

ANNEX 1: Statement of the Resources Director

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission¹, I have reported my advice and recommendations to the Director-General on the overall state of internal control in the DG.

"I hereby certify that the information provided in Parts 2 and 3.1 of the present AAR and in its annexes 2 to 6 is, to the best of my knowledge, accurate and exhaustive."

Signed

Matthew Hudson

Brussels, 31 March 2011

¹ SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and Financial resources by ABB activity

Code ABB Activity	ABB Activity	Human Resources		
		Establishment Plan Posts	Estimates of External Personnel	Total
17 01	Administrative support	86	23	109
17 02	Consumer policy	91	21	112
17 03	Public Health	152	38	190
17 04	Food Safety, Animal Health, Animal Welfare and Plant Health	408	80	488
17 05	Policy strategy and Coordination	60	14	74
TOTAL		797	176	973

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

IMPLEMENTATION OF THE GLOBAL ENVELOPE

BL CONCERNED 17 01 11 00 01 TO 17 01 02 11 00 06

based on information received from BUDG services following 2012 budget circular

	APPROPRIATIONS 2010 (C1)						APPROPRIATIONS CARRIED OVER FROM 2009 (C8)		
	alloc BUDG	alloc SANCO	exec CE	% exec	exec CP	% exec	amounts carried over from 2009	amounts carried over from 2009 paid in 2010	% implementation
Technical assistance - consultants	700.000	245.599	226.691	92%	62.236	25,3%	158.623	149.150	94%
sub-total BL 17 01 02 01 00 02 20	700.000	245.599	226.691	92%	62.236	25,3%	158.623	149.150	94%
Transfer to external staff		454.401							
	700.000	700.000							
Missions	4.300.000	4.623.449	4.623.449	100,0%	3.539.275	76,6%	745.497	737.826	99%
frais de repres	0	40.000	40.000	100,0%	25.720	64,3%	2.029	274	14%
Conferences and internal meetings	300.000	200.883	200.883	100,0%	106.399	53,0%	778.700	585.363	75%
Meetings and committees	5.250.000	3.067.846	3.067.846	100,0%	1.726.555	56,3%	558.963	558.962	100%
		1.500.000	1.500.000	100,0%	695.880	46,4%	988.400	972.893	98%
Studies	370.000	360.454	360.454	100,0%	56.201	15,6%	811.113	751.293	93%
IT developments	450.000	782.464	782.464	100,0%	217.596	27,8%	489.267	485.224	99%
Training	329.902	420.000	420.000	100,0%	249.860	59,5%	254.625	232.651	91%
AELE (estimation same as 2009) additional credits obtained in the context of the "clearing of the global envelope" Decommitted	188.000 408.314								
sub-total BL 17 01 02 11	11.596.216	10.995.096	10.995.096	100,0%	6.617.486	60,2%	4.628.595	4.324.486	93%
Transfer to external staff		601.120							
sub-total BL 17 01 02 11	11.596.216	11.596.216							
GRAND TOTAL	12.296.216	11.240.695	11.221.787	100%	6.679.722	59,4%	4.787.218	4.473.636	93%

AAR 2010 - RAL AU 01 JANVIER 2011

	C8 credits			
	1	2	3	total
ECDC	2.964.806	8.780.008		11.744.814
EFSA	487.838	7.936.922		8.424.760
EMA	0	93.240	1.457.200	1.550.440
TOTAL	3.452.644	16.810.170	1.457.200	21.720.014

AGENCIES - RECAP EXECUTION 2010 COMMITMENTS

	CE votés (C1) + EFTA						CE votés (C1) + EFTA						commitment execution							
	1	efta + other	sub-total	2	efta + other	sub-total	3	efta + other	sub-total	1 + 2 + 3	efta + other	total	1	%	2	%	3	%	total	%
ECDC	32.390.228	840.672	33.230.900	23.864.772	576.954	24.441.726			0	56.255.000	1.417.626	57.672.626	33.230.900	100,0%	24.441.726	100,0%			57.672.626	100,0%
EFSA	47.047.000	1.171.470	48.218.470	21.994.000	547.651	22.541.651			0	69.041.000	1.719.121	70.760.121	48.218.470	100,0%	22.541.651	100,0%			70.760.121	100,0%
EMA	9.347.100	235.547	9.582.647	15.232.500	477.099	15.709.599	8.200.000	113.400	8.313.400	32.779.600	826.046	33.605.646	9.582.647	100,0%	15.709.599	100,0%	8.313.400	100,0%	33.605.646	100,0%
EAHC*	5.557.678	151.200	5.708.878	1.072.822	0	1.072.822		0	0	6.630.500	151.200	6.781.700	5.708.878	100,0%	1.072.822	100,0%			6.781.700	100,0%
TOTAL	94.342.006	2.398.889	96.740.895	62.164.094	1.601.704	63.765.798	8.200.000	113.400	8.313.400	164.706.100	4.113.993	168.820.093	96.740.895	100,0%	63.765.798	100,0%	8.313.400	100,0%	168.820.093	100,0%

+ admin credits	11.052.695	188.000	11.240.695																11.221.787	99,8%
TOTAL	175.758.795	4.301.993	180.060.788																180.041.880	100,0%

* 479 500 € transferred back to operational budget lines;

AGENCIES - RECAP EXECUTION 2010 PAYMENTS

	CP votés (C1) + EFTA						CP votés (C1) + EFTA						payments							
	1	efta + other	sub-total	2	efta + other	sub-total	3	efta + other	sub-total	1 + 2	efta + other	total	1	%	2	%	3	%	total	%
ECDC*	32.390.228	840.672	33.230.900	15.769.772	252.000	16.021.772			0	48.160.000	1.092.672	49.252.672	32.354.334	97,4%	15.752.726	98,3%			48.107.060	97,7%
EFSA**	47.047.000	1.171.470	48.218.470	20.950.000	651.135	21.601.135			0	67.997.000	1.822.605	69.819.605	48.218.124	100,0%	20.641.238	95,6%			68.859.362	98,6%
EMA	9.347.100	235.547	9.582.647	15.232.500	477.099	15.709.599	8.200.000	113.400	8.313.400	32.779.600	826.046	33.605.646	9.582.647	100,0%	15.616.359	99,4%	6.856.200	82,5%	32.055.206	95,4%
EAHC***	5.557.678	151.200	5.708.878	1.072.822	0	1.072.822		0	0	6.630.500	151.200	6.781.700	5.701.678	99,9%	1.072.822	100,0%			6.774.500	99,9%
TOTAL	94.342.006	2.398.889	96.740.895	53.025.094	1.380.234	54.405.328	8.200.000	113.400	8.313.400	155.567.100	3.892.523	159.459.623	95.856.783	99,1%	53.083.145	97,6%	6.856.200	82,5%	155.796.128	97,7%
													PA/CA	99,1%	83,2%		82,5%		92,3%	

*ECDC received additional PA of 4,8 MLN EUR;

** EFSA returned PA of 5,2 MLN EUR;

*** 479 500 € transferred back to operational budget lines;

+ admin credits	11.052.695	188.000	11.240.695																6.679.722	59,4%
TOTAL	166.619.795	4.080.523	170.700.318																162.475.850	95,2%

DECENTRALISED ADMINISTRATIVE CREDITS EXECUTION

2010

	missions	frais repres	conferen ces	réunions / comités	études	IT	formation	total
17 01	220.000	601		10.288		782.464	420.000	1.433.353
17 02	266.709	1.174	37.358	1.004.128				1.309.370
17 03	622.250	14.549		931.574				1.568.373
17 04	3.148.839	7.967	157.665	2.620.038	360.454			6.294.963
17 05	115.754	15.709	5.860	1.818				139.140
Total	4.373.552	40.000	200.883	4.567.846	360.454	782.464	420.000	10.745.199
<i>disponible</i>	<i>4.623.449</i>	<i>40.000</i>	<i>200.883</i>	<i>4.567.846</i>	<i>360.454</i>	<i>782.464</i>	<i>420.000</i>	<i>10.995.096</i>
<i>exec %</i>	<i>94,6%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>97,7%</i>

2009

	missions	frais repres	conferen ces	réunions / comités	études	IT	formation	total
17 01	195.076	3.374	35.146	8.246		820.704	672.650	1.735.196
17 02	176.640	0	6.192	409.435				592.267
17 03	617.604	13.520	161.000	750.000				1.542.124
17 04	3.259.445	5.581	75.710	2.975.412	804.166			7.120.314
17 05	89.580	2.525	591.384	882	49.950			734.321
total	4.338.345	25.000	869.432	4.143.975	854.116	820.704	672.650	11.724.222
<i>disponible</i>	<i>4.338.345</i>	<i>25.000</i>	<i>869.432</i>	<i>4.143.975</i>	<i>854.116</i>	<i>820.704</i>	<i>672.650</i>	<i>11.724.222</i>
<i>exec %</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>	<i>100,0%</i>

2010- EXECUTION MISSIONS - PER DIRECTORATE

ENTITY	ALLOCATED	%	Not allocated	TOTAL
SANCO.A 17,01	220.000,00			
17 01	220.000,00	5%	0,00	220.000,00
SANCO.DDG1.B 17,02	266.709,00			
17 02	266.709,00	6%	0,00	266.709,00
SANCO.DDG1.C	56.600,00			
SANCO.DDG1.C.1	22.000,00			
SANCO.DDG1.C.2	60.000,00			
SANCO.DDG1.C.3	105.000,00			
SANCO.DDG1.C.4	126.300,00			
SANCO.DDG1.C.5	47.850,00			
SANCO.DDG1.C.6	73.500,00			
SANCO.DDG1.C.7	21.000,00			
SANCO.DDG1.C.8	110.000,00			
SANCO.C 17,03	622.250,00			
17 03	622.250,00	14%	0,00	622.250,00
SANCO.DDG2 17,04	32.226,00			
SANCO.DDG2.03 17,04	50.762,00			
SANCO.DDG2.04 17,04	40.687,00			
SANCO.DDG2.D 17,04	640.000,00			
SANCO.DDG2.E 17,04	400.000,00			
SANCO.DDG2.F17,04	1.985.164,00			
17 04	3.148.839,00	72%	0,00	3.148.839,00
SANCO DG 17,05	84.754,00			
SANCO.DG.01 17,05	14.600,00			
SANCO.DG.02 17,05	16.400,00			
17 05	115.754,00	3%	0,00	115.754,00
TOTAL MIPS	4.373.552,00	100%	0,00	4.373.552,00

2010 - FRAIS DE REPRESENTATION

ENTITY		ALLOCATED	%	Not allocated	TOTAL
DG	17 05	11.397,32			
Unit 02	17 05	807,40			
	17 05	12.204,72	39%	3.503,89	15.708,61
Direction A	17 01	467,01	2%	134,08	601,09
Direction B	17 02	912,46	3%	261,96	1.174,42
Direction C	17 03	11.303,70	36%	3.245,22	14.548,92
Direction D	17 04	4.889,89			
Direction E	17 04	150,00			
Direction F	17 04	1.150,00			
	17 04	6.189,89	20%	1.777,08	7.966,97
CAB					
Total		31.077,78	100%	8.922,22	40.000,00

2010 - REUNIONS

ENTITY		ALLOCATED	%	Not allocated	TOTAL
UNITE 02	17 05	1.590	0%	228	1.818
DIR A	17 01	9.000	0%	1.288	10.288
DIR B	17 02	878.434	22%	125.694	1.004.128
DIR C	17 03	814.962	20%	116.612	931.574
DIR D&E	17 04	2.194.341	55%	313.986	
DIR F	17 04	97.727	2%	13.984	
Sub-total		2.292.068	57%	327.970	2.620.038
TOTAL		3.996.054	100%	571.792	4.567.846

Annex 3 Financial Reports - DG SANCO - Financial Year 2010

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Economic Outturn Account

Table 6 : Average Payment Time Limits

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Contracts (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2010 (in Mio€)				
Chapter		Commitment appropriations	Commitments made	%
		1	2	3=2/1
Title 02 : Enterprise				
02 01	Administrative expenditure of 'Enterprise' policy area	0,50	0,37	74,65 %
02 03	Internal market for goods and sectoral policies	56,32	50,59	89,83 %
Total Title 02		56,82	50,97	89,70 %
Title 17 : Health and consumer protection				
17 01	Administrative expenditure of 'Health and consumer protection' policy area	27,92	27,37	98,00 %
17 02	Consumer policy	8,07	8,07	99,99 %
17 03	Public health	162,13	156,04	96,25 %
17 04	Food and feed safety, animal health, animal welfare and plant health	346,74	329,74	95,10 %
Total Title 17		544,86	521,22	95,66 %
Title 26 : Commission's administration				
26 01	Administrative expenditure of 'Commission's administration' policy area	0,71	0,53	74,23 %
Total Title 26		0,71	0,53	74,23 %
Total DG SANCO		602,39	572,71	95,07 %

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

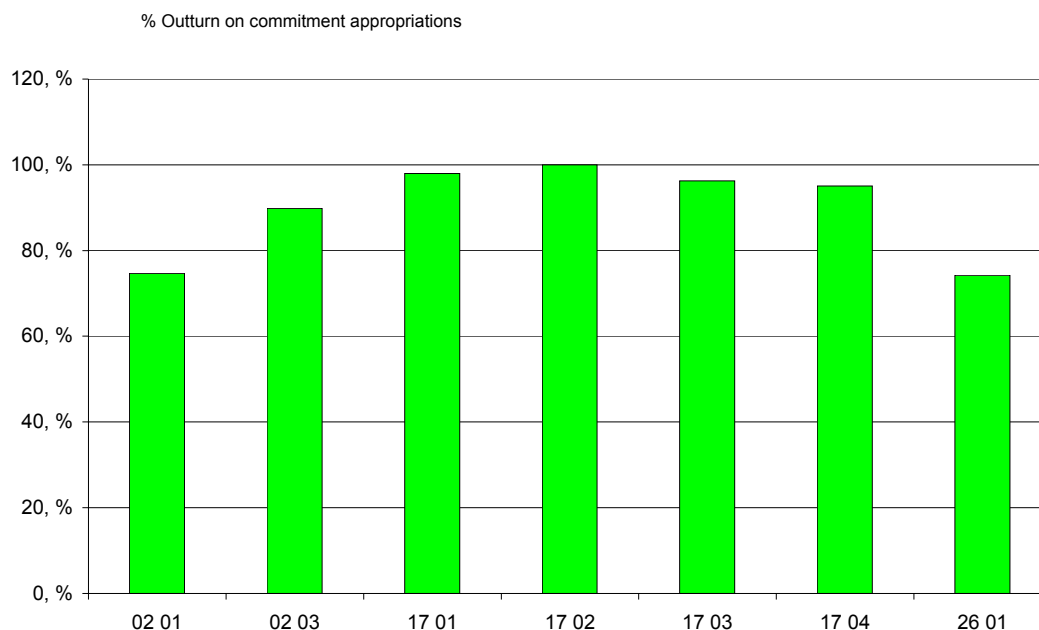


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2010 (in Mio€)				
Chapter		Payment appropriations	Payments made	%
		1	2	3=2/1
Title 02 : Enterprise				
02 01	Administrative expenditure of `Enterprise¿ policy area	0,57	0,11	19,71 %
02 03	Internal market for goods and sectoral policies	54,92	48,72	88,71 %
Total Title 02		55,49	48,83	88,00 %
Title 17 : Health and consumer protection				
17 01	Administrative expenditure of `Health and consumer protection¿ policy area	36,08	26,46	73,33 %
17 02	Consumer policy	13,16	10,70	81,28 %
17 03	Public health	178,17	151,35	84,95 %
17 04	Food and feed safety, animal health, animal welfare and plant health	291,19	264,41	90,80 %
Total Title 17		518,60	452,92	87,33 %
Title 26 : Commission's administration				
26 01	Administrative expenditure of `Commission¿s administration¿ policy area	0,80	0,52	64,42 %
Total Title 26		0,80	0,52	64,42 %
Total DG SANCO		574,89	502,26	87,37 %

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

% Outturn on payment appropriations

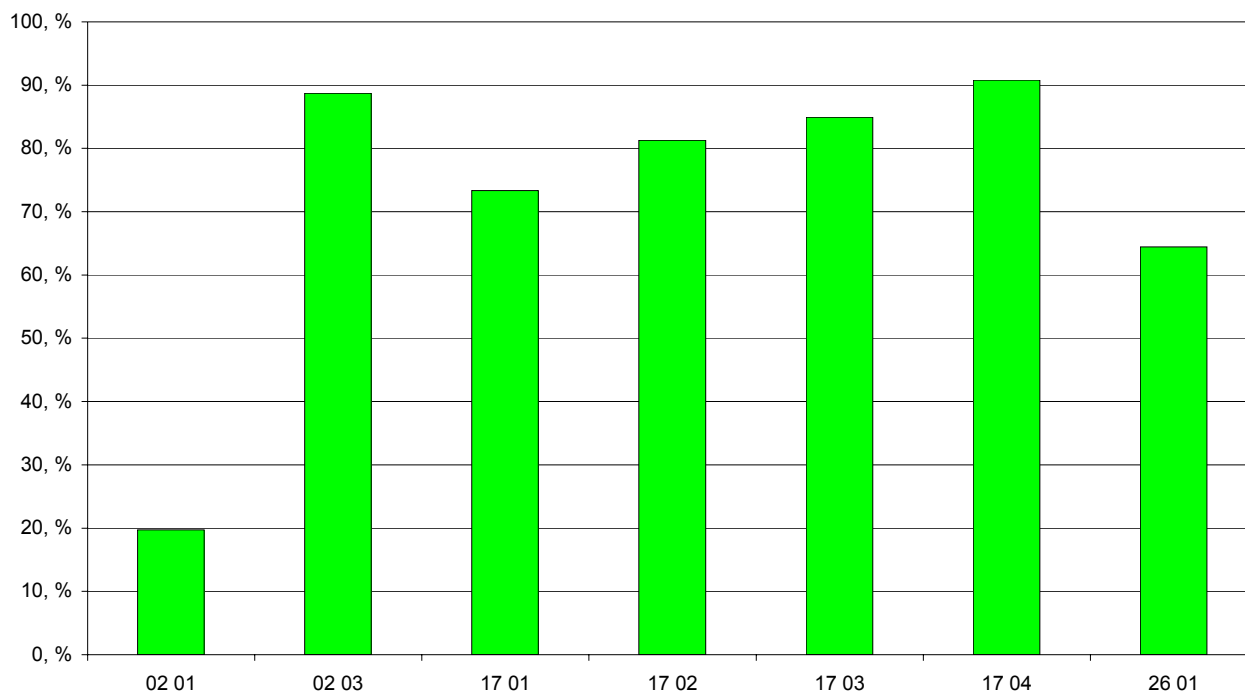


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2010 (in Mio€)

Chapter	2010 Commitments to be settled				Commitments to be settled from financial years previous to 2010	Total of Commitments to be settled at end of financial year 2010 (incl. corrections)	Total of Commitments to be settled at end of financial year 2009 (incl. corrections)	
	Commitments 2010	Payments 2010	RAL 2010	% to be settled				
	1	2	3=1-2	4=1-2/1	5	6=3+5	7	
Title 02 : Enterprise								
02 01	Administrative expenditure of 'Enterprise' policy area	0,37	0,04	0,33	89,30 %	0,00	0,33	0,07
02 03	Internal market for goods and sectoral policies	50,59	46,71	3,89	7,68 %	0,79	4,68	2,80
Total Title 02		50,97	46,75	4,22	8,28 %	0,79	5,01	2,87
Title 17 : Health and consumer protection								
17 01	Administrative expenditure of 'Health and consumer protection' policy area	27,37	19,29	8,07	29,50 %	0,01	8,08	8,17
17 02	Consumer policy	8,07	2,32	5,74	71,18 %	3,66	9,40	16,27
17 03	Public health	156,04	123,15	32,89	21,08 %	34,79	67,68	76,25
17 04	Food and feed safety, animal health, animal welfare and plant health	329,74	21,12	308,62	93,59 %	178,35	486,97	471,27
Total Title 17		521,22	165,89	355,33	68,17 %	216,80	572,13	571,97
Title 26 : Commission's administration								
26 01	Administrative expenditure of 'Commission's administration' policy area	0,53	0,45	0,07	13,82 %	0,00	0,07	0,09
Total Title 26		0,53	0,45	0,07	13,82 %	0,00	0,07	0,09
Total DG SANCO		572,71	213,09	359,62	62,79 %	217,60	577,21	574,93

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

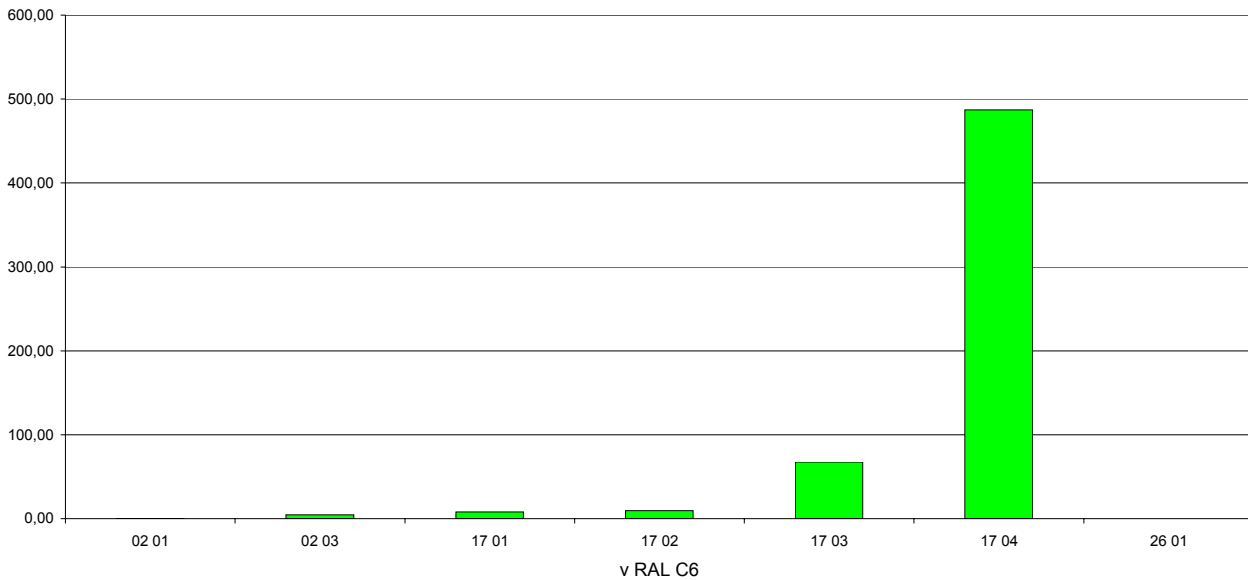


TABLE 4 : BALANCE SHEET SANCO

BALANCE SHEET	2010	2009
A.I. NON CURRENT ASSETS	23.636.663,24	28.210.392,30
A.I.1. Intangible Assets	28.757,30	3.011,75
A.I.2. Property, plant and equipment	23.382.905,94	24.795.413,86
A.I.5. LT Pre-Financing	225.000,00	3.411.966,69
A.II. CURRENT ASSETS	21.886.954,10	22.611.465,79
A.II.1. Inventories	5.232.780,00	5.689.240,00
A.II.2. Short-term Pre-Financing	14.222.323,93	15.186.984,27
A.II.3. Short-term Receivables	2.422.626,12	1.726.439,07
A.II.5. Cash and Cash Equivalents	9.224,05	8.802,45
ASSETS	45.523.617,34	50.821.858,09
P.II. NON CURRENT LIABILITIES	-21.665.835,62	-56.838.199,16
P.II.2. Long-term provisions	-1.761.017,22	-35.103.603,89
P.II.4. Other long-term Liabilities	-19.904.818,40	-21.734.595,27
P.III. CURRENT LIABILITIES	-275.636.460,26	-307.385.676,94
P.III.2. Short-term provisions	-9.822.068,22	-25.130.772,59
P.III.4. Accounts Payable	-265.814.392,04	-282.254.904,35
LIABILITIES	-297.302.295,88	-364.223.876,10
NET ASSETS (ASSETS less LIABILITIES)	-251.778.678,54	-313.402.018,01
P.I.2. Accumulated Surplus / Deficit	0,00	0,00
Non-allocated central (surplus)/deficit*	251.778.678,54	313.402.018,01
TOTAL	0,00	0,00

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

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

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 5 : ECONOMIC OUTTURN ACCOUNT SANCO

ECONOMIC OUTTURN ACCOUNT	2010	2009
II.1 SURPLUS/ DEF. FROM OPERATING ACTIVIT	426.302.948,38	412.027.152,24
II.1.1. OPERATING REVENUES	-11.414.447,05	-13.055.100,71
II.1.1.1. Other operating revenue	-11.414.447,05	-13.055.100,71
II.1.2. OPERATING EXPENSES	437.717.395,43	425.082.252,95
II.1.2.1. Administrative Expenses	26.376.514,10	17.118.116,28
II.1.2.2. Operating Expenses	411.340.881,33	407.964.136,67
II.2. SURPLUS/DEF. NON OPERATING ACTIVIT	258.793,76	884.821,08
II.2. FINANCIAL OPERATIONS	258.793,76	884.821,08
II.2.1. Financial revenue	-304.002,33	-290.297,07
II.2.2. Financial expenses	562.796,09	1.175.118,15
ECONOMIC OUTTURN ACCOUNT	426.561.742,14	412.911.973,32

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

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIME LIMITS FOR 2010 - DG SANCO

Legal Times							
Maximum Payment Time	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	1	1	100,00 %	8,00			
30	1474	1408	95,52 %	16,34	66	4,48 %	53,44
45	556	537	96,58 %	15,50	19	3,42 %	148,74
60	7	7	100,00 %	19,43			
90	12	11	91,67 %	39,73	1	8,33 %	138,00

Total Number of Payments	2050	1964	95,80 %		86	4,20 %	
Average Payment Time	18,73			16,25			75,48

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	26	21	80,77 %	12,57	5	19,23 %	24,20
30	2012	1897	94,28 %	15,82	115	5,72 %	64,57
75	12	11	91,67 %	39,73	1	8,33 %	138,00

Total Number of Payments	2050	1929	94,10 %		121	5,90 %	
Average Payment Time	18,73			15,92			63,50

Suspensions							
Average Report Approval	Average Payment	Number of Suspended	% of Total Number	Total Number of Payments	Amount of Suspended	% of Total Amount	Total Paid Amount
6	159	370	18,05 %	2050	227.302.979,25	46,89 %	484.713.722,24

Late Interest paid in 2010			
DG	GL Account	Description	Amount (Eur)
DG SANCO	65010100	Interest on late payment of charges New FR	4 924,64
			4 924,64

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2010

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		
Title 5: REVENUE ACCRUING FROM THE ADMINISTRATIVE OPERATION OF THE INSTITUTION								
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	324.065,32	0,00	324.065,32	324.065,32	0,00	324.065,32	0,00
59	OTHER REVENUE FROM ADMINISTRATIVE OPERATIONS	473.343,19	0,00	473.343,19	473.343,19	0,00	473.343,19	0,00
	Total Title 5	797.408,51	0,00	797.408,51	797.408,51	0,00	797.408,51	0,00
Title 6: CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH COMMUNITY/EU AGREEMENTS AND PROGRAMMES								
60	CONTRIBUTIONS TO COMMUNITY/EU PROGRAMMES	138.646,00	0,00	138.646,00	138.646,00	0,00	138.646,00	0,00
66	OTHER CONTRIBUTIONS AND REFUNDS	12.224.644,94	646.773,60	12.871.418,54	12.080.917,43	575.516,77	12.656.434,20	214.984,34
	Total Title 6	12.363.290,94	646.773,60	13.010.064,54	12.219.563,43	575.516,77	12.795.080,20	214.984,34
Total DG SANCO		13.160.699,45	646.773,60	13.807.473,05	13.016.971,94	575.516,77	13.592.488,71	214.984,34

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

RECOVERY ORDERS ISSUED IN 2010 Year of Origin (commitment)	Irregularity		No error / irregularity		TOTALS	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2002			1	32.254,21	1	32.254,21
2004			7	530.867,53	7	530.867,53
2005			6	155.187,27	6	155.187,27
2006	1	90.493,00	2	7.115,82	3	97.608,82
2009			11	10.123.606,57	11	10.123.606,57
No Link			1	1.752.857,23	1	1.752.857,23
	1	90.493,00	28	12.601.888,63	29	12.692.381,63

EXPENSES

	Nbr	Amount
INCOME LINES IN INVOICES	0	

	Error		No error / irregularity	
	Nbr	Non-Eligible Amount	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	2	30.938,32	184	33.922.923,39

	Error		No error / irregularity	
	Nbr	Credit Note Amount	Nbr	Credit Note Amount
CREDIT NOTES	19	-743.903,01	54	-683.570,14

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

Year of Origin	Number at 01/01/2010	Number at 31/12/2010	Evolution	Open Amount (Eur) at 01/01/2010	Open Amount (Eur) at 31/12/2010	Evolution
1998	1	1	0,00 %	58.000,00	58.000,00	0,00 %
2001	1	1	0,00 %	16.400,00	13.256,83	-19,17 %
2009	5		-100,00 %	572.373,60		-100,00 %
2010		3			143.727,51	
Totals	7	5	-28,57 %	646.773,60	214.984,34	-66,76 %

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

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
--------------------	-----------------------	--------------------------	------------------	---------------------	----------

Total DG SANCO	
----------------	--

Number of RO waivers	0
----------------------	---

Justifications:

No data to be reported

No data to be reported

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG SANCO - YEAR 2010**Contracts > € 60.000**

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 126 1b	1,	11.636.400,00
Total	1,	11.636.400,00

TABLE 12 : SUMMARY OF PROCEDURES OF DG SANCO EXCLUDING BUILDING CONTRACTS

Internal procedures > € 60,000	2009		2010	
Contract Class	Count	Amount (€)	Count	Amount (€)
Service	23,	105.174.933,68	7,	18.240.484,00
TOTAL	23,	105.174.933,68	7,	18.240.484,00

Procedure Type	Count	Amount (€)	Count	Amount (€)
Negotiated Procedure after publication of a contract notice Art. 127 IR	1,	105.100,00		
Negotiated Procedure with at least one candidate (Art 129.3 IR)	7,	7.248.791,50		
Negotiated Procedure without publication of a contract notice Art. 126 IR			1,	11.636.400,00
Open Procedure (Art. 122.2 IR)	12,	97.126.542,18	2,	6.200.000,00
Direct Agreement	1,	363.000,00		
Restricted Procedure involving a call for expressions of interest (AMI) (Art. 128 IR)	2,	331.500,00	4,	404.084,00
TOTAL	23	105.174.933,68	7	18.240.484,00

External procedures > € 10,000

Contract Class

TOTAL

Procedure Type

TOTAL

Additional comments

--

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)
------------	-----------------	-----------------	-------------	------------

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	0
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)
------------	-----------------	-----------------	------------------	-------------	------------

No data to be reported

ANNEX 4 Materiality criteria

The criteria used in DG SANCO for making reservations are based on the standing instructions for the preparation of Annual Activity Reports for 2010¹. The concept of materiality provides the Director General who is the authorising officer by delegation with a basis for determining significant weaknesses that should be subject to a formal reservation to the declaration of assurance.

Thus, weaknesses leading to a reservation should fall within the scope of the declaration which covers a narrower area than the AAR itself:

- ⇒ The AAR includes an assessment of the results achieved by DG SANCO with the resources allocated. It is a "mirror" image of DG SANCO's Management Plan for 2010.
- ⇒ The declaration expresses the Director's General responsibilities conferred under the Charter for Authorising Officers by Delegation and is restricted to the following areas (i) control systems, (ii) sound financial management, and (iii) legality and regularity of transactions.

When defining whether a detected issue is material, DG SANCO assesses both qualitative and quantitative aspects:

1. Qualitative criteria

DG SANCO investigates the significance of any detected weakness and the expected potential for further weaknesses in qualitative terms by taking into account:

- the nature and scope of the weakness;
- the possible effect of the weakness;
- the existence of effective corrective actions to correct the weakness.

a) Significant repetitive errors

Systematic errors caused by weaknesses in key controls and intentional misstatements are likely to entail a greater exposure to potential financial loss than random errors or faulty judgements.

In the context of procurement and grant management, the exposure to potential financial loss is highest with regard to errors in final payments. For errors in pre-financing payments, the risk is much lower because firstly, these funds remain the property of the EU and secondly, errors detected in pre-financing or interim payments can still be corrected at the final payment stage.

b) Significant deficiencies in one of the control systems

Identified weaknesses in the design or operation of internal controls of DG SANCO, final beneficiaries or Member States could significantly influence the appreciation of the Director's General Declaration.

This could be the case notably,

- if significant conflicts of interest existed;
- if personnel were unqualified;
- if the systems failed to provide complete and accurate information due to design flaws or misapplication of procedures;
- if appropriate verifications, approvals, reviews and audits of transactions and procedures were absent or largely insufficient or inadequate;
- if duties were not separated; or
- if controls were intentionally overridden and/or wilfully circumvented.

¹ SEC(2010)1333 of 28th October 2010

c) Issues outlined by the European Court of Auditors (ECA) or the Internal Audit Service (IAS) or OLAF

A critical observation made by the ECA, the IAS or OLAF could lead to a reservation,

- if the observation is made in an area covered by the Director's Declaration, and
- if the issue is not solved immediately during the reporting period, and
- if the impact is material (financial loss exceeding 2 % of the implemented budget concerned; see point 2 below).

d) Significant reputational risks

Besides a possible quantitative aspect of a reputational risk, its impact on the declaration of assurance is assessed mainly on the basis of qualitative criteria, such as sensitivity of the policy area concerned, high public interest or serious legislative concerns. It encompasses issues that could cause lasting damage to the Commission's image due, for example, to financial fraud inside DG SANCO or serious breaches on provisions of the Treaty, due to DG SANCO's activities.

2. Quantitative criterion

In the framework of a transaction-based approach, DG SANCO considers that identified erroneous transactions which expose DG SANCO to an actual financial loss could lead to a reservation to the Director's General declaration under the following conditions:

- A significant weakness described in the AAR parts 2 or 3 has been identified, and
- The weakness affects at least one the areas of the declaration of assurance: (i) control systems, (ii) sound financial management, or (iii) legality and regularity of transactions, and
- An actual financial loss or reputational issue has already occurred or is very likely to materialise, and
- In case of a financial loss, the amount has actually exceeded or is very likely to exceed the threshold of 2 % of the relevant budget, that means if the issue is not already corrected during the reporting period, for example by recovery orders or offsetting with future payments due. The reference is the annual budgets of DG SANCO's ABB activities, notably "Consumers", "Public Health" and "Food Safety, Animal Health & Welfare and Plant Health".

For on-the-spot controls of payments, an error rate after corrective measures is called "residual error rate" and is calculated and measured against the 2% materiality criterion as follows:

- In case of errors found in ex-ante controls, these are typically corrected prior to the final payment.
- For ex-post controls of payments, an average residual error rate per ABB activity is calculated. The residual error is understood as detected error minus all corrective actions taken by DG SANCO.
- When measuring against the 2% materiality level, it has to be noted that the average error rate calculated by DG SANCO is not representative and thus can not be extrapolated to all payments made in the same policy area. This is due to the fact that for selecting the sample of transactions to be controlled on the spot, DG SANCO applies a risk based and targeted approach rather than a random method that would comply with the criteria of samples' representativeness. The risk based approach is considered more cost-effective given the heterogeneity of DG SANCO's audit population. Therefore, the calculation of DG SANCO's average error rate is complemented by a qualitative analysis of the origin, nature and impact of the errors found in the audited sample before deciding whether or not the materiality threshold of 2% is exceeded.

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

This annex presents in schematic form the characteristics of the main management and control systems put in place by DG SANCO.

Cost reimbursements are in financial terms by far the major instrument accounting for 54% of DG SANCO's commitments made in 2010 (€ 297 million out of a total of € 545 million commitments without administrative expenditure). The second highest amounts (33% or € 181 million) were committed for subsidies paid to the regulatory agencies EFSA, ECDC and EMA. The third most important instrument is the contract (10% or € 52 million). Finally grants come in the fourth place with a total amount of €15 million accounting for 3% of committed in 2010.

As the subsidies to regulatory agencies are not in the scope of the Internal Control Templates, the arrangements for supervision of agencies are described in Annex 8. Therefore, Internal Control Templates were produced as follows

1. Cost reimbursements – complete template;
2. Procurement – template summary highlighting the main features;
3. Grants – template summary highlighting the main features.

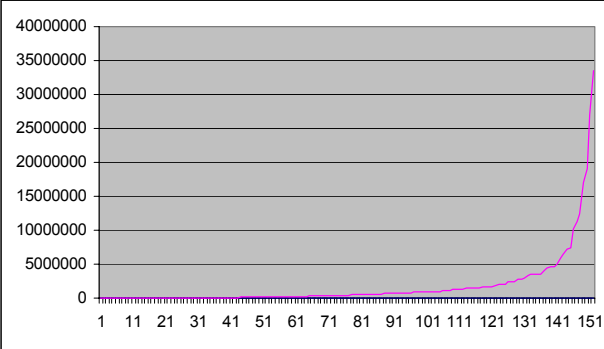
Annex 5.1. Internal control template for DG SANCO related to Cost reimbursements in the animal disease eradication and veterinary control programmes

1. Characteristics of DG SANCO policy environment and beneficiaries: co-financing through reimbursement of eligible costs

Summary: The beneficiaries are Member States, each operating their own control system, Co-financing through reimbursement of declared eligible costs.

Key inherent risks in this environment :

- Many different types of programmes (i.e. eradication and monitoring programmes for a wide range of animal diseases and zoonoses);
- Eligible costs concept (limited possibility to control eligibility of costs by desk checks);
- Many programmes are managed by regional authorities, with reduced involvement and controls by central authorities;
- Budgets allocated at the award stage can change in function of the level of implementation by the MS through the year;
- Given the large number of criteria to be complied with, and the complex natures of some of the programmes, small errors are expected to be frequent;
- Operational risks: controls based essentially on declaration of the beneficiary;
- Risk of incorrect declaration from the beneficiary;

<p>Management mode:</p> <ul style="list-style-type: none"> - Direct centralised management; - No intermediaries; - Reimbursement of actual eligible costs; - Co-financing required. <p>Grant period:</p> <p>Normally annual. Recent changes to the legislation have permitted multi annual programme approvals.</p> <p>Number of contracts and beneficiaries:</p> <ul style="list-style-type: none"> - 27 beneficiaries (Member States) - 152 programmes (2009 186 programmes) <p>Average value/ range:</p> <p>Average EC contribution granted per programme approved in 2010: € 1,80 million (in 2009: € 1,97 million).</p> <p>Grant basis:</p> <p>Reimbursement of actual eligible costs</p> <p>Volume of transactions per year:</p> <p>During 2010, total commitments for the animal disease eradication/surveillance programmes amounted to € 296,51 million (in 2009: € 366,20 million).</p>	<p style="text-align: center;">The graph illustrates the number of transactions and the amounts</p> 
<p>2. Elements of the internal control systems and actors, through programme life cycle.</p> <p>The objectives of these controls are to ensure good quality of selected projects, good performance and sound financial management.</p>	
<p>Selection process (of beneficiaries, agencies, projects etc.), including preventive measures</p>	<p>Characteristics of the selection process of beneficiaries</p> <ul style="list-style-type: none"> • Process is managed in accordance with the applicable, specific legislation (Art 24 of Council Decision 90/424/EEC); • Proposals are selected according to compliance with pre-established criteria mentioned in the relevant implementing legislations; • Beneficiaries are Member States; • Programmes are approved by Regulatory Committee procedure.
<p>Preventive and directive</p> <p>measures to improve the quality of financial management and provision of data by beneficiaries</p>	<p>Description of the DG communication strategy towards beneficiaries, internal proceedings</p> <p>DG SANCO has a well developed communication strategy to ensure that beneficiaries fully understand the contractual requirements and provisions, in order to reduce the number of errors and omissions in the claims made to the Commission. This consists of</p> <ul style="list-style-type: none"> • Information meetings with the Member States; • Extensive guidance notes for Member States on the rules and

and intermediaries	<p><i>procedures for applying, making payment claims,</i></p> <ul style="list-style-type: none"> • <i>Direct contact with project and financial officers at the Commission to resolve particular queries.</i>
<p>Detective and corrective controls:</p> <p>Verification of commitments, pre-financing, interim, payments and key milestones.</p> <p>Checks and monitoring during the initial phases of the programme.</p> <p>Final payment and closure</p>	<p><i>Controls before and during the implementation period of the projects</i> <i>Premise: description of the <u>ex ante control</u> methodology in terms of scope</i></p> <ul style="list-style-type: none"> • <i>Review and checks during assessment phase of technical action plan and budget in view of consistency and plausibility;</i> • <i>For all payments, desk checks of expenditure based on supporting documents, including operational reports;</i> • <i>Controls carried out by operational units on technical implementation report in order to deliver the "conforme aux faits";</i> • <i>Controls carried out by decentralised financial units on financial and legal matters in order to deliver the "bon à payer";</i> • <i>Second level verification reports which provide the delegated and sub delegated authorising officers with feedback on the "quality" of the financial files that are being presented for their authorisation;</i> • <i>Ex-ante on the spot controls are carried out before final payments are made for claims on the veterinary emergency fund that exceed € 2 million and on request of operational services;</i> • <i>At any time during the implementation period and for 5 years after final payment, the Commission and the European Court of Auditors can carry out on the spot controls and/or audits with substantive testing of a sample of transactions.</i>
<p>Corrective controls and audits:</p> <p>Either on the system or on individual projects. At the end of the project (before or after the final payment)</p>	<p><i>Controls at the end of the project</i> <i>Premise: description of the <u>ex post control</u> strategy</i></p> <ul style="list-style-type: none"> • <i>The aim of SANCO's ex post control strategy is to detect and correct material errors related to the legality and regularity of SANCO's financial transactions;</i> • <i>The strategy aims to optimise the impact of ex post controls through the combination of a sufficient coverage of transactions and the follow up of control results on systematic errors;</i> • <i>Annual assessment of each programme followed where appropriate by changes to improve the value for money or the impact of its activities;</i> • <i>Control provisions provided in the decisions (penalty, recovery clauses, termination, ex post controls, ECA and/or OLAF audits);</i> • <i>The on-the-spot control (carried out either during the contract period or after the final payment) of the Member States' accounting records and supporting documentation enables SANCO to correct errors (financial and/or formal errors) which may affect all of the activity of a particular beneficiary;</i> • <i>Selection for ex post/on-the-spot control results from a selection based on analysing risk profiles, selection of high value commitments, previous experiences and special requests from operational units. Others were selected to ensure coverage of all Member States and programmes over time;</i> • <i>At any time during the implementation period and for 5 years after</i>

	<i>partial or final payment, the Commission and/or the ECA can carry out on the spot controls and/or audits with substantive testing of a sample of transactions.</i>
3. Feedback which enables control activities to be optimised	
Verification that processes are working as designed	<ul style="list-style-type: none"> • <i>The process of identifying, analysing and mitigating risks is a continuous ongoing iterative process and a critical component of DG SANCO's effective internal control system;</i> • <i>Appropriate mitigating action plans, have been defined and progress is supervised and reported on by the managers concerned;</i> • <i>SANCO's Internal Audit Capability conducts, in the context of its multi-annual work programme, audits covering the most critical internal control systems and operational processes.</i>
Monitoring of performance of 3rd party auditors, externally contracted auditors	<ul style="list-style-type: none"> • <i>On-the-spot financial controls are partly outsourced to an external audit firm since 2010 on the basis of a framework contract;</i> • <i>The audit framework contractor is monitored via DG SANCO's central internal team of ex-post controllers, including close review and analysis of all reports, joint missions and regular contacts with the coordinating team responsible for quality control.</i>
IAC, IAS, ECA, EP Feedback on adequacy of the system	<ul style="list-style-type: none"> • <i>Feedback is provided by SANCO Internal Audit Capability (IAC), the Commission's Internal Audit Service (IAS) and the European Court of Auditors and in the discharge procedure before the European Parliament. Action plans related to the recommendations made by these bodies are followed up systematically;</i> • <i>The risk assessment process of DG SANCO's management also serves to integrate results of ex post controls and highlight key issues to ensure preventative mitigating action is taken.</i>
High level management reporting and its role in identifying problem issues	<ul style="list-style-type: none"> • <i>Weekly meeting of the Management Team consisting of the Director General, Deputy Director General, Directors, the assistants and the Head of Unit for Audit and Evaluation. When appropriate, the Heads of Unit of Human Resources, Financial Resources and Information and Communication also attend this meeting. Also the agendas of the different Management Committees are discussed for approval. Staff, financial, internal control, risks and audit issues are standing points on the agenda.</i> • <i>Reporting and follow up on the implementation of the budget (commitments, payments, recovery orders etc.) is done on a regular quarterly interval (monthly towards end-of-year) to the management</i>

Annex 5.2. Internal control template for DG SANCO related to Procurement

1. Characteristics of DG SANCO policy environment and stakeholders

Summary:

DG SANCO buys mainly services in the area of scientific studies, data collection, evaluation contracts, training, information campaigns, IT and communication services, facilities management etc. The contractors are mainly institutes, laboratories, consultancy firms and other private companies. Following the transfer of the contract management of the Public Health and Consumer programmes to the Executive Agency for Health and Consumers, the number of contracts managed by DG SANCO decreased considerably in 2010: 7 procurement contracts were awarded for a total value of € 18,2 million excluding building contracts and contracts below € 60.000 (in 2009: 72 contracts for € 172,5 million).

Key inherent risks in this environment :

- Procurement is highly regulated. Detailed rules exist with in depth guidance based on experience and the jurisprudence of court judgements. In-depth knowledge is necessary to manage procurement effectively (risk of choosing wrong procedure/thresholds, risk for splitting purchases);
- Sometimes no (or a very limited number of) offers are received;
- The risk for over-dependency on contractors is high due to the limited number of economic providers/need for specialist knowledge;
- Errors or mismanagement risk costing substantial resources (human and financial), if they are contested, even unsuccessfully, especially if they reach the courts;
- A reputational risk for the Commission exists if fraud or criminal activities are discovered.

Key figures:

- **Volume of contracts per year: (by type of procedures:**
See table on the right
- **Number of contracts:**
In 2010: 7 (in 2009: 72)
- **Average value contracts:**
In 2010: € 2,6 million (in 2009: € 2,4)
- **Average contract period:**
Normally between 1 and 3 years.

Contracted amounts related to the volume of contracts by type of procedure (without building contracts and contracts < € 60.000)

Type of Procedure	2010	
	N° of contracts	Amount (€ million)
Open	2	6,2
Restricted	4	0,4
Negotiated	1	11,6
Other	-	-
TOTAL	7	18,2

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

<p>Planning and selection process of contractors, including preventive controls</p>	<ul style="list-style-type: none"> • <i>As regards planning, each of the three operational activities develops in the fourth quarter of year n-1 a detailed work programme to be adopted by the Commission specifying the areas for which call for tenders will be organised and, if appropriate, also the envelope of money involved;</i> • <i>This work programme, once adopted, constitutes a Financing Decision as specified in Article 75 of the Financial Regulation;</i> • <i>Preventive actions are implemented with the aim of reinforcing sound financial management, enhancing open and transparent procurement procedures, promoting accountability and integrity of financial and operational actors as well as the reporting of irregularities by staff (including measures ensuring effective protection of whistleblowers), and improving internal controls;</i> • <i>For high value contracts (in general those above 150.000 €), an evaluation committee is set up to prepare the selection of the contractors. Members of evaluation committees are asked to sign a document reminding them of their obligation to declare any potential conflict of interest;</i> • <i>Declaration of lack of conflict of interest (member of committee but also for the manager);</i> • <i>Before a contract is signed, contractors must show that they are not in one of the situations of exclusion specified in the Financial Regulation (bankruptcy, failure to pay tax or social security contributions, convicted of an offence concerning their professional conduct). Before each transaction is authorised, staff are automatically alerted by the computerised financial system if the Commission is aware of this or any similar problem. Information on exclusions will be shared with all organisations involved in managing EU money, including the Member States, with effect from 1 January 2009 (Early Warning System);</i> • <i>Control of the purchases and services contracts: the "Comité des Marchés Publics"(CMP) verifies that the procedures for public procurement have been correctly followed. This Committee verifies the correct application of these procedures for contracts of € 150.000 or higher. In 2010, 5 files, for a total amount of about € 20,5 million were presented to the CMP, of which 4 received a positive opinion. A negative opinion was given for a contract concerning the "Youth Health Initiative". No contract was signed. The number of files submitted to the CMP (5 in 2010 compared to 21 in 2009) decreased considerably due to the transfer of the three programmes, consumers, public health and better training for safer food, to the Executive Agency for Health and Consumers.</i>
<p>Communication and information</p>	<ul style="list-style-type: none"> • <i>Transparency measures: calls for tender are published in the Official Journal and the EUROPA website. Updated information and FAQ are posted regularly on the website;</i> • <i>Adequate communication to unsuccessful tenderers;</i> • <i>All contracts and the transactions related to these contracts are recorded in ABAC;</i> • <i>Technical training in procurement as well as information campaigns and work-shops on ethics and integrity are available to all staff involved in the procurement process;</i>

	<ul style="list-style-type: none"> • <i>All staff involved in financial management have the responsibility to alert their Director-General, the Secretary-General or OLAF if they suspect any irregular, illegal or criminal activity.</i>
Detective and corrective controls: Performance monitoring, and verification of payments and key milestones	<ul style="list-style-type: none"> • <i>Financial circuits: every financial transaction requires at least two people to be involved (the "four eyes" principle). One person must initiate the transaction and a second person must verify it;</i> • <i>Controls carried out by operational units on reports in order to deliver the "conforme aux faits";</i> • <i>Controls carried out by decentralised financial units on financial and legal matters in order to deliver the "bon à payer".</i>
3. Feedback which enables control activities to be optimised	
Verification that processes are working as designed	<ul style="list-style-type: none"> • <i>See Internal Control Template "Cost Reimbursements".</i>
Monitoring of performance of independent bodies, 3rd party auditors, externally contracted auditors	<ul style="list-style-type: none"> • <i>See Internal Control Template "Cost Reimbursements".</i>
IAC, IAS, ECA recommendations on the functioning of the system and their follow up	<ul style="list-style-type: none"> • <i>See internal control template "Cost Reimbursements".</i>
High level management reporting and its role in identifying problem issues	<ul style="list-style-type: none"> • <i>In case the CMP delivers a negative opinion the Authorising Officer by Sub Delegation needs to inform and request the approval of the Authorising Officer by Delegation in order to be able to make the corresponding commitment and sign the contract. In addition and if appropriate, remedial actions have to be taken in order to avoid future negative opinions. In 2010, no such derogation was made.</i>

Annex 5.3. Internal control template for DG SANCO related to Grants

1. Characteristics of DG SANCO policy environment and beneficiaries

Summary:

Different beneficiaries, each operating their own control system, with sometimes limited ability to rely on assurance from beneficiaries' control systems.

Co-financing through reimbursement of declared eligible costs.

The beneficiaries are mainly: Member States, non governmental organisations, international organisations, national agencies, universities, and private entities.

Following the transfer of the grant management of the Public Health and Consumer programmes to the Executive Agency for Health and Consumers, the number of grants managed by DG SANCO decreased from 92 in 2009 to 83 in 2010.

Key inherent risks in this environment :

- Different types of projects and programmes;
- Eligible costs concept (implying limited possibility to control eligibility of costs by desk checks);
- Complex legal framework is required to implement an 'actual eligible costs' system (no profit, no lump sum, co-financing needed);
- Different beneficiaries, each operating their own control system, with limited ability to rely on assurance from beneficiaries' control systems;
- Beneficiaries must correctly allocate personnel and overheads via productive hours and time recording;
- Beneficiaries must often deduct a range of ineligible items (VAT, duties, interest) from direct costs and overheads via management accounting;
- Budgets allocated at the award stage are indicative only – amounts to be declared and paid have to be in line with actual costs that are only known ex-post;
- Given both the large number of criteria to be complied with and the limited financial management expertise of the beneficiaries, small errors are expected to be frequent;
- Operational risks; controls based essentially on declaration of the beneficiary;
- Risk of double financing or over financing: difficulty to verify the time sheets of the beneficiaries;
- Risk of false declaration from the beneficiary;
- Even though a low % of materiality impact may appear acceptable, the reputation risk may be seen as high.

Management mode:

- *Direct centralised management;*
- *Grants awarded with no intermediaries (mono-beneficiary or multi-beneficiaries/consortium, where the coordinator of each consortium manages distribution of funds among the co-beneficiaries);*
- *Reimbursement of actual eligible costs;*
- *Co-financing required.*

<p>Grant period: <i>Normally between 1 and 4 years</i></p> <p>Number of contracts and beneficiaries: <i>During 2010, in total 82 (in 2009: 92) commitments related to grant agreements (in the strict sense and excluding cost reimbursements as defined in the first template) were made.</i></p> <p>Average value/ range: <i>For the grant agreements signed in 2010, the average EC contribution granted per participation is rather stable: it varies from about € 0,2 million for grants related to the Consumer Policy to about € 0,19 for Food & Feed.</i></p> <p>Grant basis: <i>Reimbursement of actual eligible costs</i></p> <p>Volume of transactions per year: <i>During 2010, in total 82 (in 2009: 92) commitments related to grant agreements were made for a total value of € 15,4 million (in 2009: € 18, 8 million).</i></p>	<table border="1" data-bbox="794 488 1418 824"> <thead> <tr> <th></th> <th colspan="2">2010</th> </tr> <tr> <th>Grants</th> <th>Number of commitments</th> <th>Total Amount (€ million)</th> </tr> </thead> <tbody> <tr> <td>Public Health</td> <td>0</td> <td>0</td> </tr> <tr> <td>Consumer Policy</td> <td>6</td> <td>1,18</td> </tr> <tr> <td>Animal Health & Welfare and Plant Health</td> <td>3</td> <td>0,64</td> </tr> <tr> <td>Feed and Food safety</td> <td>73</td> <td>13,60</td> </tr> <tr> <td>TOTAL</td> <td>82</td> <td>15,42</td> </tr> </tbody> </table>		2010		Grants	Number of commitments	Total Amount (€ million)	Public Health	0	0	Consumer Policy	6	1,18	Animal Health & Welfare and Plant Health	3	0,64	Feed and Food safety	73	13,60	TOTAL	82	15,42
	2010																					
Grants	Number of commitments	Total Amount (€ million)																				
Public Health	0	0																				
Consumer Policy	6	1,18																				
Animal Health & Welfare and Plant Health	3	0,64																				
Feed and Food safety	73	13,60																				
TOTAL	82	15,42																				
<p>2. Elements of the internal control systems and actors, through programme life cycle. The objectives of these controls are to ensure good quality of selected projects, good performance and sound financial management.</p>																						
<p>Selection process (of beneficiaries, agencies, projects etc.), including preventive measures</p>	<p>Characteristics of the selection process of beneficiaries</p> <ul style="list-style-type: none"> Proposals are selected according to compliance with pre-established award criteria mentioned in the call for proposals. Beneficiaries are also checked against a legal entity list and the information in the Early Warning System. Objectivity and quality of proposal selection enforced by the use of external expert (imposed or not by the legal basis). 																					
<p>IAC, IAS, ECA, EP Feedback on adequacy of the system</p>	<ul style="list-style-type: none"> See internal control template "Cost Reimbursements". 																					

ANNEX 6: Implementation through national or international public sector bodies (if applicable)

Not applicable for DG SANCO.