotiations also started with Singapore and Malaysia. Accession negotiations on the DG's policy areas were concluded with Croatia, continued with Turkey and launched with Iceland. Furthermore, the political and strategic imperatives driving the European Neighbourhood Policy required our close involvement, in view of the significant impact the ENP will have on the single market of the future. Last but not least, a new focus was added in the form of closer cooperation with the African Union on internal market issues to support the regional integration process in Africa. The next few paragraphs give a snapshot of work in this area in the course of 2010.

Regulatory dialogues

In the context of financial reform, the informal EU-US financial markets regulatory dialogue, together with regular bilateral contacts, remained important to conduct periodic reviews of regulatory progress and to encourage strong parallelism in the regulatory responses on both sides of the Atlantic. The dialogue was particularly important at this time of implementation of the numerous provisions contained in the Dodd-Frank Act by the USA. In addition, an informal EU-US economic and financial dialogue was launched, in the form of meetings twice a year. This addresses not only financial issues but also macroeconomic issues of mutual interest, including G20-related matters.

The EU-Japan regulatory reform dialogue held in Tokyo in February 2010 facilitated exchanges on cooperation in the G20, financial services, accounting/auditing, postal services, public procurement, intellectual property rights and company law. Further cooperation (on financial services and public procurement) was developed within the Joint High-Level Group set up at the 2010 EU-Japan summit.

Banking, insurance, securities and corporate governance issues were touched upon in the EU-Russia dialogue on macroeconomic and financial services issues held in Moscow in October 2010. The EU-China dialogue on economic and financial issues held in Brussels in January 2010 covered financial issues, corporate governance, accounting/auditing and public procurement and meeting of the EU-India Macroeconomic and Financial Services Dialogue was also held in Brussels in July. The second meeting of the EU-Brazil dialogue on financial services took place in November 2010, further advancing this young dialogue launched in 2009.

Enlargement

Ensuring the integrity of the single market is a core objective in relations with pre-accession and neighbourhood countries. The DG remained actively involved in accession negotiations with Croatia and Turkey and started accession negotiations with Iceland. Negotiations with Croatia maintained a good pace. Two remaining chapters within the DG's remit (out of 6.5) that were still open for negotiations (one on public procurement, the other on free movement of capital) were provisionally closed in 2010. Accession negotiations with Turkey were less successful, as no new internal market chapters have been opened since 2008 and some of the new legislation adopted by Turkey (such as on intellectual property rights) goes against the letter and spirit of the EU acquis. Chapter-by-chapter screening of Iceland's legislation started in the autumn. All 6.5 chapters within DG MARKT's remit were screened by the end of December and screening reports are being prepared. The DG also remained actively involved in preparing and implementing Stabilisation and Association Agreements with Western Balkan countries. It contributed to the Commission Opinions on Albania's and Montenegro's applications for EU membership. Montenegro was awarded candidate country status in December 2010. The Commission is now preparing its Opinion on Serbia's application for membership.

Free Trade Agreements

Although 2010 injected new life into the Doha negotiations, the EU's reasons to proceed with negotiations on a new generation of ambitious bilateral Free Trade Agreements remained valid. Negotiations started or continued with countries like India or regions such as the Andean, Mercosur, Central America, ASEAN (on a bilateral basis with Singapore, Malaysia and Vietnam) and the Gulf Cooperation Council. Most of these agreements include provisions on establishment, intellectual property rights, public procurement, free movement of capital, money laundering, postal services, financial services and mutual recognition of professional qualifications, all of which call for the DG's input and advice.

The DG is also closely involved in the negotiations in progress on Partnership and Cooperation Agreements with China, Singapore, Vietnam, Thailand and Malaysia. Negotiations on a new Agreement with Russia, replacing the existing Partnership and Cooperation Agreement, were also pursued. Free Trade Agreement negotiations on services and establishment continued with Morocco, Tunisia, Egypt and Israel. Negotiations on public procurement were initiated with Morocco. The DG is involved in the negotiations for Association Agreements with Ukraine, Moldova, Georgia, Armenia and Azerbaijan too and provisionally closed the Public procurement chapter of the DCFTA with Ukraine in 2010. Furthermore, it is contributing to the negotiations with Canada on a Comprehensive Economic and Trade Agreement (CETA), on which good progress was made during the year. As the number and scope of these negotiations continue to expand, the DG will have to see how it can cope best, at a time of zero growth of resources, with these priorities, which are all-important in view of their direct relevance to the functioning and integrity of the Single Market.

1.2.4 Smart regulation

DG MARKT is committed to preparing evidence-based initiatives in line with the 'Better regulation' agenda. Impact assessments are prepared for all legislative proposals and also for non-legislative proposals defining future policies. The DG carried out 16 impact assessments in 2010, 13 of which were on proposals in the financial services sector. Therefore, DG MARKT produced 24 % of all 66 impact assessments submitted to the Impact Assessment Board (IAB) in 2010. In the end, five of them had to be resubmitted to the IAB, giving a resubmission rate of 31 % (compared to 41 % Commission-wide).

The DG also completed an evaluation of the e-Procurement Action Plan that had been launched in 2008. In addition, work on two further evaluations (on the public procurement acquis and on the

Professional Qualifications Directive) continued in 2010 and a new external evaluation on SOLVIT was launched. In line with the increasing emphasis on evaluation of legislation across the Commission, the DG also adopted a new strategy for evaluation of all major policy fields over the next five years.

Evaluations must be carried out in a timely manner to be truly useful and to contribute to new policy measures. This requirement put particular pressure on evaluation projects, which had to be rushed ahead of their original schedule, because of shifting political priorities. In 2010 this was the case for the evaluations on public procurement and professional qualifications. Thanks to great efforts by the DG, it was possible to maintain both the credibility and the ambitious scope of these two exercises.

In 2010 impact assessments came in for closer scrutiny by the IAB over the issues of subsidiarity and proportionality, due to the greater role given to national parliaments by the Lisbon Treaty. Increasing emphasis has gone to assessing a policy's social impact. Greater attention has also been paid to readability and conciseness of impact assessment reports, which poses difficulty for some of the more complex technical files in the area of financial services. In all these domains, DG MARKT will have to improve if it wants to reduce its resubmission rate in 2011.

PART 2

Management and internal control systems

2.1 INTRODUCTION TO DG INTERNAL MARKET AND SERVICES

The DG's goal is to develop an integrated European single market and promote a dynamic and stable financial services sector for the benefit of EU citizens and businesses. In doing so, the DG seeks to remove barriers to the free movement of services and capital and to the freedom of establishment. It seeks to create a regulatory environment which enhances Europe's competitiveness and stimulates innovation. The DG focuses on the following sectors: public procurement, intellectual property, services, company law, accounting, auditing and financial markets.

Main stakeholders and processes

The work of the DG involves preparing policy initiatives (both legislative and non-legislative) and negotiating with the Council and European Parliament to secure the adoption of legislative initiatives, and enforcement activities. This work ranges from assisting Member States in the transposition process, to preparing infringement cases when single market rules have been breached. The Better Regulation agenda is an integral part of this work, and includes organising consultations with stakeholders and Member States, and preparing impact assessments and evaluations.

Policy initiatives and enforcement activities in DG MARKT's areas of responsibility are subject to close scrutiny. Retaining the support of the Council, the European Parliament, individual Member States and the public is essential to the success of policy initiatives. The DG also needs to ensure that its main private sector stakeholders and end-users (i.e. national regulators, business and consumers) are supportive of its policy initiatives. To this end, a wide array of consultations with external stakeholders take place at an early stage of the drafting process and input is encouraged from stakeholders. The stakeholder base has been relatively stable in recent years. The DG has typically consulted major cross-border banks, insurance undertakings and securities firms, public authorities and businesses (for public procurement and industrial property), and media content and technology companies (for copyright). However, the DG is also aware that continued efforts are required to expand the range of participants in consultation processes, and to communicate effectively with stakeholders on the benefits that have already been delivered as a result of single market legislation. In order to gather a wider and more balanced range of input and opinions into the policymaking processes, a more diverse range of input and opinion is needed. The DG is conscious that it may have relied too heavily on the voices of vested interest groups in the past and the active involvement of consumers, NGOs, trade unions, environmental groups, and others is now actively sought through channels such as the Stakeholders Forum.

Staff composition and personnel issues

The DG has a staff of 620, including external hires. Outside expertise is crucial for the delivery of policy initiatives. This is inevitable in technical fields, such as financial markets and intellectual property rights, where permanent staff may lack some specialised knowledge. For this reason the DG has one of the highest proportions of external staff of all Commission departments, where up to 60 Seconded National Experts could be found working in the DG at any one time in 2010. The contribution of national experts to all policy areas of the DG is of high quality and adds value to the DG's work.

Personnel issues, including equal opportunities, in particular work-life balance issues, are given a high profile in DG MARKT. The DG revised its 'Personnel Action Plan' in December, setting out the DG's

objectives and achievements in 2010 with regard to personnel policy. This document is being distributed to staff so that they can also monitor management implementation of its commitment with regard to Equal Opportunities. In terms of career management more broadly, the DG re-launched its programme of 'mini-stages', enabling staff to go on short secondments to other DGs, as well as to external organisations such as NGOs, companies or Member State administrations. In order to help encourage staff to consider careers in management (particularly female staff) the DG reviewed its policy on deputy Head of Unit appointments. Following a competitive selection procedure, 10 deputy Heads of Unit were appointed in April and May 2010 for a non-renewable period of two years, allowing them to gain management experience and test their suitability for taking on middle management functions in future.

The Task Force on Work-Life Balance, which was set up in 2007, met in May 2010 to discuss its action plan on equal opportunity issues, which covers activities related to gender balance, working conditions and well-being. The group was renewed in October 2010 under a new Chair and renamed the Equal Opportunities Network. It currently consists of 28 members. The new Equal Opportunities Network met in December 2010 to discuss the Commission's Equal Opportunities Strategy for 2011-2014, including female management targets for the DG, and defined future challenges and priorities. It will further analyse the current level of integration of equal opportunities issues in human resources management and propose ideas and actions for the DG's next action plan on Equal Opportunities.

As regards the use of flexitime, it should be noted that it has increased from 50% in 2007 to around 77% by the end of 2010. Tele-working on either a regular or occasional basis was applied by 11.5% of staff in 2010; 35% of tele-workers in 2010 were men and 65% were women.

DG MARKT also pays particular attention to respecting equal opportunities in selection procedures for management posts. In terms of female representation in senior and middle management in the DG, 21.9% of Head of unit posts and 27.3% of Director posts were occupied by women at the end of 2010, as well as 27.3% of deputy Head of Unit posts. In terms of recruiting managers the DG appointed a female to the post of Deputy Director General. Looking back over the last three years, the number of women in middle management grew from 2 in early 2007 to 7 in 2010.

Financial management

The DG manages three operational budget lines. The main operational budget line (12.0201 – Implementation of the Internal Market) amounted to € 900 000 in 2010. A central budget sector vets all financial operations and the Resources Director acts as the Authorising Officer by Sub-delegation for all financial operations on the operational budget. The operational budget is used mainly to finance contracts for studies that are awarded through open tender procedures. These studies are an important element in the policy-making process of the DG because they provide information on current market conditions in various sectors across the EU and feed into reports, impact assessments and evaluations. They also give the DG information on the state of transposition or implementation of Single Market law.

A transfer of €800 000 was requested to the Budgetary Authority for the SMAS-Single Market Assistance Service budget line (12.0202). The appropriations were made available at the end of September. The third operational line of DG MARKT is devoted to grant management (12.0401), with annual commitment appropriations of €6 000 000 in 2010.

Total administrative costs for the DG in 2010 (for external staff, technical assistance, administrative support, missions, training, conferences and reimbursement of travel costs for members of expert groups) amounted to €1 300 000. The same centralised financial circuit applies to operational expenditure, except for missions and meetings which are approved by Directors for staff in their Directorates. Following new guidelines from DG BUDG, the financial circuits were revised and simplified beginning in October 2010 in order to ensure the added value of each actor, to avoid unnecessary checks and bottlenecks and to shorten payment delays.

Following Internal Audit Service (IAS) audits in 2005 and 2007, training has been strengthened for financial actors and weaknesses in financial planning that resulted in low commitment rates have been addressed. The IAC conducts an annual *ex post* review of sample financial transactions to verify their legality and regularity. The IAC has also begun reviewing the procedures used for procuring study contracts.

In 2010 DG MARKT started a grant management programme (budget line 12.0401) for the Lamfalussy Level Three Committees ('3L3') and issued grants for two other specific beneficiaries (EFRAG and PIOB). A third beneficiary, the IFRS Foundation¹, will receive an operating grant as from 2011. The three Lamfalussy Committees will not be awarded a grant in 2011 because they will be transformed into European Supervisory Authorities (EBA, EIOPA and ESMA, respectively)². A cost-effectiveness assessment review concluded that the existing financial circuits (the structure for authorising and verifying financial operations) in the DG were sufficient and that a centralised system of grant management within the Financial Resources and Internal Control Unit (Unit A2) was the most appropriate arrangement for the management of the grants. In total DG MARKT will manage a maximum of €38,7 million between 2010 and 2013. For 2010, the amount is €6 million to be divided between 5 grants ('3L3', EFRAG, PIOB), and for 2011 it is estimated that €7,35 million will be divided between three operating grants (EFRAG, PIOB, IFRS). New guidelines for handling grants have been developed by the Financial Resources and Internal Control Unit, in accordance with the procedures prescribed by DG BUDG. A six-monthly internal management plan on grants was drawn up by Unit A2 and is available on the Intranet. Specific training courses have also been developed and are available for specific staff within the DG and to beneficiaries.

Change of Director General and Resources Director

A new Director General for DG MARKT, Jonathan Faull, was appointed on 1 July 2010, following the departure of his predecessor, Jörgen Holmquist on 30 June 2010. A new Deputy Director General, Nadia Calviño, was appointed on 1 November 2010, following the departure of her predecessor, David Wright on 30 September 2010. She is in charge of the Directorates responsible for Free Movement of Capital, Company Law and Corporate Governance, Financial Services Policy and Financial Markets, and Financial Institutions. The post of Deputy Director General for the remaining Directorates of DG MARKT, i.e. Planning, Administrative Support and Coordination, Internal Market Policy, Public Procurement Policy, Knowledge-based Economy and Services remains vacant.

On 15 February 2011 the Resources Director, Bernhard Friess, left DG MARKT and has been replaced by Panayotis Stamatopoulos, as Acting Director A (Planning, Administrative Support and Coordination).

Risk management

Given resource constraints the DG has developed a planning system geared to ensuring delivery of initiatives that are either on the Commission's Legislative and Work Programme or the DG's internal work programme (so-called 'catalogue' items). Weekly reporting to the Director-General takes place throughout the year on the prospective timing of adoption and state of play on all initiatives so that action can be taken where necessary to speed or smooth the delivery of politically important or sensitive dossiers. The DG delivered 48 initiatives to the College in 2010, including a number of major legislative proposals, out of the 67 planned. 12 new initiatives were added to the Work programme during course of the year.

¹ EFRAG is the European Financial Reporting Advisory Group, the PIOB is the Public Interest Oversight Board and the IFRS is the International Financial Reporting Standards Foundation.

² EBA is the European Banking Authority, EIOPA is the European Insurance and Occupational Pensions Authority and ESMA is the European Securities and Markets Authority

The DG also took steps in 2010 to protect its reputation by fostering awareness of ethics rules. Internal Control Standard 2 (Ethics and Organisational Values) was again chosen as one of the priority standards for an 'effectiveness review'. Although no breaches of ethics rules have been uncovered, the DG is aware of the role it plays in the public eye. It is therefore important to provide practical guidance to staff to ensure that rules are correctly applied. Specific guidelines for staff, written in a user-friendly fashion, have been released in April 2010, following consultation with the Secretariat-General, Legal Service, DG HR, and approval by the Commissioner. The guidelines clarify to staff the key rules on conflicts of interest and the acceptance of gifts and hospitality. They also remind staff of relevant rules for notifications to the Appointing Authority. They exist to help protect staff from any unfounded allegations of misconduct, and help to instil a culture of prudence in the DG.

The DG is also aware of the continued importance of evidenced-based policy making. Therefore, the DG finalised in June 2010 a multi-annual strategic evaluation plan for the years 2010-2014 based on a comprehensive evaluation mapping exercise. The evaluation plan covers all key areas of activity of the DG, while at the same time trying to avoid overlaps or duplications with other exercises aimed at generating evidence (e.g. impact assessments, evaluation reports, factual studies, etc.). In areas where a large number of impact assessments have been carried out in the past few years, it is assumed that these impact assessments have de facto contained evaluations of the status quo. There is no need for further evaluations until the legislative acts resulting from such impact assessments have been in force long enough to have had measurable effects on stakeholders.

The risk management exercise 2011 was conducted over October and November 2010 according to the revised guidance on risk management provided by central services. All units identified main risks to the realisation of their objectives and the mitigating actions planned or already in place. A risk register with the most significant risks for the DG is kept at DG level and updated regularly.

2.2 THE FUNCTIONING OF THE INTERNAL CONTROL SYSTEM

The internal control system established in DG MARKT is monitored and reviewed by a group comprising the Internal Control Coordinator (Resources Director), the Head of the Financial Resources and Internal Control Unit, the Head of the Human Resources and Planning Unit and the Head of the Internal Audit Capability (IAC). A new Head of IAC was appointed on 1 October 2010. The post was vacant from 1 May till 30 September 2010. Following an organigramme change of Directorate A, two reorganised units, i.e. Human Resources and the Planning Unit and Financial Resources and Internal Control Unit replaced the former Human and Financial Resources Unit and Planning and Internal Control Unit. The role of the internal control group is to monitor compliance with the Internal Control Standards, conduct risk assessments, review the implementation of audit recommendations of the Internal Audit Service, the Internal Audit Capability and the Court of Auditors and make any relevant recommendations to management. The Financial Resources and Internal Control Unit is responsible for day-to-day internal control issues, as well as for arranging annual workshops for management staff on internal control and conducting the effectiveness reviews of internal control standards.

2.2.1 Compliance with the requirements of the internal control standards

The annual exercise to screen the compliance of the DG with the baseline requirements of the internal control standards was conducted between September and December 2010. It was based on a desk review and meetings with the units responsible for ensuring compliance with the requirements of the standards. The Financial Resources and Internal Control Unit coordinated this self-assessment exercise. Whenever a gap in compliance was identified, relevant staff were informed and requested to take action to correct the situation. On the basis of the evidence collected, DG MARKT's compliance rate was self-assessed at 97% (up from 95% in 2009). Only partial compliance was achieved with one of the requirements of Internal Control Standard 4 on staff evaluation and development and with one of the requirements of Internal Control Standard 7 on operational structure. The table below gives an overview of those standards where the DG's self-assessment suggested full compliance:

Table 10

ICS 1. Mission

The DG's mission statement is clearly defined in the management plan and all units have developed clear mission statements which are available on the intranet.

ICS 2. Ethical and Organisational Values

Management and staff are aware of ethics rules and these are clearly communicated.

ICS 3. Staff Allocation and Mobility

The allocation of staff is based on the DG's priorities.

ICS 5. Objectives and Performance Indicators

The DG's objectives are clearly defined in the management plan. Key performance indicators are established to help management evaluate and report on progress made in relation to their objectives.

ICS 6. Risk Management Process

A risk management process in line with applicable guidelines is integrated into the Annual Management Plan.

ICS 8. Processes and Procedures

The DG's processes and procedures are adequately documented and compliant with applicable provisions. They include arrangements to ensure segregation of duties.

ICS 9. Management Supervision

Management supervision is performed through regular reporting and ad hoc reports and meetings.

ICS 10. Business Continuity

Measures are in place to ensure continuity of service in case of "business-as-usual" interruptions.

ICS 11. Document Management

Appropriate processes and procedures are in place to ensure that the DG's document management is secure, efficient (in particular as regards retrieving appropriate information) and complies with applicable legislation.

ICS 12. Information and Communication

Internal communications function effectively. The DG has an external communications strategy to ensure that its communications are in line with the Commission's key political messages. IT systems used and/or managed by the DG (where the DG is the system owner) are adequately protected against threats to their integrity.

ICS 13. Accounting and Financial Reporting

Procedures and controls are in place to ensure that accounting data and related information used for preparing the DG's annual accounts and financial reports are accurate, complete and timely.

ICS 14. Evaluation of Activities

Evaluations of legislation and other activities are performed to assess the results of these activities and the need for further initiatives.

ICS 15. Assessment of Internal Control Systems

Management assesses the effectiveness of the DG's key internal control systems at least once a year.

ICS 16. Internal Audit Capability

The DG has an Internal Audit Capability (IAC).

The following are the requirements that DG MARKT assessed itself as being only partially compliant with:

- *Management ensures that every staff member attends at least the training courses of a compulsory nature as defined in the strategic frameworks of the Commission and of the DG. (Internal Control Standard 4)*
- *The DG's sensitive functions are clearly defined, recorded and kept-up-to-date. (Internal Control Standard 7)*

An explanation of the reasons why the DG assessed itself as being only partially compliant with these requirements is given below, alongside proposals to ensure compliance in 2011:

Mandatory training (ICS 4)

The training sector in the Human Resources and Planning Unit ensures that all staff are aware of the mandatory training they should follow via intranet updates and the weekly Training Bulletin. However, the baseline requirement makes it clear that it is a management responsibility to know what courses are mandatory for staff and to follow up on attendance. According to available statistics, 80% of staff has completed obligatory training on E-domec. Although 100% of financial initiating and verifying agents have completed the obligatory training on financial circuits, the attendance among operational initiating and verifying agents is on average 85%. Also at year end only 58% of newcomers had followed the mandatory internal DG MARKT course for newcomers. This will improve in January as the remaining 42% have already been invited to the training on 27 January 2011. The following actions will need to be undertaken in order to ensure full compliance with this requirement in 2011:

- Heads of Unit should discuss mandatory training with staff during the CDR dialogue;
- The training sector should send quarterly reminders to Heads of Unit specifying which obligatory trainings still need to be followed by staff;
- The training sector should monitor the statistics on completion of obligatory trainings on an ongoing basis. and take appropriate measures where necessary;
- Heads of Unit should ensure that staff prepares training maps including the relevant compulsory courses.

Sensitive posts (ICS 7)

In total 10 officials in the DG (3 senior managers, 3 middle managers and 4 "desk officers") were in their posts beyond the time limits for sensitive posts. Exception notes were signed by the Director-General and sent to DG HR where needed.

- In order to ensure full compliance in 2011, mobility of the persons concerned will be organised as a follow-up of the re-organisation of the DG, already launched.

2.2.2 Effectiveness of implementation of the prioritised internal control standards

Senior management decided the following three Internal Control Standards (ICS) were the most relevant to DG MARKT in 2010. Their implementation had therefore to be reviewed in detail in order to assess how effectively they were working inside the DG:

- Ethics and Organisational Values (ICS 2);
- Document Management (ICS 11);
- Evaluation of Activities (ICS 14).

ICS 2 was also reviewed in 2008 and 2009 and ICS 14 in 2009. Ethics was again prioritised due to the ongoing importance attached to this issue by senior management and the pending release of DG MARKT Ethics Guidelines. The standard on document management was chosen for review because in 2009 the DG judged itself to be only partially compliant with this standard. Its prioritisation was to help gauge the extent of deficiencies in this area, raise awareness among staff and enhance compliance. The decision to prioritise the standard on evaluations in 2010 was driven by the assessment that evaluations are still underexploited as a policy development tool inside the DG.

The effectiveness reviews of the selected Internal Control Standards were conducted in accordance with the guidance provided by central services. The review consisted of four building blocks: unit bilaterals, electronic surveys for staff, workshops for staff, and seminars on internal control for managerial staff. The Financial Resources and Internal Control Unit, in consultation with the IAC and the Resources Director, led the effectiveness reviews. Input for the reviews was gathered from two

principal sources: staff and management consultation. The Human Resources and Planning Unit, the Information Technology, Document Management and Security Unit and the Impact Assessment, Evaluation and Economic Analysis Unit, chefs-de-file for the reviewed standards, conducted a series of actions in the context of effectiveness reviews. Bilaterals with all units on document management and evaluation were conducted in the first half of the year, and rolling visits to units on ethics issues started after the release of ethics guidelines in April 2010. Additionally, the Financial Resources and Internal Control Unit conducted staff consultation via an electronic survey and a workshop. A group of 50 members of staff was randomly selected to participate in the reviews. They were then invited to a workshop held on 12 November to encourage further discussion and generate ideas to improve the effectiveness of the three standards. There was a presentation of the results of the staff consultation at DG MARKT's annual internal control seminar for managerial staff, held on 22 November. The key findings of the reviews are recorded below.

Overall, the reviews show that the Internal Control Standards are being applied effectively inside the DG. The actions on ethics carried out in the last three years have successfully enhanced effectiveness of this internal control standard. Staff are much more confident about ethics rules in comparison with previous years. There is a high level of awareness of the importance of ethics for the credibility and reputation of the DG. Reassuringly, a majority of staff feel they receive appropriate guidance on ethics from their superiors.

In general staff are also aware of document management rules. They think that DG MARKT provides adequate support, training and information on document management. However, staff declare that although they know the rules, they do not in all cases ensure their full involvement in document management and prefer to delegate this task to secretarial staff. This is due to time constraints and perceived complexity of rules. It was also suggested that the daily organisation of document management within units could be improved in view of obtaining a clearer division of tasks related to document management and time savings in this area.

Staff feel that their superiors attribute enough importance to all forms of evaluation, with particular attention to those directly linked to policy initiatives. Impact assessment is a well-embedded and robust process in DG MARKT, and staff have experience conducting it. On the other hand, *ex-post* evaluations are less well understood by staff, largely due to lack of practical experience. Therefore, staff continually ask for more information about evaluation.

Ethics (ICS 2)

The review found that there is a high level of awareness of the importance of ethics for the credibility and reputation of the DG. The DG has raised staff awareness of ethics in a variety of ways. The awaited DG MARKT ethics guidelines were published in April 2010. The ethics guidelines were well received by staff, as evidenced during discussions on ethics in unit visits, in a staff workshop on effectiveness reviews, and in replies to the survey. Also 97% of survey participants declared that they had read ethics guidelines. The ethics pages on the intranet have been updated with relevant hyperlinks to DG HR's web pages, there have been two tailored to DG MARKT's needs trainings on conflict of interest issues, and the gifts register was reported to senior management twice. There have been no recorded breaches of ethics rules in the DG. The review showed that staff are satisfied with the guidance they have received on ethics, and awareness of DG HR rules is high. Majority of staff judge that they receive appropriate guidance on ethics from their superiors and they are confident about ethics rules. Staff also know where to look for guidance when in doubt. The majority of staff (72%) have not been in a conflict of interest situation, and those who did, have informed the hierarchy. The conflict of interest situations referred most often to hospitality and gifts, external activities, and the employment of a spouse.

Although the awareness of procedures to follow when going on mission, accepting a gift or hospitality, etc. is very good, staff raised concerns about the complexity of rules. It is evident

that staff requires more explanation and clarification of the procedures. Staff also expressed concern that in some cases DG MARKT staff participates as speakers at conferences where a fee is paid by participants. Although this is a common problem for several Commission services, it was suggested that the ethics guidelines should cover this issue explicitly. Staff would also welcome more opportunities to share experience with colleagues, for example in the form of real life cases uploaded on an ethics intranet page. Staff suggested that the Commission-wide obligatory training on ethics is not always attended in the first months of service and that a DG-specific training on ethics for newcomers would be useful.

The DG MARKT-specific ethics guidelines have clarified the rules on ethics and improved consistency in their application. The programme of rolling unit visits and tailor-made ethics courses on conflict of interest issues are effective tools for further awareness-raising, and are useful for a discussion of ethics issues. The review proved that staff are aware of ethics issues and feel confident about ethics rules. Ongoing clarification of the technicalities of procedures will further enhance the effectiveness of application of rules. The actions carried out in the last three years in the context of effectiveness reviews created a solid ethics culture in the DG and the DG decided to exclude this standard from reviews in 2011.

Document Management (ICS 11)

The survey results show that the majority of staff are aware of document management rules and have good or sufficient knowledge of their unit's filing plan. Around 80% think that DG MARKT is good at providing support, training and information on document management. Staff also has the good sense to consult appropriate persons if they are not sure about rules. However, some staff declared that although they know the rules, they do not in all cases ensure their full involvement in document management and prefer to delegate this task to secretarial staff, the reasons for this being the time constraints and perceived complexity of rules. Staff expressed some concern about the daily organisation of document management in units. It seems that the division of tasks relating to document management is not always optimal. Furthermore, some respondents felt that awareness regarding the handling of sensitive documents and documents containing personal data could be further improved and that they often have doubts on how these documents should be dealt with. Staff remarked that although they use ARES on a daily basis, very few use ARES for searching documents and they prefer to use the common shared drive (J: drive) and MS Outlook for daily document management. In the workshop staff suggested that filing plans could be improved to better meet long-term needs and that the role of filing plan officer should be given more prominence. In one workshop discussion staff emphasised the need for further clarification regarding rules on registering emails and promoting ARES as a single tool for sending documents.

On the issue of document management, clearly further actions are needed to enhance the effectiveness of the Internal Control Standard. The survey found that staff need more clarification of the practicalities of document management and there should be a more consistent implementation of rules. Discussions in the workshop confirmed that staff would welcome concrete actions that will promote the use of ARES and clarify some practical aspects of document management. Therefore, this standard will continue to be prioritised by DG MARKT in its effectiveness reviews in 2011.

Evaluation of Activities (ICS 14)

The Internal Control Standard on evaluations has been reviewed for a second time. This year next to questions on *ex-post* evaluations, questions on impact assessment were included in the survey. Impact assessment is a well-embedded and robust process in DG MARKT. Survey respondents had experience in conducting impact assessments, which in most cases proved to be useful in enhancing knowledge of the subject. However, a large majority declared that they had lacked time and adequate data. On the other hand, *ex-post* evaluations are less well understood

by staff, largely due to lack of practical experience. Staff feel that their superiors attribute enough importance to both impact assessment and evaluations. Around 45% of staff declared in the survey that they feel sufficiently informed about the evaluation policy of the DG, however, the remaining part of respondents would like to receive more information.

Staff had very little practical experience with *ex-post* evaluations. Those who had, declared that the results of evaluations they had been involved in were reliable and robust, they were available in due time and had a palpable impact on the policymaking of the DG. They complained, however, about insufficient resources devoted to evaluations. In workshop discussions staff expressed the feeling that evaluation in DG MARKET policy areas is a very resource intensive exercise and this is not duly taken into account in the policymaking process. The ongoing evaluations of the procurement acquis and the professional qualifications Directive will allow the DG to expand its experience in this area. In the workshop staff agreed that evaluations are under-utilised as a tool for getting stakeholders on board from the outset, and that evaluations should be better integrated into the legislative process.

Staff continued to emphasise in workshop discussions that for both *ex-post* evaluations and impact assessments the main problem is a lack of time, and the requirement to carry out the analysis with a quick turnaround. 90% of those survey respondents who had experience conducting impact assessments cited lack of time as an important deficiency in the process. In the workshop staff suggested that this could lead to frustration when they find themselves in situations in which they are forced to compromise the highest standards of work they are used to deliver.

Another issue that surfaced in the survey and the workshop relates to a perception among staff that policy choices are made at the political level, before any preparatory work has been carried out. 80% of survey respondents who had been involved in conducting impact assessments thought this was a major deficiency of impact assessment analysis. There seems to be a perception among staff that the minimum inherent content of a possible solution/action, which is sometimes announced at a political level before any deeper analysis of the issue is performed, is already a pre-defined policy choice. This issue might be worth further analysis and clarification.

The evaluation of activities, both *ex-ante* and *ex-post*, is an area where balanced external consultation is critical in gaining an impartial assessment of the success of policy initiatives. As part of the development of a systematic approach to evaluation, the DG has developed a detailed programme of evaluations for the coming years.

Overall, the effectiveness reviews confirmed compliance with all three standards and their baseline requirements. A detailed Action Plan has been developed on the steps that could be taken to improve the effectiveness of each of the reviewed standards. The Action Plan was discussed and approved at the Directors' meeting of 15 December 2010 and will be implemented throughout the year. The key points are included in the table below:

Table 11

<p><i>Key action points following the 2010 'effectiveness reviews':</i></p> <ul style="list-style-type: none">• continue with visits regarding Ethics Guidelines to all units by the Human Resources and Planning Unit, Financial Resources and Internal Control Unit, the IAC and Ethics Correspondent;• continue to offer training for staff including case studies on conflicts of interest issues;• further clarify to staff procedures for gifts, ORG missions and external activities, including updating ethics guidelines and ethics intranet site when necessary;• provide mandatory courses on ethics to newcomers to be taken within maximum two months of entry into service;

- continue delivering unit-specific trainings to units undertaking evaluations;
- analyse the issue of perception among staff of a priori made political choices;
- enhance data collection and knowledge of markets regulated by DG MARKT;
- continue awareness raising activities on document management for staff and managers;
- continue improving ARES in cooperation with central services;
- provide guidance on registration of emails and best practice on organisation of document management within units;
- make the role of filing plan officers more prominent.

2.2.3 Conclusion

The DG aims to incorporate the requirements of all the Internal Control Standards into everyday management processes in order to ensure a professional working environment and a solid basis for policymaking and financial management activities. Whilst only three key Internal Control Standards have been extensively reviewed to determine their effectiveness, a number of critical elements demonstrate the effectiveness of the implementation of the internal control system in its entirety:

- there is no evidence that policy initiatives are not advancing as intended or that key objectives are not being met. In this respect the practice of weekly reporting to senior management is helpful;
- as regards financial management, no material loss or errors, or breaches of legality and regularity requirements have been detected at the level of the budget sector;
- a comprehensive risk management assessment is undertaken as part of the Management Plan exercise every year, so that risks can be identified and mitigated as far as possible;
- the documentation of procedures (operational, administrative and financial) is up-to-date, monitored on a regular basis and available to staff via the intranet and regular notes and reminders;
- no control failures have been noted in 2010 either through the effectiveness reviews or through the audit work carried out by the IAC. Where audits highlight areas for improvement, action plans are systematically developed and implementation is followed by the Financial Resources and Internal Control Unit and monitored by management.

However, whilst no areas require major improvements, some issues for improvement have been identified following the review of the effectiveness of Internal Control Standards 2, 11 and 14, which will be followed up throughout 2011. Standard 11 will be subject to review again in 2011 in order to continue to push for greater effectiveness. The actions carried out on improving the implementation of the standard on ethics in the last three years in the context of effectiveness reviews created a solid ethics culture in the DG and the DG decided to exclude this standard from reviews in 2011. The budget sector will also continue its practice of gathering information from financial agents on recurrent errors, so that steps can be taken to correct these. Financial checklists will be updated, and all financial actors will be given biannual training on the content of the checklists.

Against this background of satisfactory results from surveys, controls and reviews inside the DG and plans to further improve diligence in the area of financial management, the DG has not found material weaknesses in its internal control systems. This report therefore concludes that the measures and procedures in place provide a basis for concluding that the overall internal control system in the DG is effective.

2.3 INFORMATION PROVIDED TO THE COMMISSIONER

There is a scheduled weekly meeting between the Director-General and the Commissioner, with a formal agenda and an agreed timeframe for submitting documents. In addition, there is daily contact between the officials in the Cabinet and the DG on matters of a routine nature, but also for purposes of co-ordination or early warning on sensitive issues. The working arrangements, which are in the process of being officially signed, also include a section on audit and internal control. The arrangements conform to the 'baseline requirement'³ of Internal Control Standard 9 (Management Supervision) regarding notification of the Commissioner on a biannual basis on matters pertaining to audit, budget and internal control issues. In 2010, there was a meeting between the DG and the Commissioner on 13 April to discuss the Annual Activity Report for 2009 and the internal control environment in the DG. On 21 December, a further report on the state of internal control and audit was sent to the Commissioner. The main elements of this report and assurance declaration have been brought to the attention of Commissioner Michel Barnier.

³ The baseline requirements of the Internal Control Standards set the minimum requirements to demonstrate compliance with the standards. There are 61 baseline requirements covering the 16 Internal Control Standards.

PART 3

Building blocks towards the declaration of assurance

3.1 BUILDING BLOCKS TOWARDS REASONABLE ASSURANCE

To verify the legality and regularity of the DG's financial management, the DG has established criteria to assess whether any failings in financial management should be considered 'material' and thus lead to a reservation to the declaration of assurance (see Annex 4). In quantitative terms, the DG has set a threshold of just 2% or less of its budget per ABB activity (policy field). Given the average size of procurement contracts, in effect any fraud relating to any single contract handled by the DG could therefore potentially lead to a reservation. Under these circumstances, it is important that the DG ensure that its financial management control functions are operating effectively so as to detect and correct any possible errors with regard to contracts and payments. Systems established in the wake of the 2005 and 2007 IAS audits on financial management have been of considerable assistance in ensuring that Authorising Officers are able to work on the basis of structured procedures and checklists when authorising commitments and payments.

The following paragraphs provide an overview of the controls in place in order to provide senior management with assurance on financial management issues.

3.1.1 Assessment by management

A concise overview of the key controls in place is provided below. A fuller explanation is provided in the 'Internal Control Template' presented in Annex 5.

Resources devoted to ex ante and ex post controls

In line with DG MARKT's cost-effectiveness analysis, dated 24 May 2006 (updated on 27 February 2008), resources devoted to *ex ante* and *ex post* controls are limited. A systematic *ex post* verification function has not been considered necessary, based on the criteria used in the analysis. Operational *ex ante* controls are performed by the Heads of Unit of the operational unit concerned (usually in respect of an award or payment for a study contract). For complex or unusual transactions, a second level of operational *ex ante* control is performed for both commitments and payments by the operational director concerned; this applies also to final reception of studies.

The financial *ex ante* controls are performed by 4 AST-level officials in the budget sector, with the responsibility to monitor in particular the correct application of procedural requirements for procurement procedures and all financial transactions. They therefore have a high degree of expertise in the field which is intended to compensate for the relative lack of expertise that may exist at the level of initiating agents in operational units (as procurement procedures are not regularly carried out in all operational units). In accordance with the updated guidelines of DG BUDG, the financial circuits were simplified in October 2010. A second level of *ex ante* control, carried out by the Head of the Financial Resources and Internal Control Unit or his deputy, was maintained in all cases for which a second *ex ante* operational agent is involved as well for all transactions relating to grants or cross-delegations.

Level and nature of controls carried out

As explained above, different levels of *ex ante* control are carried out:

- all transactions are subject to a first level of *ex ante* control both on the operational and the financial side;
- all commitments are subject to a second level of operational *ex ante* control and the ones above €50,000 are subject to a second level of financial *ex ante* control as well;
- in case of study contracts the approval of the final study is subject to a second level of operational *ex ante* control
- all payments that are representing grant payments or contracts involving questions of liquidated damages or penalties are subject to a second level of financial *ex ante* control;

Reasonable assurance that these controls are working effectively is obtained through the Internal Audit Capability's annual financial review. In 2010, the IAC carried out a financial review of 32 transactions.

What the controls uncovered

Ex ante operational and financial controls exercised on individual transactions allow the DG to discover errors. These mistakes are corrected immediately in the ongoing transaction process. The financial resources unit maintains a list of errors frequently encountered. An analysis of these errors is regularly being undertaken with the aim of providing refresher training and targeted advice to financial actors. However, none of the errors uncovered during 2010 are considered to be material. As the financial circuits are centralised, all transactions are reviewed by the financial resources unit of the DG which allows any required corrections to be made to financial procedures and documentation. A list of errors is provided in the table below:

Table 12 – List of errors

Type of transaction	Contract title	Amount	Type of error
Commitment	The economic impact of the FISCO proposals	€100 000	At the moment the administrative arrangement was signed in 2009 the work was already completed by JRC and a final report has never been issued. This has been discovered when the debit note was received. JRC agreed later to cancel the administrative arrangement and to issue a credit note.
Commitment	Technical assistance in the field of public procurement. Specific contract implementing framework contract	€1 036	The initial commitment was made in December 2008 for an amount of €12 860. A specific contract was signed with this amount for 8.5 months. End of 2009 the administrative credits were lost and no information was received on the state of play of this contract. In October 2010 following final implementation of the study with a delay of more than one year, an invoice was received for an amount of €1 036 which needed to be recommitted.

Commitment	Study on data gathering and analysis in the context of the MiFID review	€149 700	Given the short time planning for the review, the contract was signed by the AOSD before the formal adoption of the Financing Decision.
Provisional commitment	Administrative expenses for external training	€50	The order form for the course was signed by the AOSD after the course took place.
Provisional commitment	Administrative expenses for expert meeting	€63	The purchase orders were signed by the AOSD after the expenses occurred.
Payment	Representation expenses	€167	Payment file was by mistake not handed over for validation to the AOSD. Payment has been executed with a delay of more than two months.

The table above identifies a total of 6 errors out of 786 transactions over the course of the year – an error rate of 0.76%. This low rate suggest that existing supervision mechanisms by AOSDs enable errors to be corrected.

Exception reports

17 exception notes were signed in 2010, of which eight exceptions relate to not following steps in the procedures, such as the start of mission before the request was formally approved, the late application for attendance to a conference, the late signature of order forms for courses, meetings, coffee and order forms that were not signed by a director in the absence of the two authorising officers. One exception relates to an *a priori* signature of a contract before the final financing decision of 2010; another concerns *a priori* payment for a subscription to a web-based learning and information resources before the disposal of the connection to the system; one concerns a conference organised and paid for by the organiser without presenting a conflict of interest note and the last six exception notes relate to the reimbursement of meeting expenses or expenses for the participation of extra experts that have not been paid in time due to lack of credit.

Effects of the controls

The level of control exercised, supported by the conclusions of the annual financial review carried out by the IAC, provides reasonable assurance as to the legality and regularity of operations conducted within the DG. Other indicators supporting legality and regularity in 2010 are the following:

- no formal complaints received from unsuccessful contractors (in two cases additional justifications were sent to unsuccessful candidates upon request that were accepted by them);
- no cases received by the Ombudsman related to procurement procedures;
- no legal proceedings initiated by contractors or other economic providers of the DG against the Commission.

3.1.2 Results from audits during the reporting year

European Court of Auditor's findings

The European Court of Auditors has audited the DG twice this year. The first visit, on 30 March 2010, was in the context of Statement of assurance (DAS) 2009 audit, the module on supervisory and control systems, following which a note with three preliminary findings was issued on 4 May 2010. The

preliminary findings of the Court of Auditors concerned payment delays, for which the 2009 target was 90% files executed on time and the DG executed 62% of payments within deadline, non-inclusion in the compliance screening with Internal Control Standards for 2009 of a check if the retention periods for documents were observed, and the lack of reporting in the Annual Activity Report for 2009 of outcomes for administrative support activity. The DG has provided explanations together with the proposed actions. The explanations and actions were satisfactory and the DG's reply was accepted by the Court and no further comments were issued.

The second time the DG was visited in July 2010 in the context of DAS 2010. One preliminary finding was communicated to the DG in a letter of 14 September 2010. The finding concerned late dispatch to the Publications Office of an award notice. The explanations together with the proposed actions were sent to the Court on 5 October 2010 and were accepted by the Court.

IAS audits

No audits were completed this year by the Internal Audit Service (IAS) in DG MARKT. The final report on the IAS follow-up audit review on Monitoring the Implementation of EU law (an inter-DG audit) was released on 18 November 2009 confirming that all 12 recommendations for DG MARKT that resulted from the 2006 audit had been adequately and effectively implemented, except for a recommendation on transparency of decision-making in infringement cases. Specifically, the recommendation addresses the need for procedures of information exchange on handling and documentation of infringement cases between the DG and the Cabinet to be clarified and the rationale for decisions to be better documented. New working arrangements have been agreed between the Commissioner, the Cabinet and the DG, reflecting the content of the audit recommendation. The recommendation will be formally closed when a number of meetings under the new working arrangements have been carried out. There are no other outstanding recommendations from IAS audits.

A Commission-wide IAS audit on the set-up of IT projects was conducted in May – October 2010. The IAS selected 12 projects to be audited, among them e-invoicing and e-ordering which are led by DG DIGIT and owned by DG MARKT. DG MARKT's role was limited to providing contribution by responding to a questionnaire prepared by the IAS. We have transferred the information requested and presented the project and there was no further feedback received with regard to the proceedings of the audit. It was indicated by the auditors that this project would not be selected for a detailed review.

There are no other audits concerning DG MARKT running, except for a new IAS audit started in October 2010. The audit concerns the monitoring by DG MARKT of the implementation of public procurement rules in Member States. The fieldwork will be completed in March 2011 and the final report will be due in May.

IAC audits

This year the Internal Audit Capability (IAC) has completed four audits. A first audit was performed on the DG 'cut-off' operations in view of closing the accounting year. This review was limited to the cut-off postings for the closing balance 2009 and assessed whether the cut-off postings were complete, accurate, based on reliable information, and established as a result of an efficient and effective process. Three areas for improvement were identified with 5 very important recommendations related to documentation, accuracy and completeness. An action plan was developed by the auditee (Financial Resources and Internal Control Unit) and actions were reported as completed as of 17 December 2010.

A second audit on the management of flexitime initiated in 2009 was finalised in 2010. The final report was issued on 31 March 2010. This audit was performed to review compliance with the provisions on flexitime, as intended by the Guide to flexitime [SEC (2006) 1796]. DG MARKT introduced flexitime in April 2007 but no review had been carried out to confirm a common understanding and adequate implementation of the provisions. The audit has identified some areas for improvement in the management of flexitime within the DG, but no abuses of the system leading to

delays in achieving the DG's priorities have been noted. Overall satisfaction from both staff and middle management with the system has been highlighted. 11 areas for improvement were identified and 9 very important and 2 important recommendations were issued. They aim at clarification of rules, enhanced monitoring, and harmonisation of practices at the DG. An action plan has been developed and its implementation is ongoing.

A third audit, concerning the management of DG MARKT expert groups was performed and a final report to the Director-General was released on 7 October 2010. The main objective of the audit was to verify whether appropriate internal controls are put in place at DG MARKT to ensure adequate management of expert groups. The IAC concluded that the management of DG MARKT expert groups was overall satisfactory and in line with the Commission regulatory framework for expert groups. 15 important recommendations for improvement have been issued. The recommendations aim at improving organisation and management of meetings and ensuring better transparency and balanced representation of stakeholders. An action plan has been developed by the DG and its implementation is ongoing.

On 16 December the IAC issued the draft report of an audit on the business continuity process at DG MARKT. This audit was aimed at verifying compliance of DG MARKT with the Internal Control Standard 10 *Business Continuity* and checking if the measures in place are sufficient to ensure continuity of operations in case of business interruptions/disruptions. The final report containing 8 recommendations (5 very important and 3 important) was issued on 18 January 2011. The IAC requested an action plan for the implementation of the recommendations which has been provided on 11 February 2011.

On 21 February 2011 the IAC issued the final report of the annual Financial Review related to the year 2010. The report concluded that all 32 transactions reviewed had been completed in accordance with DG MARKT's existing rules and financial circuits applicable to the selected transactions at the time of the Review. The IAC detected no materiality in the errors identified; there was no financial loss to the Commission and the errors were procedural. Overall, this Review showed that the supervisory arrangements in place are working as intended and are effective.

IAC opinion

Based on the results of the audits and reviews carried out by the IAC in 2010, the IAC believes that the internal control system in place in DG MARKT provides reasonable assurance regarding the achievement of the objectives set up for the activities audited and processes reviewed.

No critical recommendations were issued and the procedures in place within the DG to follow up on the implementation of recommendations have demonstrated that the very important recommendations issued by the IAC in the course of 2010 have been taken seriously by management. The very important recommendations mainly covered issues relating to the need to enforce and maintain procedural rules in the DG. Action plans to implement those recommendations have been produced within agreed timeframes.

The IAC also declares that it is not aware of any further issue not reported in this Annual Activity Report that might constitute a major weakness in the internal control system leading to a possible reservation.

3.1.3 Follow-up of audit action plans from previous years

The DG has maintained its system of monitoring the implementation of audit recommendations that are accepted by management. Actions that need to be taken by auditees to fulfil recommendations are recorded separately in the Issue Track database and by the Financial Resources and Internal Control

Unit. Relevant staff are alerted in due time by the Financial Resources and Internal Control Unit to ensure that actions are taken by agreed deadlines. A monitoring mechanism is also in place to record actions taken so that management and auditors can be updated as necessary, and comprehensive reports are filed with the IAS. The monitoring system in place also allows the DG to keep track of any reasons for delay in the implementation of audit recommendations.

IAS audits

There are currently no outstanding action plans in the process of implementation regarding IAS audits. However, as reported in section 3.1.2 above, one 'important' recommendation has been implemented in the course of 2010 and has been sent for review by the IAS in view of closing it.

IAC audits

In respect of the audit on Ethics and Organisational Values (ICS 2), for which the final report was issued in September 2008, there is still one open recommendation concerning rolling visits to units by the ethics correspondent following the release of DG MARKT-specific ethics guidelines in April 2010. The recommendation will remain open until the end of 2011 when all units will have been visited at least once.

The implementation of the recommendations related to the audit on management of flexitime has been completed. For the recommendations which included actions to be performed by 'line managers' or senior managers' it was agreed that a random check would be performed by the Human Resources Unit to assess if the practices of implementation have improved.

The implementation of the recommendations issued in the context of the 2009 cut-off review has been reviewed during the IAC consultancy on the prepared cut-off postings for the closing balance 2010. The results of this follow-up were that with the exception of 1 recommendation and 1 action proposed by the auditee, all recommendations have been implemented. The IAC will review the state of implementation of the outstanding issues in the course of 2011.

3.1.4 Assurance received from other Authorising Officers in cases of crossed sub-delegation

DG MARKT has given a crossed sub-delegation to DG DIGIT and received crossed sub-delegations from both DG DIGIT and DG SANCO.

Crossed sub-delegation to DG DIGIT

DG DIGIT used the allocated financial resources from MARKT (€563 000) to fund contracts for the provision of services of external experts to perform the following tasks:

- maintenance and support of the IMI application, a system for the exchange of information so that Member States can engage in more effective day-to-day co-operation in the implementation of the Internal Market legislation (€488 000 was allocated, €487 881 committed and €374 990 paid)
- development, maintenance and support of SOLVIT and the Citizens' Signpost Service (€75 000 was allocated for new commitments, €74 811 was committed and €375 000 was paid on existing commitments).

The Authorising Officer by Delegation of DG DIGIT signed a report on the use of the allocated commitment and payment credits on 2 February 2011 confirming that the funds were managed in accordance with the principles of sound financial management.

Crossed sub-delegation from DG DIGIT

DG MARKT received a cross sub-delegation from DG DIGIT for informatics services and development of two open source software for the e-signature creation and for editing and maintaining trusted lists. This is meant to assist Member States with the implementation of the Services Directive by developing some open source software to be used by them in support of cross-border interoperable electronic procedures as required by Article 8 of the Service Directive (€50 000 was allocated, €492 380 was committed and €0 was paid in 2010).

Crossed sub-delegation from DG SANCO

In 2008 DG SANCO committed an amount of €492 169 to DG MARKT for signing an order form under a framework contract (SANCO/2006/B1/008) to create national versions of the Dolceta Module on financial literacy for teachers. In 2010, following the acceptance of the final report, DG SANCO has made payments for an amount of €140 761 from DG MARKT credits.

In 2010 DG SANCO committed an amount of €30 000 to DG MARKT for an EU Conference "Financial literacy: Dolceta". The conference took place on 28 May 2010 and €29 101 has been paid with DG MARKT credits.

3.2 RESERVATIONS

DG MARKT has carefully reviewed its operational performance over the course of 2010, and considered whether a reservation should be attached to the declaration of assurance as a result of any weaknesses identified in its control systems and procedures. The guidelines provided by central services for determining whether any weaknesses identified by the DG should be considered "material" were taken as the basis for this consideration.

Given the completeness and reliability of the information reported above, and the failure to uncover any significant or material errors that put at risk either the DG's reputation or its ability to account for the correct use of the financial resources at its disposal, no reservation is made to the declaration of assurance.

PART 4

Declaration of assurance

*I, the undersigned, Jonathan Faull,
Director-General of DG Internal Market and Services,*

In my capacity as Authorising Officer by Delegation

Declare that the information contained in this report gives a true and fair view⁴.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, and the work of the Internal Audit Capability for the year prior to the date of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the Institution.

Brussels, 30 March 2011

[Signed]

⁴ *True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.*