

2008 ANNUAL ACTIVITY REPORT

EXECUTIVE AGENCY FOR HEALTH AND CONSUMERS

Table of contents

PART 1:	POLICY ACHIEVEMENTS.....	3
1.1	Achievements by Policy Area	3
1.2	Achievements by ABB activities (operational activities).....	3
1.2.1	Implementation of the Executive Agency for Health and Consumers Work Programme	3
1.2.2	Achieved impact per general objective of the Agency's 2008 Work Programme	9
1.3	Administrative support	13
2	PART 2: MANAGEMENT AND INTERNAL CONTROL SYSTEMS	14
2.1	Inherent nature and characteristics of policy environment and beneficiaries	14
2.1.1	The Agency in 2008	14
2.1.2	Major events of the reporting year having an impact on reputation	20
2.2	The functioning and effectiveness of the implementation of the Internal Control Standards for Effective Management.....	20
2.2.1	Reporting on compliance with the requirements	20
2.2.2	Reporting on effectiveness of the implementation of the Internal Control Standards for Effective Management	22
2.2.3	Conclusion	23
2.3	Building blocks towards reasonable assurance of the AOD for the legality and regularity of underlying transactions for the activities assigned to him.....	23
2.3.1	Assessment by management	23
2.3.2	Results from independent audits during the reporting year	24
2.3.3	Follow up of action plans in reply to audit work performed in previous years and previous year's reservations	25
2.3.4	Assurance received from Authorising Officers in cases of cross sub-delegation	25
3	PART 3: RESERVATIONS AND THEIR IMPACT ON THE DECLARATION	26
3.1	Materiality criteria used	26
3.1.1	Qualitative criteria for defining significant weaknesses	26
3.1.2	Quantitative criteria for defining significant weaknesses	26
3.1.3	Conclusions for the reporting period	27
3.2	Reservations.....	27
3.3	Overall conclusion on the combined impact of the reservations on the declaration as a whole.....	27
4	PART 4: DECLARATION OF ASSURANCE	28

PART 1: POLICY ACHIEVEMENTS

1.1 Achievements by Policy Area

This section is not applicable for an Executive Agency.

1.2 Achievements by ABB activities (operational activities)

1.2.1 Implementation of the Executive Agency for Health and Consumers Work Programme

Preamble

By its Decision 2008/544/EC of the 20th of June 2008, the Commission extended the term and the scope of the Agency's mandate. The Agency's 2008 Work Plan (approved by the Commission early 2008) reflected already the above modifications especially including tasks related to the first call for proposals of the second Health Programme (2008-2013).

Despite the formal extension of its mandate, the Agency did not yet dispose of the human resources required to implement any programme budget other than the 'Public Health programmes', in 2008. After consulting the Agency's parent DG (SANCO) and DG BUDG of the Commission, a formally revised Work Plan for 2008 was not deemed required.

To prepare for the implementation of the delegated tasks under the Community action in the field of Consumer Policy (2007-2013) and the Commission's initiative Better Training for Safer Food from the 1st of January 2009, the Agency initiated and mostly finalised staff selection procedures to fill all vacancies. Concurrently, the hand-over of files from the Commission to the Agency was prepared.

The assessment hereunder covers the tasks delegated to the Agency concerning the implementation of the Public Health Programmes, in 2008. Its structure follows that of the Work Plan of March 2008. Specific subheadings referring to the new mandate have been inserted where it has been considered appropriate.

Also in the coming years, EAHC will demonstrate to be a flexible, powerful, effective and efficient tool for the Commission to implement the programmes entrusted to it. Improved information to potential beneficiaries will be used to attract proposals of better quality and a more diverse range of actors relevant for public health. Better visibility and dissemination about projects and their results will help to increase the uptake of policy relevant conclusions by stakeholders and decision makers in Member States. EAHC will continue to identify and to apply, where appropriate, best practice in other Executive Agencies and Commission services in the areas of its activities. Concurrently, with a seamless and smooth implementation of the Annual Work Plans of the Commission, EAHC will contribute to the health of EU citizens, the protection of its consumers, and better training for safer food.

The Public Health Action Programme (2003-2007) – Decision N° 1786/2002/EC

The first programme put into practice an integrated approach to Public Health advocated in the European Commission's May 2000 '*Communication on Health Strategy*' (see COM (2000) 285 final) of May 2000. It replaced a series of eight EU programmes that each focused on individual health issues: cancer, AIDS and other communicable diseases, rare diseases, pollution related diseases, injury prevention, health monitoring, health promotion and drug abuse. The old "issue specific" approach led to a fragmentation of effort and could not easily be adapted to respond to emerging health threats.

The first Public Health Action Programme was divided into three 'strands' each addressing different 'horizontal' issues instead of specific diseases:

Improving health information and knowledge

The objective of the Programme was to further develop the health data already gathered at European level. Specific actions included the creation of a list of key health indicators, on which the monitoring of health status could be based and the creation of the network of public health institutes around the EU that will operate an integrated EU health information system.

Responding to health threats

This part of the Programme was built on the "rapid alert" systems already in place at EU level: notably, the European Network on Communicable Diseases and the EU's rapid alert system for possible bio-terrorist incidents.

The geographical and disease coverage of the former system were expanded, while measures were taken to reinforce Member States' capability to respond to possible bio-terrorism incidents. These include actions fostering networking of laboratories and building expertise in the field of chemical and biological pathogens.

Other key priorities addressed antimicrobial resistance / hospital acquired infection and developing strategies for responding to communicable disease threats, such as influenza epidemics.

Addressing health determinants

Health determinants are factors that influence people's health, including personal behaviour, lifestyles, social conditions, environment, and working conditions. Health policy makers of the European Union and its Member States face many common challenges concerning these determinants. This part of the Programme allowed health policy makers and non-governmental organisations around the EU to pool their knowledge on various determinants by supporting EU-level networks, promoting exchange of experience and financing innovative projects.

The Second Community Health Programme (2008-2013) – Decision N° 1350/2007/EC

On 1 January 2008, the Public Health Action Programme was replaced by a new programme with the following three objectives:

To improve citizens' health security:

The rationale of this objective is to protect citizens by developing the capacity of the European Community to respond threats posed by communicable and non communicable diseases and other physical, chemical and biological sources, including bio-terrorism. The possible measures comprise emergency planning and preparedness measures, among others. The second aspect is to improve citizens' safety by promoting actions related to patient safety through high quality and safe healthcare, scientific advice and risk assessment, safety and quality of organs, substances of human origin and blood.

To promote health, including the reduction of health inequalities:

This objective supports actions on key health factors (nutrition and physical activity, drug consumption, sexual health), focusing on key settings such as education and the workplace. It also aims at fostering measures on the prevention of major diseases. It concentrates on Community added-value actions in areas such as gender issues, children's health or rare diseases. The objective promotes healthier

ways of life and the reduction of health inequalities, thus increasing healthy life years and promoting healthy ageing. Further aims are to promote and improve physical and mental health and addressing the health effects of social and environmental determinants.

Health information and knowledge:

The focus of the third objective is on knowledge exchange and propagation of best practices regarding European reference networks, collecting, analysing and disseminating health information data. It concentrates on health monitoring systems with appropriate indicators. The Programme also aims to find appropriate media for disseminating information to citizens such as the Health Portal, conferences, and regular reports on the health status in the European Union.

Financing mechanisms for the second Health Programme

To provide the best opportunity of participation for organisations promoting a health agenda in line with the programme objectives, a wider variety of financing mechanisms have been offered. These include:

- Traditional service contracts and grants for actions;
- Co-financing of the operating costs of non-governmental organisations or a specialised network ('operating grants');
- Joint financing of a public body or non-governmental organisation by the Community and one or more Member States;
- Joint actions with other Community programmes, which will generate coherence between this instrument and other Community programmes

1.2.1.1 Monitor the grants awarded under the 2005, 2006 and 2007 Calls for proposals

a.) Follow-up of the 2005 and 2006 PHP grant agreements

For grant agreements awarded under the 2005 and 2006 Public Health Programme Calls, the Agency continued in 2007 to receive interim technical and financial reports and requests for further pre-financing payments, as well as the first balance payments.

Standardised processes and templates were further improved, in order to streamline the handling of projects. This effort was particularly valuable as the Agency was not involved in the negotiation and drafting of the technical and financial annexes of grant agreements under the 2005 PHP Call. Before the Agency obtained its autonomy, these projects were handled by the Commission.

Finally, participation in important meetings or at other important milestones of the 2005 and 2006 call projects has been a priority for the Agency. These meetings are not only useful for monitoring purposes, providing an occasion to communicate with all involved partners and complementary information to that included in the reports; they also present an opportunity to raise awareness of the Agency's role and activities.

b.) Follow-up of the 2007 PHP grant agreements

As a further action from the 2007 Call for proposals, the key 2008 objective of the Agency was to complete the negotiations and sign the grant agreements for all the project proposals which were either recommended for funding, or included in the reserve list.

This major objective was achieved through a significant mobilization of the Agency's resources. The last grant agreement was signed in October 2008.

Further to the signing of the grant agreements, Agency staff participated in several kick-off meetings and other relevant project meetings. Kick-off meetings concern project events gathering all grant contractors per project at the start of the action.

1.2.1.2 Support to the implementation of the 2008-2013 Health Programme

a.) Continued analysis of data concerning previous calls and funded projects (2003-2007)

All awarded projects for the entire duration of the first Public Health Programme were mapped. The mapping provides means to identify, which areas of the programme were 'oversubscribed' and which areas did not attract a sufficient number of proposals. It can also be used to analyse trends and patterns in the submission of project proposals.

b.) Support of the implementation of the action plan drafted following recommendations of the RAND mid-term evaluation¹

EAHC supported the implementation of the RAND action plan, notably by organising and then finalising a Delphi exercise² on priority setting. It also provided a newly developed method to measure the match between the priorities defined in the PHP Work Plan and the objectives of the funded PHP projects, based on standard medical and health library terminology.

1.2.1.3 Execution of the Call for proposals "Public Health – 2008"

a.) Preparation of the 2008 call for proposals

To increase awareness and invite applicants to submit proposals under the 2008 call, EAHC organised 14 info days in capitals of Member States and in Croatia. In Luxembourg, reflecting the overwhelming demand to attend, 2 info days were set up. More than 2.400 participants represented a more than three fold increase compared to 2007. The central info days in Luxembourg served to inform about the new instruments. This year, it was organised in a different, more interactive format including round tables instead of individual presentations. The organisation includes the productions of info-packages, CD's and posters.

The information to potential applicants was completed with more than 100 FAQ posted. From the date of publication of the call to end of April, EAHC answered to 250 emails and 80 phone calls.

About 50 pre-proposals on operating grants were received before the deadline of April 11th, all were replied to within 5 working days, and the data were compiled into a file circulated to the Commission for information and consideration.

b.) Assessment of the 2008 call for proposals

In preparation of the evaluation process, and following the launch on 9 February 2008 of the call for expression of interest for public health experts, a large number of experts were addressed. The experts were chosen in view of their specific expertise in the health issues of the Public Health Programme and their place of origin ensuring a broad geographical coverage of the European Union Member States.

In absence of a formal mandate for the Agency, the 2008 Call for proposals was prepared and published under the responsibility of the Agency's parent DG

¹ The RAND mid term evaluation concerns a mid-term evaluation exercise of the PHP 2003-2008 carried out by RAND Europe and resulting in an Action Plan centred around a set of areas for actions.

² The Delphi method is a structured process for consolidating the opinions of a group of experts into a judgment on an issue, and is increasingly used for consensus building in policy development and strategic planning. It typically consists of consulting knowledgeable resource persons ("experts") through a series of iterations for their opinion on a given issue in a structured way, often facilitated through questionnaires, until a consensus is reached.

(SANCO), more specifically Directorate SANCO/C – 'Public health and Risk assessment'. The deadline for submission of proposals was fixed at the 23rd of May.

The Agency organised the evaluation of the received proposals according to the award process and criteria pertaining to the new Community Action Programme in the field of Health 2008-2013 and its innovative features (i.e. funding mechanisms), while also integrating "lessons learnt" from the previous exercises.

The peer-evaluation process of the 225 submitted proposals was, as last year, divided into two weeks. The related panels were scheduled accordingly providing, as much as possible, stable evaluation panels per category of proposals.

The Evaluation Committee meeting took place on 3rd and 4th July, followed by the Programme Committee meeting on July 24th, both of them under the responsibility of the Commission.

The Evaluation Committee recommended a total of 42 'projects for an action', 2 'joint actions', 10 'operating grants', and 11 'conferences', for a total Commission contribution of 29,49 million €. Eight projects were placed on a reserve list, requesting a total Commission contribution of 4,24 million €.

On July 24th, the Programme Committee accepted the lists of shortlisted, rejected, and reserve list proposals without modification.

The results of a satisfaction survey of applicants of the 2008 PHP Call showed that 91 % of the respondents considered the provided documentation useful to very useful. 92 % judged the support received from the helpdesk good to very good.

c.) Negotiation of the PHP 2008 Call proposals

The formal Commission financing decision was adopted on 18 October 2008. This development allowed an earlier start of negotiations compared to 2007. By the end of the year, 27 out of 65 grant agreements were signed. In addition, two presidential conferences and one grant for an action with international organisations were negotiated and signed over the last quarter of 2008.

1.2.1.4 Generation and dissemination of information on the Public Health programme and the Executive Agency's activities

The Agency redesigned its website in 2008 to make it more user-friendly to the public and has continued with regular updates, including new and attractive content. At the same occasion, information on the extended scope and tasks of the Agency's mandate was integrated. The website gives now public access to a project database that includes information concerning the projects funded under 2006 and 2007 calls for proposals. The database has been continuously extended and updated. In addition, a new online project partnership search tool was opened to facilitate connections among prospective applicants.

Agency staff continued informing its stakeholders about EAHC's role and activities at the meetings they participated (including the kick-off meetings of the co-funded projects). Two central Information days in Luxembourg and 12 national information days were organised on the 2008 Call and attracted unprecedented interest in terms of number of participants (see 1.2.1.3).

EAHC followed its information dissemination strategy with a view to raise awareness of the Public Health Programme's projects and results, integrating its efforts in the global communication strategy of the parent DG. The EAHC produced and distributed specific information fact sheets on funding instruments and it published reports on previously funded projects.

1.2.1.5 Organisation of Expert Meetings

Similarly to the previous years, an important part of the Agency's resources was devoted to the organisation of technical meetings covering various domains of health as defined by the Community programme, gathering experts all over Europe. On behalf of the Agency's parent DG (SANCO), 24 meetings were organised inviting around 1.200 experts. Arranging the financial and logistical support to these meetings, personalised invitations were sent entitling approximately 700 participants to a contribution in their meeting expenses³, settled by the Agency.

The 2008 information day on the first health Call of the new programme was organised on 13 March reaching an attendance of around 300 participants from all over the European Union.

1.2.2 Achieved impact per general objective of the Agency's 2008 Work Programme

The main outputs from the implementation of the Agency's operational activities carried out during the reporting year, including their indicators, are listed in the following Objective/Result table:

³ Meeting expenses are reimbursed in accordance with the Commission Decision of 05.12.2007 on the reimbursement of expenses incurred by people from outside the Commission invited to attend in an expert meeting.

Indicators	Output
Objective 1: Monitor the grants awarded under the 2005, 2006 and 2007 Calls for proposals	
For all 2007 call grant agreements: contracts signed by 30 th June 2008; pre-financing payments executed within 30days of the signature	A number of contracts was not yet signed by 30 June, because beneficiaries were unable to provide the necessary information or documents, or failed to improve their project management plan as required by the evaluation committee. Most of them were from the reserve list implying that contract negotiations started later than shortlisted proposals. All contracts were signed by 31 October.
Financial monitoring: benchmarking of transaction time; all reports and cost statements evaluated by deadline set in the grant agreement, cost statements analysed, appropriate action taken, payments made, feedback provided to beneficiary	Reports and payment requests evaluated by the deadlines set in the grant agreement. 93% of the total number of payments executed in 2008 concerned further pre-financing of projects not involving a detailed cost analysis at this stage of funding. Feedback to contractors systematically provided via the project officer.
Number of days taken to process requests for amendments	39 amendments concluded and signed over 2008.
Kick-off meeting and other relevant meeting reports, submitted for every project	Done
One on-site (group) visit/ per project, during project lifetime/ related report	Most Kick-off meetings were attended, in those cases where this was impossible, other relevant projects events were attended by an EAHC project officer. No project finished without being visited at least once by a project officer. Meeting reports were provided in each case.
Project information regularly updated on the Agency and programme website	Done. In particular, the new project data base went online.
Meetings of National Focal points	Two meetings of national focal points were held in 2008
Objective 2: Support to the implementation of the 2008-2013 Health Programme	
Reports on qualitative analysis of data and possible trends (2003-2007 Calls)	A mapping of the calls 2003 to 2007 was prepared. A newly developed method to measure the response density to former programme priorities based on standard medical and health library terminology, was provided to SANCO.
Analyses by project areas of activity, benchmarking/ mapping documents, project management tools	A mapping of the results of the 2008 call was prepared Guidelines for preparing payments were prepared and are available on the web site
Definition of a financing typology by type of project structure and/ or outcome	Based on the results of the 2008 call for proposals, the work plan 2009 of the health programme was established with very clear indications of which type of financing instrument will be used for which type of action.
Strategic planning and priority setting documents	Report on Delphi exercise is available
Objective 3: Execution of the Call for proposals "Public Health – 2008"	

Updated supporting documentation for the 2008 call ready by April 15 th	Call was executed as planned
Report on use of helpdesk and FAQ tools	Report is available; Survey of call participants was done.
Information events organised in Luxembourg and elsewhere to follow the publication of the call and strand specific mobilisation events organised	14 info days, two of them in Luxembourg
Updated list of external experts, selection for the 2008 Call and contracting by May 2008; experts to be paid by September 2008	Done
Finalised lists of rejected proposals, proposals recommended for funding and reserve list by the time of the PHP Committee meeting	Done
Statistical analysis of evaluation outcomes produced for DG SANCO and PHP Committee	Done
Launch of negotiation phase by October 2008: end of negotiations (for projects on the recommended for funding list) by March 2009	Negotiation phase started on 18 October. By 31 January 27 out of 73 contracts were signed.
By October 2008, review of current Agency procedures as regards negotiations, including financial matters	Review was started in 2008
Bi-monthly internal management reports on progress, status and performance and sections of the annual activity report dealing with follow-up of the call for proposals	Done
Updated supporting documentation for the 2008 calls ready by February 15 th	Done
Objective 4: Generate and disseminate information about the Public Health Programme and the Agency's activities	
Annual information/ dissemination plan conceived and fully implemented	Information and dissemination activities were carried out according to the dissemination strategy adopted in June 2007.
PHP project database regularly updated	The data base was available since September 2008. Since then it was regularly updated.
Participation planning and reporting for scientific/ expert meetings and conferences, incl. dissemination activities with NFP network	A number of scientific conferences and expert meetings were attended. The NFP network was provided with a specific training on the PHP, including scientific and financial aspects.
Analysis of outreach of information and dissemination activities:	Several indicators of outreach were monitored: <ul style="list-style-type: none"> o number of people visiting the info days; o number of participants in technical meetings; o website visits; o number of presentations during staff missions.

Quarterly reporting on project database use ("hits") and trends	Hit statistics of the project data base are available.
Analysis of project dissemination activities	Not done, due to 6 month vacancy of post of programme manager.

1.3 Administrative support

The Agency's achievements of its horizontal Work Programme objectives are presented in the second Part of this Report. It concerns tasks related to budget and human resources management, communication and overall management.

2 PART 2: MANAGEMENT AND INTERNAL CONTROL SYSTEMS

2.1 Inherent nature and characteristics of policy environment and beneficiaries

2.1.1 The Agency in 2008

2.1.1.1 Role, Responsibilities & Activities

The Executive Agency was set up in 2005 and became autonomous on the 1st of January 2007 under the name Public Health Executive Agency. It was entrusted to manage the European Commission's multi-annual first Public Health Programme (PHP) by supporting actions to improve and protect human health in the European Union.

On the 20th of June 2008, the Commission extended the scope of tasks and the lifetime of the Agency⁴ with five additional years, until the end of 2015. Concurrently, the Agency's name was adapted to its new portfolio and changed into "Executive Agency for Health and Consumers".

The new mandate included:

1. the completion of the old programme (2003-2008) of Community action in the field of Public Health as adopted by Decision 2002/1786/EC;
2. the implementation of the new programme (2008-2013) of Community action in the field of Public Health as adopted by Decision 2007/1350/EC;
3. the implementation of the Consumer policy programme for 2007-2013 as adopted by Decision 2006/1926/EC;
4. financial and administrative tasks related to the food safety training measures (Better Training for Safer Food) on the legal basis of Regulation (EC) N° 2004/882 and Directive 2000/29/EC.

2.1.1.2 Indirect centralised management of grants

Since the beginning of its autonomous operation in 2007, the Executive Agency for Health and Consumers implements a number of tasks concerning Community aid under the subsequent Public Health programmes⁵, 6 years Community programmes designed to protect and improve human health.

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

As an Executive Agency, EAHC executes the PHP funds through "indirect centralised management" of grants for cost-shared projects. This method implies Community financial contributions via the Agency as intermediary awarding co-financing contracts signed with external parties (E.g. public organisations, academic institutions).

Overall, PHP projects have a lifetime of one up to three years. They are carried out by consortia of public and academic organisations, NGO's and private entities⁶, located in

⁴ Commission Decision 2008/544/EC of 20.06.2008

⁵ Decision N° 1786/2002/EC of 23.09.2002 adopting a programme of Community action in the field of public health (2003-2008) and Decision N° 1350/2007/EC of 23.10.2007 establishing a second programme of Community action in the field of health (2008-2013)

⁶ although exceptionally a project might be carried out by a single contractor

different countries within Europe (even outside the EU), and involve relative considerable sums of co-financing contributions.

To mitigate the risks inherent to the evaluation process of a call for proposals, the Agency developed procedures to ensure that the best proposals are chosen in a competent, objective, impartial and transparent manner. These measures are approved by the Agency's parent DG(SANCO), and implemented under the Commission's supervision. This system ensures that only projects which are relevant for the Public Health Programme's success are selected.

During the lifetime of the project, activities are pre-financed following a contractual payment scheme, implying that the entirety of the advanced funds remains the propriety of the European Community until the acceptance of the final cost claim. Pre-financing is set off against the final payment.

The requirement to calculate and reimburse 'actual' eligible costs under complex rules (e.g. no profit, no double financing, no retro-activity, cost shared co-financing) results in mostly unintentional 'errors' in cost claims. This situation leads to the frequent occurrence of errors made by beneficiaries under the given legal and financial framework governing the programmes. These errors include issuing cost statements, each operating their own accounting and control system. However, the Agency disposes of a limited possibility to control eligibility of costs in view of this actual cost concept. Its means are particularly limited to control via desk checks of supporting documents accompanying cost claims. Moreover, the large number of beneficiaries hampers the reliance on the assurance from the beneficiaries' control system.

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

2.1.1.3 The Agency's management of its responsibilities

The assessment hereunder covers the tasks delegated to the Agency in the frame of its extended mandate. Despite the formal extension of its mandate, the Agency did not yet dispose of the human resources required to implement any programme other than the Public Health Programmes. The execution of budget under the second Public Health Programme started as from the 1st of October 2008.

Actions under the PHPs were carried out via project grants, in 2008. By the end of the reporting year, the Agency managed a portfolio of 256 cost shared projects, representing a total EC contribution of 119 million €.

Year	Number of projects	Number of contractors	Average EC contribution per grant	Total EC contribution
2007	189	1.364	592.291,92 €	71.667.322,30 €
2008	256	2.065	553.587,86 €	119.021.390,65 €

To finance its administrative operations, the Agency received an operating grant of 4,42 million €⁷ from the Commission. The subsidy is intended to cover the Agency's administrative and operational expenditure including staff and infrastructure costs, interpretation and translation expenses, IT and specific operational support actions (for example organising expert meetings).

In line with the Commission guidelines on administrative budget implementation for Executive Agencies, the Agency executes its administrative budget within the Commission ABAC accounting system through the 'direct centralised management mode'.

⁷ The PHEA operating grant before the extension of the mandate amounted to 4,19 million €.

2.1.1.3.1 Human Resources management

With the extension of the mandate of the Agency, the maximum number of full time staff increased from 37 to 42. On the 31 December, the Agency's establishment plan listed 12 temporary agent⁸ and 30 contractual agent posts.

The Agency employed 8 temporary agents and 34 contractual staff agents on 31 December. Compared to 2007, the vacancy rate at the end of 2008 hence lowered from 24 % to 0 %.

In the course of 2008, the Head of the Public Health Programme Unit, the PH Programme co-ordinator and four administrative and financial support staff members left the Agency. Thanks to proper selection procedures, all freed posts were filled before the end of the reporting year⁹. In addition, in view of the increasing workload, the remaining positions for project officers - not yet attributed in 2006 and 2007 - were filled to complete the staffing of the Agency's unit dealing with the management of the Public Health programme.

To recruit the required staff for the 13 additional positions allocated for the Consumers Programme and the Better Training for Safer Food Initiative, the Agency organised 7 selection procedures. Two selections concerned an appointment as temporary agent¹⁰. For these two selections, 396 applications were received of which 39 candidates were invited for an interview¹¹. Nine successful candidates were put on a shortlist.

Out of the 13 initial vacancies, 11 were filled before the end of 2008. Six staff members took up their appointment before the end of 2008: 3 project officers, 2 financial officers and 1 secretary. Five more selection laureates (1 senior project officer, 1 programme co-ordinator and 3 project officers) were notified to take up assignment in the first quarter of 2009. A firm employment offer for the remaining vacancy for a project officer was delayed up to the beginning of 2009.

Despite two internal publications, open exclusively to officials of European Union Institutions, no suitable candidate was found to fill the position of Head for the Consumers Programme and Better Training for Better Food Initiative Unit. A new selection procedure will be launched in the beginning of 2009. This selection will not be limited to officials of European Union Institutions.

To conclude, the Agency initiated and mostly finalised 18 staff selection procedures for various positions including financial officers, project officers, programme coordinators and heads of unit in 2008.

2.1.1.4 Infrastructure, IT and facilities

The move of the Agency out of the Commission 'Hitec' building shared with the Agency's parent DG(SANCO) took place in July 2008. The new premises of the Agency are located at approximately 500 meter from its former offices, in the 'Drosbach' building rented by the Commission. Concurrently, with the extension of its mandate, the Agency disposes of

⁸ of which 6 seconded officials by the Commission.

⁹ It is to be noted that the position of programme co-ordinator for the public health programme was selected and identified in 2008 to take up function as from 15.01.2009.

¹⁰ Selections for programme manager and senior project officer

¹¹ In line with the relevant EC guidelines, for temporary agent selections candidates were also invited for written tests before the interview.

additional office space to accommodate its increased staff. The Agency shares the 'Drosbach' building with DG ADMIN, DG ECFIN, OIL, PMO and EAS¹².

IT activities continued to be geared towards the PHP Calls for proposals, developing and improving performance reports and software tools for applicants.

The Agency redesigned its external website making it more user-friendly. A project database¹³ including information on projects that received financial support under the PHP was added. A new online project partnership search tool was created to facilitate connections among prospective applicants.

The former software application for external Public Health experts to register in reply to new the Call for interest has been redeveloped with a new database and user friendly tools both for experts (who can submit main information and upload their CV) and internal evaluators (who can easily filter, sort, compare and export data). More than 500 experts provided a complete Curriculum Vitae, in 2008.

The further increase of Agency staff during 2008 required the Informatics cell to allocate an important part of its financial and human resources to the purchase of more informatics equipment and to extend its helpdesk services for users.

2.1.1.5 Financial resources management

The Agency applies fully centralised financial circuit model defined by the Commission. Accordingly, the responsibilities, delegations and roles of staff within the Agency are embedded in a single validation circuit, based on strict segregation of duties compliant with Financial Regulations and its Implementing Rules.

All expenditure are initiated by a project (or a desk) officer assisted by a financial agent. The Heads of Unit/Sector (operational verification), the Agency internal controller (financial verification) and the Director (Authorising Officer) verify and authorise expenditure. All key administrative and financial procedures are documented and published on the Agency's intranet, accessible to all staff members.

Management exercises supervision via the operational, information and reporting procedures in place.

The Public Health Programmes' budget

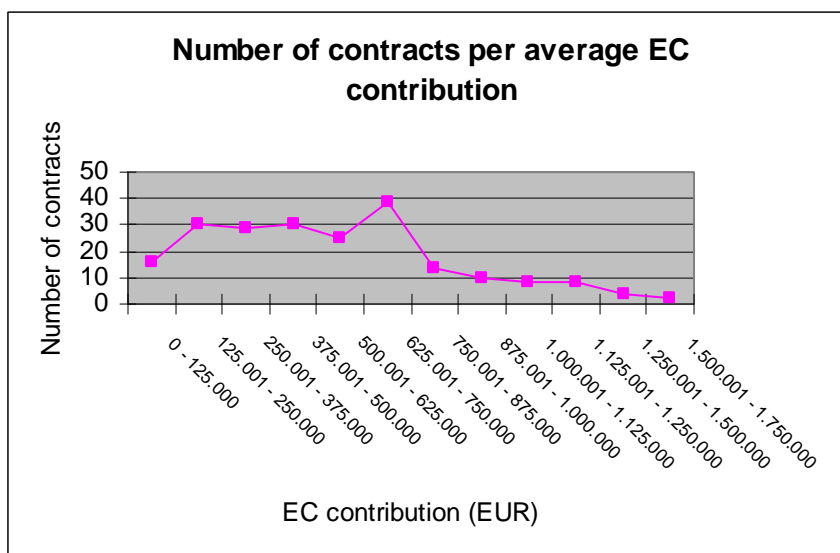
At the end of 2008, 100% of the Public Health Programme budget was committed. Sixty six grants under Call 2007 and twenty seven contracts under Call 2008 were successfully negotiated and signed¹⁴ in 2008. In addition, two 'grants for conferences' organised by the Presidency of the European Union were signed. One 'grant for an action' in the framework of co-operation with international organisations was concluded with the OECD.

At 31.12.2008, the Agency's portfolio of grants contained 215 PHP projects: Call 2005 (30), 2006 (87) 2007 (68) and 2008 (30). The 215 grants represented a total EC funding of 119.021.390,65 € (European Community's co-financed contribution). 89,76% of these grants are under 1 million €.

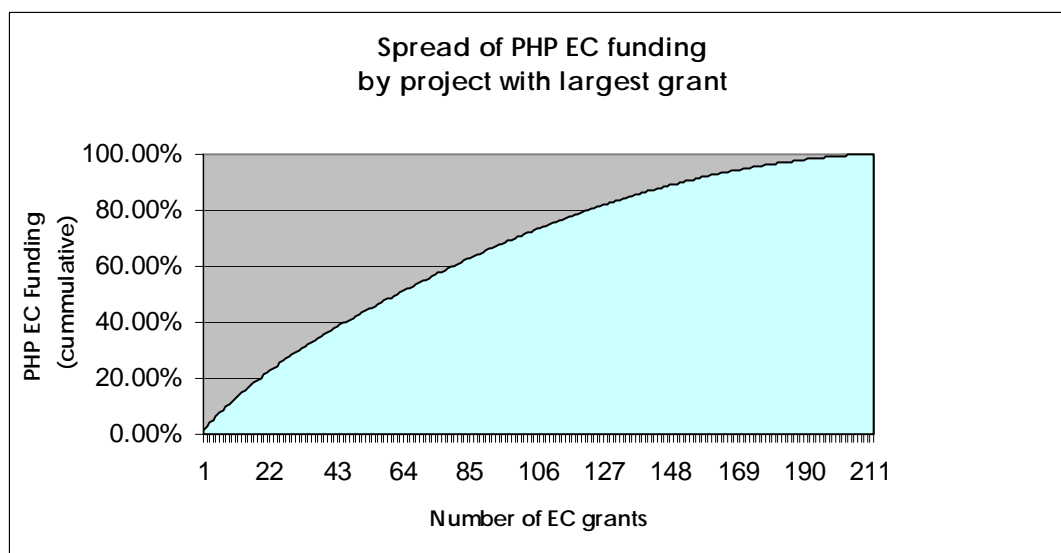
¹² ADMIN: Personnel and Administration Directorate General;
ECFIN: Economic and Financial Affairs Directorate General;
OIL: Office for Infrastructures and Logistics in Luxembourg;
PMO: Office for Administration and Payment of Individual Entitlements;
EAS: European Administrative School.

¹³ See point 1.2.1.4. – Generation and dissemination of information about the Public Health programme and the Executive Agency activities

¹⁴ As a reference, only 2 PHP Call 2007 grant agreements were successfully negotiated and signed in 2007.



The average EC contribution per contract is 553.587,86 € (with a range of contracts' EC funding spread of 30.000 € - 1.637.420 €). The 46 largest grants (21,14 % of all grants) account for 40 percent of the total EC funding for the 215 projects.



22.630.271 € was paid under the first PHP – for the implementation of projects of the Calls 2005, 2006 and 2007. Another 227.791 € for advance payments were paid under the second PHP. As a conclusion, 100 % of the first PHP and 99 % of the second PHP payment appropriations were paid by the Agency, in 2008.

Payments requests were handled and paid with an average payment delay of 21 days¹⁵, in 2008. The total amount of open commitments was 71.828.561,57 € at the end of 2008. Open commitments are ongoing contracts for which an amount is still to be paid.

Nine PHP projects (out of 215) were ended in 2008. Ten final payments were due and carried-out of which 5 concerned projects ended in 2007. The Agency performed 4 external ex-post audits.

The Agency's administrative budget

¹⁵ The maximum payment delay for PHP projects – defined in the grant agreement - is 45 days. In 2008, 91 % of the payments were made within an average payment delay of less than 18 days.

For its administrative expenditure, mainly human resources, office rent, IT and expenditure linked to the Agency's operational expenditures¹⁶, the Agency received a subsidy of 4,42 million € from the Commission.

The breakdown by type of expenditure shows that 'Staff expenditure' represented approximately 60% percent of the Agency's grant, in 2008. Salaries of staff are calculated by the Commission's Office for Administration and Payment of Individual Entitlements (PMO) further to the Service Level Agreement concluded in 2006 to this extent.

EAHC Adm Budget – 2008 Title	Commitment appropriations authorised (1)	Commitments made (2)	Execution % (2) / (1)
1. Staff expenditure	2.623.800 €	2.508.891 €	95,62 %
2. Overheads	989.000 €	936.195 €	94,66 %
3. Expenditure linked to the Agency's operations	807.500 €	712.176 €	88,20 %
Total	4.420.300 €	4.157.262 €	94,05 %

The outstanding amount of open 2007 commitments (RAL) at the beginning of 2008 was 1.508.606,49 €. New commitments for an amount of 4.157.261 € were made in 2008. These represented 94,05 percent of the authorised 2008 budget appropriations.

EAHC Adm Budget – 2008 Title	Payments made in 2008 on commitments of		
	2007 (1)	2008 (2)	Total (1) + (2)
1. Staff expenditure	32.522 €	2.390.941 €	2.423.463 €
2. Overheads	236.622 €	688.331 €	924.953 €
3. Expenditure linked to the Agency's operations	471.231 €	221.747 €	692.978 €
Total	740.375 €	3.301.019 €	4.041.394 €

During 2008, 1.114 payments were executed. Of these payments, 481 (43 percent) concerned payments for re-imbursement of travel costs and subsistence allowances for technical experts of PHP meetings. The average payment delay was 35 days¹⁷.

The outstanding amount of open commitments (RAL) at the end of 2008 was 856.241 €. Compared to 2007, the amount of open commitments decreased by 43 %. This significant improvement was reached by a closer monitoring of outstanding commitments for carry-over to the next budgetary year. Budget commitments not justified by legal commitments were de-committed at the end of 2008.

¹⁶ e.g. costs related to the organisation of technical meetings, IT support for projects, publication and dissemination of results costs

¹⁷ The contractual maximum payment delays for administrative transactions are 30 days and 45 days. In 2008, 71% of the payments were made within on average less than 27 days.

2.1.1.6 Financial resources management

A Service Level Agreement covering the implementation of the Commission ABAC system and SAP was concluded with DG BUDG in 2006. The Agency disposes of the ABAC Assets module to record its assets including IT equipment.

The Agency has a bank account in euro at the 'Banque et Caisse d'Epargne de Luxembourg' to cash its operation grant and to effectuate payments. The Agency enjoys the same framework conditions as the European Commission. All transactions via this account are systematically made through the Commission managed ABAC, SAP and SWIFT financial systems, including the validation of each payment transaction by both the Agency's Authorizing Officer and Accountant.

2.1.2 Major events of the reporting year having an impact on reputation

There were no events having an impact on reputation in 2008.

2.2 The functioning and effectiveness of the implementation of the Internal Control Standards for Effective Management

2.2.1 Reporting on compliance with the requirements

The Agency has implemented all baseline requirements in 2008, with the exception of three (see table hereunder). These requirements were only partially implemented. It is expected that ongoing actions will ensure the full implementation of all these requirements by the end of 2009.

Control components and Internal Control Standards		Most important actions taken	Ongoing actions
1	Mission	Mission statements are defined and published on the Agency's Intranet.	
2	Ethical and Organisational Values	Relevant procedures are put in place, in particular on ethical conduct and avoidance of conflict of interest; key documents - including updates - are published on the Agency's intranet; Commission course on ethics and integrity mandatory for all new staff members.	
3	Staff Allocation and Mobility	Staff job descriptions and objectives discussed and communicated to staff; mentoring system set up for new staff; mobility policy defined and published on the Agency's intranet.	
4	Staff Evaluation and Development	Staff Career Development Review System, in line with Commission standards, defined for all staff categories; yearly strategic training policy for the Agency established	Finalisation of staff reports ongoing, individual training maps to be formalised.
5	Objectives and Performance Indicators	Objectives and indicators set in the Agency's annual Work Plan, objectives compliant with SMART criteria and approved by Agency's Steering Committee. Reporting structures in place for management to supervise achievement of objectives at risk.	
6	Risk Management Process	The Agency performed a full risk assessment of its internal control system and activities with the assistance of an external audit organisation.	
7	Operational Structure	Delegation of authority established and formalised in writing; charter of Authorising Officer acknowledged by empowered staff; agency's sensitive functions identified and recorded; multi-annual IT Masterplan set up.	
8	Processes and Procedures	The Agency's main operational and financial processes and procedures are documented and published on the Agency's intranet; procedures comply with Financial Regulations and the Commission's guidelines. Overriding of controls from procedures are documented in exception notes, logged centrally and approved before action is taken.	
9	Management Supervision	Management exercises supervision, i.e. regarding legality and regularity aspects and operational performance; implementation of	

		audit action plans monitored.	
10	Business Continuity	Adequate measures in place to ensure continuity of service; business continuity plan established; backup plans for information systems maintained.	
11	Document Management	The Agency uses Adonis to register incoming and outgoing documents; procedures and filing plan defined; the Agency's internal auditor has been appointed as data protection officer; provisions on security and protection of personal data available to staff via the Agency's intranet.	Register for processing operations of personal data to be finalised.
12	Information and Communication	Management scoreboards are developed; systematic reporting to Steering Committee; participation to parent DG (SANCO) budget committee meetings; specific procedure established for staff to communicate potential internal control weaknesses.	In view of extended Agency mandate, IT security plan to be updated.
13	Accounting and Financial Reporting	The Agency's accounting procedures and controls are documented. Adequate quality control checks performed to ensure Agency's accounting data and information supplied to the Commission is accurate and exhaustive.	
14	Evaluation of Activities	Relevant evaluations made.	
15	Assessment of Internal Control Systems	Agency's internal control system assessed.	
16	Internal Audit Capability	Internal audit charter defined; annual audit workplan established and coordinated with the Commission Internal Audit Service (IAS); measures in place to ensure that internal audit capability is independent of Agency operational & financial activities and disposes of sufficient resources	

2.2.2 Reporting on effectiveness of the implementation of the Internal Control Standards for Effective Management

The Agency's first full-fledged risk assessment and internal control review was performed with the technical assistance and expertise of PriceWaterhouseCoopers Risk Management, in 2007. The adequacy of the Agency's internal controls and processes have been assessed against its mission, objectives and tools. Particular attention was paid to strengths, risks and concerns related to the effectiveness of the financial and operational aspects of the Agency's control environment. The evaluation found that taking related risks also into account, the following risks are the most important:

- ✓ "Political decisions and priorities outside the Agency",
- ✓ "IT and other supported systems",
- ✓ "Communication methods and channels".

Further to the Agency's auto-assessment results, major improvements were noted. In particular,

- o Significant efforts were made to improve 'IT and other supported systems'. Templates for technical and financial reports were developed and published on the Agency's intranet. Performance reports and software tools for applicants of the 2008 PHP Call for proposals were further improved. On the other hand, the project management application 'Vision' is not operational. This software database - also used by the Agency's parent DG - should give management and staff a macro view on the status of ongoing projects. The tool should allow improving budget planning and execution.
- o On 'Communication methods and channels', the Agency completed its external website with a project database containing information on projects that received financial support under the PHP. At the same time, a new partnership search tool was created to facilitate connections among prospective PHP Call applicants. Specific guidelines concerning final payments for grants were drafted and published on the Agency's website. A Project Management Manual for beneficiaries, however, is still to be finalised.

2.2.3 Conclusion

In view of the conclusions from the supervision and monitoring performed, the Director observes that the weaknesses identified and reported did not significantly affect operational management results or jeopardised legality and regularity of the Agency's activities and objectives in 2008.

The identified weaknesses and necessary fine-tuning of certain procedures are being addressed. No critical or very important observations were made affecting the Director's assurance declaration.

2.3 Building blocks towards reasonable assurance of the AOD for the legality and regularity of underlying transactions for the activities assigned to him

2.3.1 Assessment by management

The following indicators were used for the 2008 Public Health Evaluation process, implemented under the supervision and responsibility of the Agency's parent DG (SANCO):

Type	Indicator
Input	9 staff members (3 scientific or financial officers, 3 assistants, 2 interim agents, 1 data managing officer) for screening and opening phases
	3 external reviewers + 1 scientific officer of the Agency (panel moderator) per submitted proposal for selection and technical review phases
	3 IT staff (proposals' database development; business object reporting)
	Evaluation Committee: 9 (EAHC (4) + EC-officials (5))
Output	100% of submitted proposals registered and opened
	100% of eligible proposals assessed by 3 external

	reviewers under supervision of 1 scientific officer of the Agency (3 individual review forms)
	100% of proposals at technical review phase were subject to a consensus meeting
	statistical evaluation of whole assessment phase, covering all proposals
	communication of results to applicants
	100% response rate to invitation for negotiations
	application of negotiation calendar with selected for funding beneficiaries
Result	no significant bias detected through statistical analysis of the assessment process (incl. marks awarded)
	reallocation of funds between programme's strands, in accordance with budget
	optimization of available funding through review of proposal's budget
Impact	successful completion of full cycle of assessment phase, prior to contracting
	progressive increase by 35 percent of projects managed by EAHC (from 189 up to around 256 by the end of 2008)

2.3.2 Results from independent audits during the reporting year

The European Court of Auditors audited the annual accounts of the Agency for the financial year 2007. The Court concluded addressing following statement to the European Parliament and the Council:

"Reliability of the accounts:

"The Agency's accounts for the financial year ended 31 December 2007 are, in all material respects, reliable.

Legality and regularity of the underlying transactions:

The transactions underlying the Agency's annual accounts, taken as a whole, are legal and regular.

The observation which follows does not call the Court's Statement into question.

The Agency's final budget for 2007 amounted to 4,1 million euro. Almost all of the budget was committed: carry-overs amounted to 1,5 million euro. A significant proportion of the carry-overs for administrative expenditure was either not justified by legal obligations or concerned goods and services which, to a large extent, will be delivered in 2008. This situation was at odds with the principle of annuality."

The Agency took note of the Court's observation and de-committed the undue carry-overs. An improved monitoring of open commitments in 2008 laid to a significant

reduction with 43% of 2008 carry-overs; an amount of 863.936,91 € was carried over to 2009.

2.3.3 Follow up of action plans in reply to audit work performed in previous years and previous year's reservations

Internal audit Cell (IAC) of DG SANCO

There were no new audits conducted in EAHC by the Internal audit Cell (IAC) of DG SANCO in 2008. All recommendations of previous audits were implemented. Next, the audits were closed by the IAC.

Internal Audit Service of the Commission (IAS)

The Internal Audit Service of the Commission made on audit of the Agency. The final Report was transmitted on 25 January 2009. The auditors concluded that

"Based on the results of our audit described in the objectives and scope of the audit engagement, we believe that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the Public Health Executive Agency, except for the following very important observations:

- *The Chart of accounts is not compliant with the requirements of the International Public sector Accounting Standards (IPSAS) n° 1;*
- *The ABAC assets module is not yet operational in the PHEA;*
- *The transfer of fixed assets from DG SANCO to the PHEA has not yet been booked."*

All recommendations have been implemented. Supporting documents have been sent to the auditors for validation.

Previous year's Annual Activity Report reservations.

There were no reservations made over the previous years.

2.3.4 Assurance received from Authorising Officers in cases of cross sub-delegation

Not applicable.

3 PART 3: RESERVATIONS AND THEIR IMPACT ON THE DECLARATION

3.1 Materiality criteria used

To obtain the qualified reasonable assurance statement on which the Annual Declaration is based¹⁸ included in the present Report, a set of materiality criteria were used.

The materiality criteria used are based on the common concepts and methodology defined by the working group on materiality criteria for the Commission services family Central Management II¹⁹, identified in the 2007 Synthesis Report of the Commission.

Beyond the multi annual nature of the awarded PHP grants, the effectiveness of the applied control strategy can only be fully reviewed and assessed on the basis of the ex-post audits' results. The current objective focuses to ensure that the residual error rate, i.e. the ratio of errors which remain undetected and uncorrected after full implementation of the desk and ex-post audit strategy.

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

3.1.1 Qualitative criteria for defining significant weaknesses

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

3.1.2 Quantitative criteria for defining significant weaknesses

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

- ⇒ does the potential total financial impact exceed 2% of the total budget paid for the activity during the reporting period, in case of a randomly selected sample²⁰;
- ⇒ does the potential total financial impact exceed 4%²¹ of the total budget paid for the activity during the reporting period, in case of a risk-based sample.

¹⁸ See also the guidelines annexed to the Commission Communication COM(2003)28 of 21 January 2003 on material reservations to be used to qualify the annual declaration.

¹⁹ The Commission family of 'Central Management II' Directorates-General and Executive Agencies includes next to the Public Health Executive Agency and its parent DG (SANCO), DG ECFIN, DG COMM, DG ENV, DG ENTR, DG EAC, DG EMPL, DG FISH, ESTAT and EACEA.

²⁰ Care should be taken to differentiate between materiality level, the actual level of error detected by controls and the expected error rate. The European Court of Auditors uses a 2% materiality threshold.

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

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

3.1.3 Conclusions for the reporting period

In its respective legal framework, the Agency implements certain tasks concerning Community aid under the Public Health Programmes, except for programme evaluation, for monitoring of legislation and strategic studies, or for any other action which comes under the exclusive competence of the Commission.

The internal control arrangements in place provided reasonable assurance regarding the risks and concerns associated with the Agency's mission, business objectives and tools and to allow stating the absence of any systematic weakness in view of the defined quantitative or qualitative materiality criteria, or reputation risks for the tasks performed by the Agency. The materiality thresholds defined above were not passed.

Moreover, at the end of 2008, in view of the relative small number of finalised PH projects managed by the Agency, 97% of the total amount paid concerned pre-financing of projects implying that the entirety of the so paid funds remains the propriety of the European Community. The offsetting of these amounts will be made against the final cost claims to be submitted as from the next reporting period.

No case of a significant misapplication of procedures, intentionally overridden rules or wilfully circumvented controls was brought to or came to the attention of the management.

3.2 Reservations

The Director has no reservations on the declaration.

3.3 Overall conclusion on the combined impact of the reservations on the declaration as a whole

Not applicable.

²¹ The materiality criteria used are based on the common concepts and methodology defined by the working group on materiality criteria for the Commission services family Central Management II.

4 PART 4: DECLARATION OF ASSURANCE

I, the undersigned,

Director of the Executive Agency for Health and Consumers

in my capacity as authorising officer by delegation

declare that the information contained in this report gives a true and fair view.

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 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, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

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

Luxembourg, 31 March 2009

[Signed]

Luc Briol

ANNEXES

Annex 1: Statement of the EAHC Internal Controller²²

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 Commission²³, I have reported my advice and recommendations to the Director on the overall state of internal control in the Executive Agency for Health and Consumers.

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

Luxembourg, 31 March 2009

[Signed]

Robert Geeraerts

²² EAHC staff member designated by the Director to oversee the implementation of internal control systems within the Agency.

²³ SEC(2003)59 of 21.01.2003

Annex 2: Follow-up of previous Synthesis' action plan

Not applicable.

Annex 3: Human and Financial resources by ABB activity

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

Executive Agency for Health and Consumers – Human resources on 31st December 2008 – without extension of the mandate

	Planned	Actual	% implemented
Seconded officials and temporary agents	9	8	88%
Contractual agents	28	28	100%
Total	37	36	97%

Executive Agency for Health and Consumers – Human resources on 31st December 2008 – including extension of the mandate

	Planned	Actual	% implemented
Seconded officials and temporary agents	12	8	66%
Contractual agents	30	34	113%
Total	42	42	100%

The figures in the table refer to the staff in place at the end of 2008, within the limits of the available 2008 budget for staff expenses.

To ensure the 13 additional positions allocated for the Consumers Programme and the Better Training for Safer Food Initiative being filled in time, the Agency started recruitment selections and appointments in the last quarter of 2008. With the extension of the mandate of the Agency, the maximum number of full time staff increased from 37 to 42, in 2008, and to 50 in 2009.

Annex 4 Financial Reports - DG PHEA - Financial Year 2008**Table 1 : Commitments****Table 2 : Payments****Table 3a : Commitments to be settled****Table 3b : Average Payment Time Limits****Table 4a : Income****Table 4b : Forecasts of Revenue****Table 4c : Recovery of undue Payments****Table 5 : Ageing Balance of Recovery Orders****Table 6 : Waivers of Recovery Orders****Table 7a : Negotiated Procedures (excluding Building Contracts)****Table 7b : Summary of Contracts (excluding Building Contracts and Contracts < 60.000 €)****Table 8a : Building Contracts****Table 8b : Secret Contracts****Table 9 : Balance Sheet****Table 10 : Economic Outturn Account****Table 11 : Off Balance Sheet**

Additional comments

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2008 (in Mio €)				
Chapter		Commitment appropriations authorised *	Commitments made	%
		1	2	3=2/1
Title 17 : Health and consumer protection				
17 03	Public health	36,24	36,24	100,00 %
Total Title 17		36,24	36,24	100,00 %
Total DG PHEA		36,24	36,24	100,00 %

* 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).

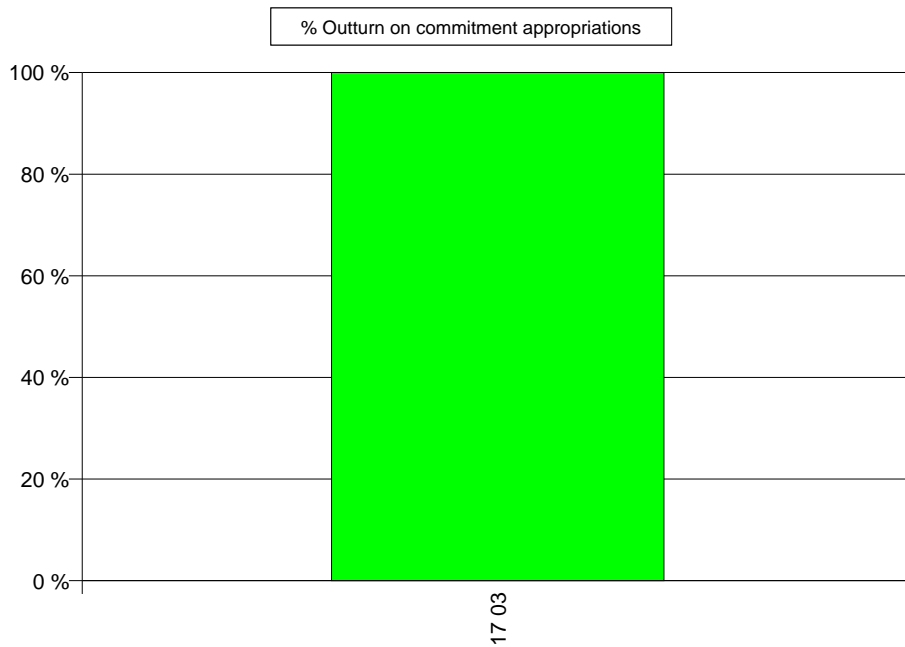


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2008 (in Mio €)				
Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
Title 17 : Health and consumer protection				
17 03	Public health	22,52	22,47	99,78 %
Total Title 17		22,52	22,47	99,78 %
Total DG PHEA		22,52	22,47	99,78 %

* 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

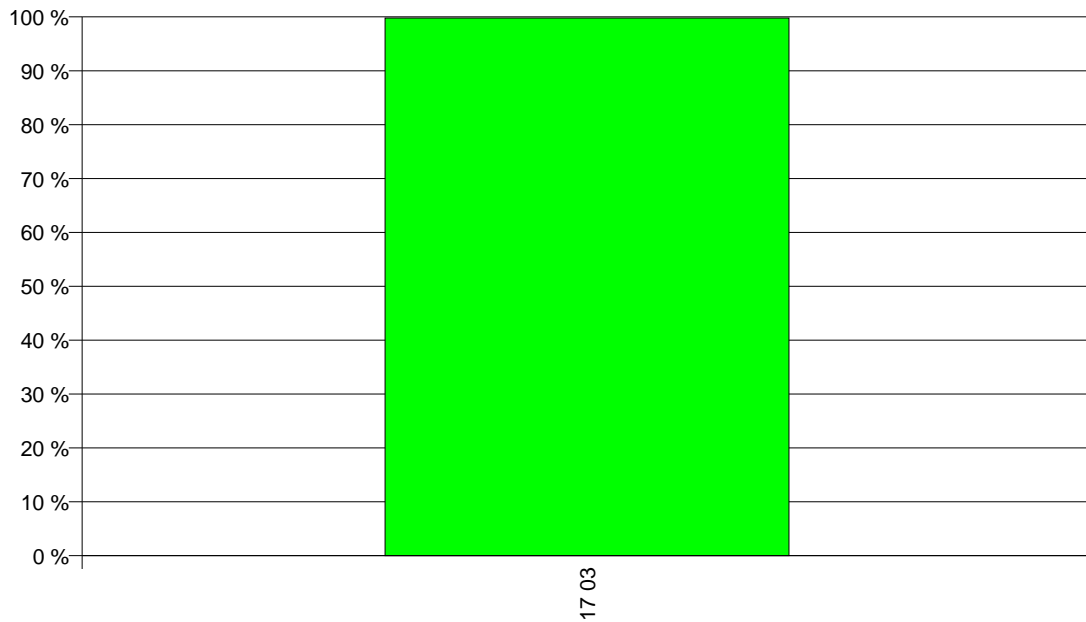


TABLE 3a : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2008 (in Mio €)								
Chapter		2008 Commitments to be settled				Commitments to be settled from financial years previous to 2008	Total of Commitments to be settled at end of financial year 2008 (incl.corrections)	Total of Commitments to be settled at end of financial year 2007 (incl.corrections)
		Commitments 2008	Payments 2008	RAL 2008	% to be settled			
		1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 17 : Health and consumer protection								
17 03	Public health	36,24	0,23	36,01	99,37 %	63,29	99,31	85,84
Total Title 17		36,24	0,23	36,01	99,37 %	63,29	99,31	85,84
Total DG PHEA		36,24	0,23	36,01	99,37 %	63,29	99,31	85,84

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

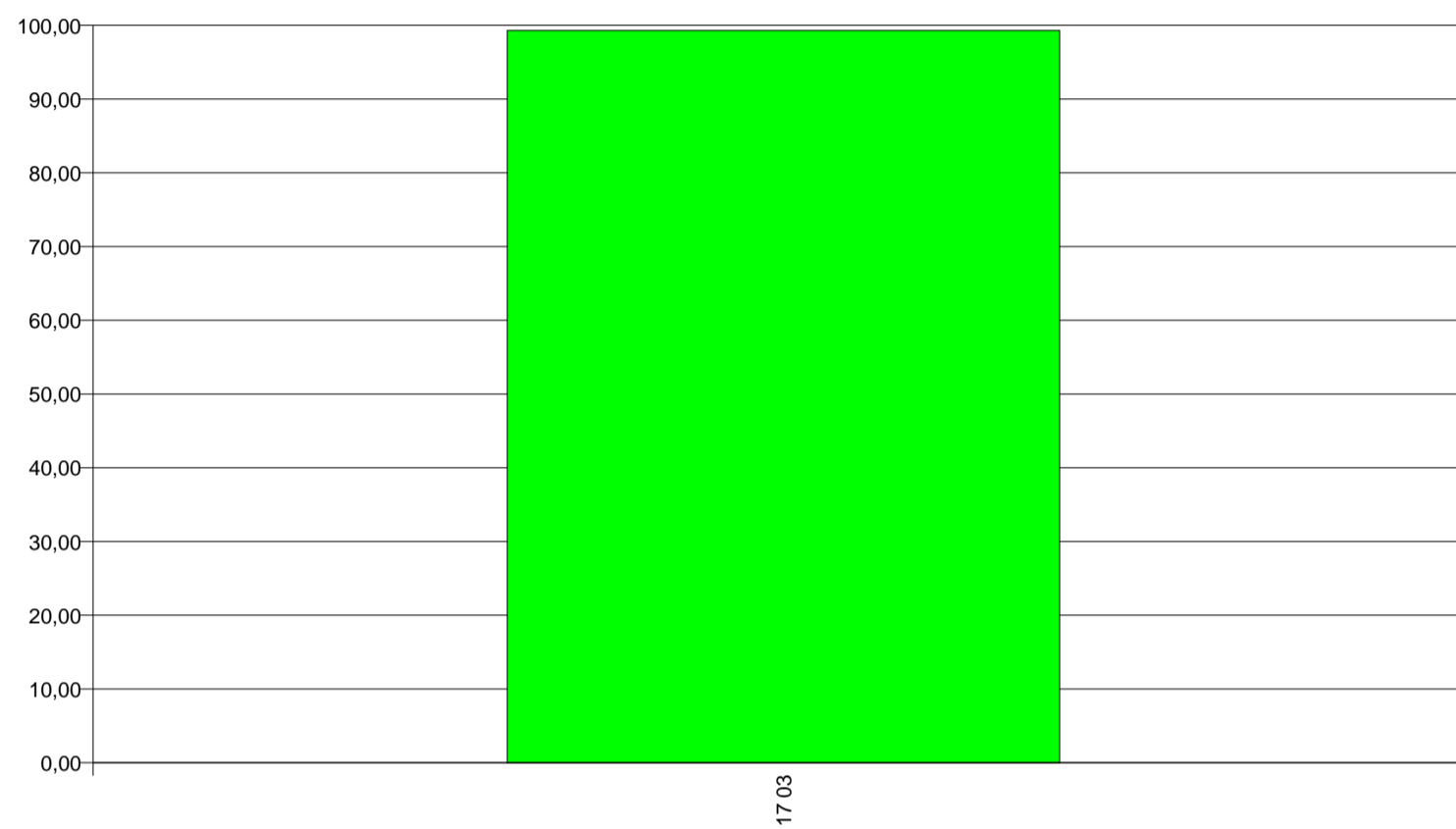


TABLE 3b: AVERAGE PAYMENT TIME LIMITS FOR 2008 - DG PHEA

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
45	141	129	91,49 %	17,57	12	8,51 %	59,46

Total Number of Payments	141	129	91,49 %		12	8,51 %	
Average Payment Time	21,13			17,57			59,46

Late Interest paid in 2008			
DG	GL Account	Description	Amount (Eur)

TABLE 4a : SITUATION ON REVENUE AND INCOME IN 2008

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	

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

Annex 4 Financial Reports - DG PHEA
Report printed on //

TABLE 4b: FORECASTS OF REVENUE FOR DG PHEA

Year of Origin
TOTAL

**TABLE 4c : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

**RECOVERY
ORDERS**

ISSUED IN 200€	TOTALS	
Year of Origin (commitment)	Nbr	RO Accepted Amount
	0	

EXPENSES

INCOME LINES IN INVOICES

	No error / irregularity	
	Nbr	Non-Eligible Amount
NON ELIGIBLE AMOUNT IN COST CLAIMS	9	307 903,67

	No error / irregularity	
	Nbr	Credit Note Amount
CREDIT NOTES	3	-7 626,27

Note : The figures are those related to the provisional accounts and not yet audited by the Court of Auditors. The provisional closure will be based on the recovery context situation at 28/02/2009.

TABLE 5: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2008

Year of Origin	Number at 01/01/2008	Number at 31/12/2008	Evolution	Open Amount (Eur) at 01/01/2008	Open Amount (Eur) at 31/12/2008	Evolution
Totals						

TABLE 6 : RECOVERY ORDER WAIVERS IN 2008 >= EUR 100.000

Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Official Name	Commission Decision	Comments
---------------------------	------------------------------	---------------------------------	-------------------------	----------------------------	-----------------

Total DG PHEA	
----------------------	--

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

TABLE 7a : CENSUS OF NEGOTIATED PROCEDURES - DG PHEA - YEAR 2008

--

Count :
Total amount :

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

TABLE 7b : SUMMARY OF PROCEDURES OF DG PHEA (excluding building contracts and contracts < 60.000 €)

Type of contract
TOTAL

Procedures
TOTAL

Additional comments

--

TABLE 8a : BUILDING CONTRACTS

Count :	0
Total amount :	

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

TABLE 8b : SECRET CONTRACTS

Count :	0
Total amount :	

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

TABLE 9 : BALANCE SHEET

BALANCE SHEET		
PHEA	2008	2007
NON CURRENT ASSETS	7 137 059,61	87 306,26
LT Pre-Financing	7 137 059,61	87 306,26
CURRENT ASSETS	2 407 735,74	6 914 375,60
Short-term Pre-Financing	2 407 735,74	6 914 375,60
ASSETS	9 544 795,35	7 001 681,86
CURRENT LIABILITIES	-8 013 340,83	-4 411 773,20
Accounts Payable	-8 013 340,83	-4 411 773,20
LIABILITIES	-8 013 340,83	-4 411 773,20

TABLE 10 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT		
PHEA	2008	2007
FROM OPERATING ACTIVT	30 342 237,02	15 589 696,61
OPERATING EXPENSES	30 342 237,02	15 589 696,61
Administrative Expenses	0,00	
Operating Expenses	30 342 237,02	15 589 696,61
SURPLUS/DEF. NON OPERATING ACTIVIT	-137,86	
FINANCIAL OPERATIONS	-137,86	
Financial revenue	-137,86	
ECONOMIC OUTTURN ACCOUNT	30 342 099,16	15 589 696,61

TABLE 11 : OFF-BALANCE SHEET DISCLOSURES

OFF-BALANCE SHEET DISCLOSURES		
PHEA	2008	2007
Contingent Assets	2 601 970,53	1 596 338,69
CA Guarantees received	2 601 970,53	1 596 338,69
Contingent Liabilities	-91 294 453,12	-81 429 652,21
CL Comm against app. not yet con	-91 294 453,12	-81 429 652,21
OFF-BALANCE SHEET DISCLOSURES	-88 692 482,59	-79 833 313,52

It should be noted that the balance sheet, economic outturn account and off-balance sheet of Directorate General , presented in Annex 4 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in table 9 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.

Annex 4 Financial Reports - PHEA% - Financial Year 2008**Administrative Budget****Table 1 : Commitments****Table 2 : Payments****Table 3a : Commitments to be settled****Table 3b : Average Payment Time Limits****Table 4a : Income****Table 4b : Forecasts of Revenue****Table 9 : Balance Sheet****Table 10 : Economic Outturn Account****Table 11 : Off Balance Sheet**

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2008 (in Mio€)				
Chapter		Commitment appropriations	Commitments made	%
		1	2	3=2/1
Title A-1 EXPENSES FOR PERSONNEL LINKED TO THE AGENCY				
A-11	STAFF IN ACTIVE EMPLOYMENT	2,22	2,18	97,98 %
A-12	RECRUITMENT AND MUTATION EXPENSES AND PAYROLL SERV	0,11	0,07	59,98 %
A-13	SOCIAL INFRASTRUCTURE AND TRAINING	0,11	0,08	77,03 %
A-14	OTHER SERVICES	0,18	0,18	100,00 %
Total Title A-1		2,62	2,51	95,62 %
Title A-2 CENTRAL SUPPORT COSTS				
A-20	BUILDINGS AND ASSOCIATED COSTS	0,61	0,60	99,27 %
A-21	TELECOMMUNICATION AND COMPUTERS	0,21	0,20	93,79 %
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	0,05	0,04	81,00 %
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	0,03	0,02	65,77 %
A-24	POSTAL CHARGES	0,01	0,00	17,50 %
A-25	SUPPLEMENTARY SERVICES	0,09	0,08	88,40 %
Total Title A-2		0,99	0,94	94,66 %
Title B0-3 EXPENDITURE LINKED TO THE AGENCY OPERATIONS				
B3-1	MEETINGS AND MISSIONS	0,52	0,46	88,37 %
B3-2	OPERATIONAL DATA PROCESSING	0,21	0,19	92,18 %
B3-3	INFORMATION, PUBLICATION & OTHER SERVICES	0,08	0,06	76,83 %
Total Title B0-3		0,81	0,71	88,20 %
TOTAL PHEA%		4,42	4,16	94,05 %

* 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).

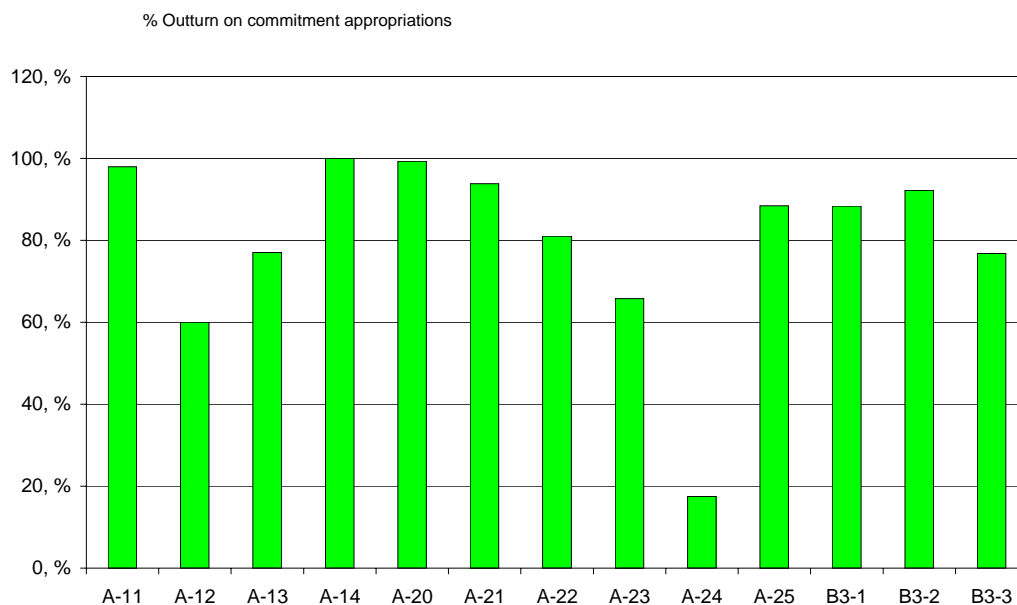


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2008 (in Mio€)

Chapter		Payment appropriations authorised *	Payments made	%
		1	2	3=2/1
TITLE A-1 EXPENSES FOR PERSONNEL LINKED TO THE AGENCY				
A-11	STAFF IN ACTIVE EMPLOYMENT	2,22	2,18	97,98 %
A-12	RECRUITMENT AND MUTATION EXPENSES AND PAYROLL SERV	0,12	0,05	41,45 %
A-13	SOCIAL INFRASTRUCTURE AND TRAINING	0,16	0,02	14,17 %
A-14	OTHER SERVICES	0,21	0,17	82,06 %
TOTAL A-1		2,71	2,42	89,28 %
TITLE A-2 CENTRAL SUPPORT COSTS				
A-20	BUILDINGS AND ASSOCIATED COSTS	1,01	0,72	70,73 %
A-21	TELECOMMUNICATION AND COMPUTERS	0,30	0,14	46,93 %
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	0,07	0,02	34,62 %
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	0,04	0,01	27,56 %
A-24	POSTAL CHARGES	0,01		
A-25	SUPPLEMENTARY SERVICES	0,11	0,03	29,43 %
TOTAL A-2		1,54	0,92	59,94 %
TITLE B0-3 EXPENDITURE LINKED TO THE AGENCY OPERATIONS				
B3-1	MEETINGS AND MISSIONS	1,06	0,36	33,99 %
B3-2	OPERATIONAL DATA PROCESSING	0,41	0,23	56,78 %
B3-3	INFORMATION, PUBLICATION & OTHER SERVICES	0,20	0,10	49,94 %
TOTAL B0-3		1,67	0,69	41,46 %
TOTAL PHEA%		5,93	4,04	68,16 %

* 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

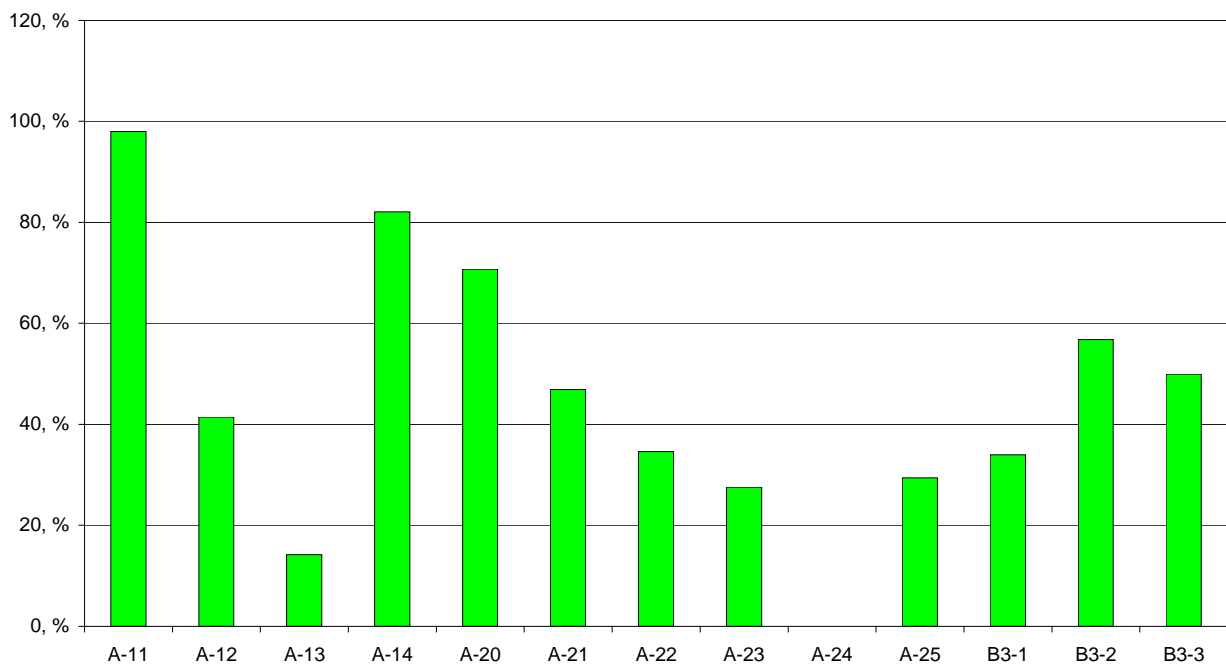


TABLE 3a : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2008 (in Mio €)					
Chapter		Commitments 2008	Payments 2008	RAL 2008	% to be settled
		1	2	3=1-2	
Title A-1 EXPENSES FOR PERSONNEL LINKED TO THE AGENCY					
A-11	STAFF IN ACTIVE EMPLOYMENT	2,18	-2,18	0,00	0,00 %
A-12	RECRUITMENT AND MUTATION EXPENSES AND PAYROLL SERV	0,07	-0,05	0,02	33,46 %
A-13	SOCIAL INFRASTRUCTURE AND TRAINING	0,08	-0,01	0,07	83,84 %
A-14	OTHER SERVICES	0,18	-0,15	0,03	14,66 %
Total Title A-1		2,51	-2,39	0,12	4,70 %
Title A-2 CENTRAL SUPPORT COSTS					
A-20	BUILDINGS AND ASSOCIATED COSTS	0,60	-0,60	0,00	0,00 %
A-21	TELECOMMUNICATION AND COMPUTERS	0,20	-0,05	0,14	72,36 %
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	0,04	-0,01	0,03	75,41 %
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	0,02	0,00	0,01	86,84 %
A-24	POSTAL CHARGES	0,00	0,00	0,00	100,00 %
A-25	SUPPLEMENTARY SERVICES	0,08	-0,02	0,06	75,30 %
Total Title A-2		0,94	-0,69	0,25	26,48 %
Title B0-3 EXPENDITURE LINKED TO THE AGENCY OPERATIONS					
B3-1	MEETINGS AND MISSIONS	0,46	-0,18	0,28	60,59 %
B3-2	OPERATIONAL DATA PROCESSING	0,19	-0,03	0,16	84,08 %
B3-3	INFORMATION, PUBLICATION & OTHER SERVICES	0,06	-0,01	0,05	84,26 %
Total Title B0-3		0,71	-0,22	0,49	68,86 %
TOTAL PHEA%		4,16	-3,30	0,86	20,60 %

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

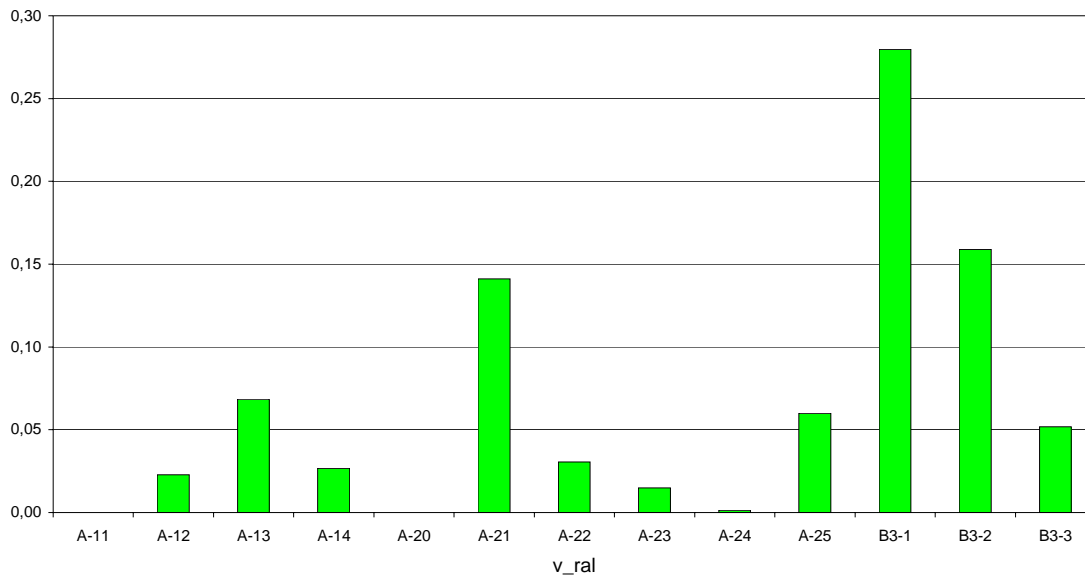


TABLE 3b: AVERAGE PAYMENT TIME LIMITS FOR 2008 - DG PHEA

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	228	153	67,11 %	18,42	75	32,89 %	47,77
45	525	381	72,57 %	29,65	144	27,43 %	58,76
Total Number of Payments	753	534	70,92 %		219	29,08 %	
Average Payment Time	34,74			26,43			55,00

Late Interest paid in 2008			
DG	GL Account	Description	Amount (Eur)
PHEA Dummy PC	65010000	Interest expense on late payment of charges	55,52
			55,52

TABLE 4a: SITUATION ON REVENUE AND INCOME IN 2008

Title	Description	Year of Origin	Revenue and Income recognized	Revenue and Income cashed	Oustanding Balance
A01000	European Community Contribution	2008	4.326.800,00	4.326.800,00	0,00
A02000	Particip.of EFTA Countr.in Exec. Agency Activities	2008	93.500,00	93.500,00	0,00
TOTAL PHEA			4.420.300,00	4.420.300,00	0,00

TABLE 4b: FORECASTS OF REVENUE FOR DG PHEA%
--

Year of Origin

TABLE 9 : BALANCE SHEET

BALANCE SHEET		
PHEA Dummy PC	2008	2007
NON CURRENT ASSETS	97.844,00	123.711,42
Intangible Assets	35.349,00	39.876,42
Property, plant and equipment	62.495,00	83.835,00
CURRENT ASSETS	1.993.732,71	3.235.780,73
Short-term Receivables	35.673,04	319,73
Cash and Cash Equivalents	1.958.059,67	3.235.461,00
ASSETS	2.091.576,71	3.359.492,15
CURRENT LIABILITIES	-1.748.925,77	-2.008.107,23
Short-term provisions	0,00	-29.123,21
Accounts Payable	-1.748.925,77	-1.978.984,02
LIABILITIES	-1.748.925,77	-2.008.107,23
CAPITAL	-342.650,93	-1.351.384,92
Accumulated results from previous years	-1.351.384,92	
Economic Result of the year	1.008.733,99	-1.351.384,92
CAPITAL (NET ASSETS-LIABILITIES)	-342.650,93	-1.351.384,92

TABLE 10 : ECONOMIC OUTTURN ACCOUNT

ECONOMIC OUTTURN ACCOUNT		
PHEA Dummy PC	2008	2007
FROM OPERATING ACTIVT	1.008.557,15	-1.351.423,60
OPERATING REVENUES	-3.389.029,41	-4.607.096,34
Other operating revenue	-3.389.029,41	-4.607.096,34
OPERATING EXPENSES	4.397.586,56	3.255.672,74
Administrative Expenses	4.397.586,56	3.255.672,74
SURPLUS/DEF. NON OPERATING ACTIVIT	176,84	38,68
FINANCIAL OPERATIONS	176,84	38,68
Financial expenses	176,84	38,68
ECONOMIC OUTTURN ACCOUNT	1.008.733,99	-1.351.384,92

TABLE 11 : OFF-BALANCE SHEET DISCLOSURES

OFF-BALANCE SHEET DISCLOSURES		
OFF-BALANCE SHEET DISCLOSURES	2008	2007

--	--	--

It should be noted that the balance sheet, economic outturn account and off-balance sheet of Directorate General , presented in Annex 4 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in table 9 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.

Annex 5: Internal Control Template for Budget Implementation

1. Characteristics of the Agency's policy environment:

Summary :

The Executive Agency for Health and Consumers is entrusted with a number of implementing tasks concerning Community aid under the subsequent Public Health Programmes²⁴, 6 years Community programmes designed to protect and improve human health.

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

Key inherent risks in this environment :

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

PHP projects are carried out by consortia of multiple public and academic organisations, NGO's and private entities²⁵, located in different countries within Europe (even outside the EU), and involve relative important sums of co-financing contributions.

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

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

Regarding operational risks, it is to be noted that controls are essentially based on declarations from the beneficiaries via technical reports.

²⁴ Decision N° 1786/2002/EC of 23.09.2002 adopting a programme of Community action in the field of public health (2003-2008) and Decision N° 1350/2007/EC of 23.10.2007 establishing a second programme of Community action in the field of health (2008-2013)

²⁵ although exceptionally a project might be carried out by a single contractor

Management mode:

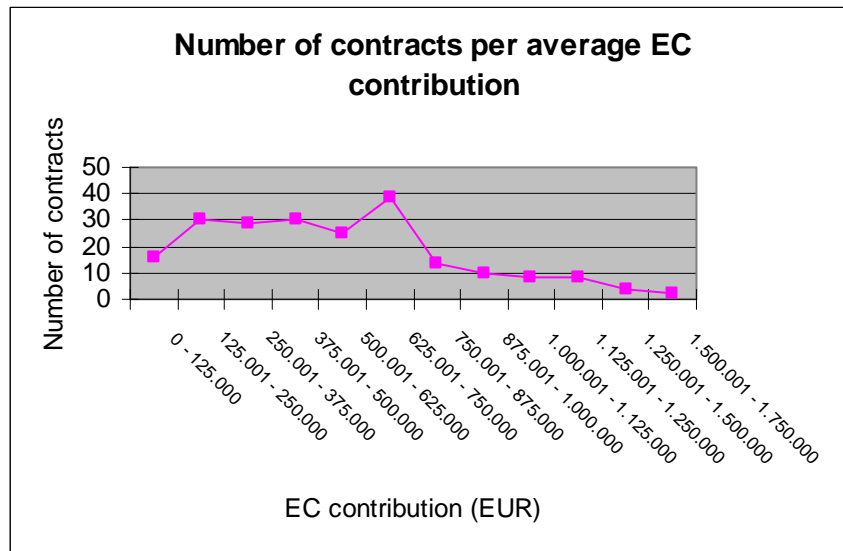
Indirect Centralised Management. EC grants are awarded indirectly with intermediary of the Agency. The co-ordinating main beneficiary manages the distribution of funds between the consortium members. Actual eligible costs are reimbursed, covering up to maximum 60% of these eligible costs, requiring co-financing and non-profit.

Grant period:

Disbursed over a project lifetime of 1 up to 3 years for a 6 year programme.

Average value/ range:

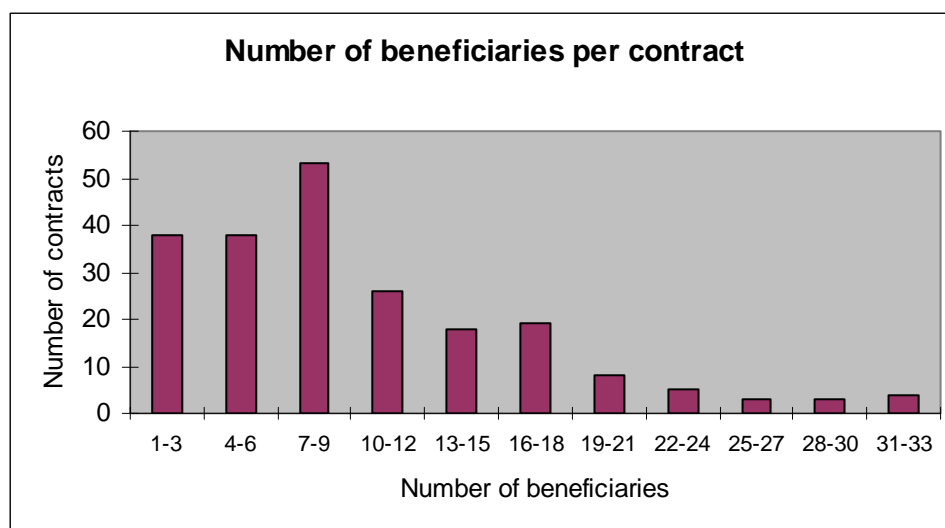
At 31.12.2008, 215 PHP Call 2005 (30), 2006 (87) 2007 (68) and 2008 (30) grant agreements were concluded representing a total EC funding of 119.021.390,65 € (European Community's co-financed contribution). 89,76% of these grants are under 1 million €.



The average EC contribution per contract is 553.587,86 € (with a range of contracts' EC funding spread of 30.000 € - 1.637.420 €).

Number of coordinators / beneficiaries:

At 31.12.2008, the 215 ongoing grant agreements included 2.065 beneficiaries with an average EC funding of 57.637,48 € per beneficiary.



26 contracts concerned mono-contractor agreements, totalling 4.400.433,72 € EU contribution or an average EU funding of 169.247,45 € per mono-contractor project.

189 projects were carried out by a consortium of contractors - lead by a project financial and administrative co-ordinator – involving on average 11 contractors - totalling 114.620.956,93 € EU funding or an average of 606.460,09 € per consortium project.

The 46 largest grants (21,14 percent of all grants) account for 40 percent of the total EC funding for the 215 projects, what is comparable to the distribution of funding noted in 2007²⁶.

Grant basis:

Actual eligible costs, limited to a maximum of 60% of costs²⁷.

Volume of transactions per year:

Over 2008, in view of a total portfolio of 215 PHP projects – either ongoing or in the process of negotiation -, 146 payment transactions (22,5 million €) and 96 commitments (*Call 2007 (66 projects) and Call 2008 (30 projects)*) were made.

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

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

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

Characteristics of the selection process of beneficiaries
Proposals are selected according to their contribution to the work programme and other criteria imposed by the legal

²⁶ In 2007, the 26 largest grants accounted for 40 percent of the total EC funding what may be summarized as 21,39 percent of the total number of projects received 40 percent of the total EC funding.

²⁷ As from the PHP Call 2008, the actual eligible costs are limited to 60% of costs per project instead of per consortium contractor.

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

	<p>during the implementation of the project.</p> <p><u>Contract preparation phase:</u> Review and checks of technical action plan and budget in view of consistency and plausibility. Legal & Financial Viability checks, safeguarding measures (financial guarantees, inclusion of specific contractual provisions (e.g. joint financial liability of beneficiaries, recovery clauses, termination) to increase the possibility that the Agency will succeed in recovering sums that might be unduly paid. Also, the contractor's financial viability is verified to ensure that they will not be over-dependent on the Community support (to decrease the risk to over claim) or that project completion would be jeopardised (e.g. due to bankruptcy).</p> <p><u>Project management:</u> Project officers – assisted by financial officers - check operational and financial deliverables including the project final technical implementation report. Guidelines are available for beneficiaries and staff. During lifetime of project only pre-financing made implying entirety of funds paid remain propriety of the European Community. Offsetting pre-financing amounts against final cost claim.</p> <p>100% of final cost claim is subject to ex ante financial (desk) checks with substantive sampled supporting documentation of individual cost items to ensure costs have been claimed in the correct categories, in respect of the contractual provisions and budgets have not been exceeded.</p> <p>When audit certificates are required, beneficiaries have to make their cost claims certified by an independent auditor. The auditor checks whether the claims made are actual, correctly recorded in the accounts and in the eligible period.</p> <p>Assisted by financial officers, controls on operational, financial and legal matters are carried out by and under the responsibility of the project officers, stating the "Certified correct". The "Passed for payment" is delivered by the project officer's Head of Unit.</p>
<p>Corrective controls and audits: Either on the system or on individual projects. At the end of the project (before or after the final payment)</p>	<p>Controls at the end of the project</p> <p><i>Premise: description of the ex post control strategy</i></p> <p>In view of the current relative small population of finalised projects in the Agency's portfolio, the on-site financial audits are performed by the Agency's ex-post control audit cell. As from 2009, the Agency envisages to partly out-source its ex-post financial audits to a contracted audit firm to be monitored by the EAHC ex-post control audit cell.</p> <p>Projects and beneficiaries to be audited are partly selected at random, partly on the basis of identified risk profiles, as high value beneficiaries or on the basis of specific requests from the operational officers. Before an audit is carried out, the ex-post audit cell of the parent DG is consulted and</p>

	<p>invited to participate.</p> <p>Carried out either during the contract period or after the final payment, on-the-spot checks and audits of the contractor's accounting records and supporting documentation enable the Agency to apply corrections, avoiding recovery procedures when the audit is performed before the last payment.</p> <p>Following the closure of the audit, the audit cell follows-up with the Agency's project officer the implementation of the audit results, including the implementation to non audited projects in the case of identified systematic errors, eventually involving more EAHC project officers.</p> <p>It is to be noted that – as part of its audit strategy - the Agency reminds its contractors on a regular basis that their accounts may be audited hence creating a considerable dissuasive effect on beneficiaries, being subject to contractual provisions as recovery clauses, penalty and/or termination of the contract.</p>
--	--

3. Key indicators supporting reasonable assurance

<p>Input: Resources devoted to ensure legality and regularity of underlying transactions</p>	<p>Number of EAHC internal staff dealing with:</p> <ul style="list-style-type: none"> ✓ ex-ante verification: 1 ✓ ex-post control: 2 (part-time) ✓ internal audit: 1 (part-time) <p>Financial resources used to fund ex-post audit activities: 0 €²⁸</p> <p>Number of financial transactions: 281 (96 new commitments, 39 amendments and 146 payments)</p> <p>Amount of financial transactions²⁹: 57,97 million (47,88 million € commitments + 22,47 million € payments)</p>
<p>Output: Controls during project implementation</p>	<p>Percentage of financial transactions being subject to a non favourable opinion³⁰ during ex-ante financial verification: 3,87 %</p> <p>Number of registered exceptions procedures in 2008: 0</p> <p>Number of instances of overriding controls in 2008: 0</p>
<p>Output: Controls carried out during the ex-post phase of projects</p>	<p>During 2008, 9 projects (out of 215) were ended. Also, 10 final payments were due and carried-out of which 5 concerned projects ended in 2007. The Agency considered appropriate</p>

²⁸ 93% of payment transactions carried-out during 2008 concerned advance and further pre-financing payments of PHP grant agreements.

²⁹ The term financial transaction for the purpose of the legality and regularity indicators cover commitments, payments and recovery orders.

³⁰ The term non-favourable opinion for the purpose of the legality and regularity indicators cover also cases where observations are made.

	to perform 4 external ex-post audits.
4. Internal and external supervisory and audit controls	
Verification that processes are working as designed	<p>Thanks to a formal risk assessment addressing the strengths, concerns and opportunities associated with the Agency's mission, objectives and tools, EAHC implemented its risk control system in line with the Commission guidelines.</p> <p>In addition, (line)management carries-out supervision using:</p> <ul style="list-style-type: none"> ✓ management's information gathered through day-to-day work and experience; ✓ the ex-ante and ex-post controls, including 6-monthly assessment reports of the Agency's ex-ante financial verifying officer; ✓ the results of annual Internal Control Standards (ICS) reviews ('almost full compliance with baseline requirements') and the discussion of the conclusions at management level; ✓ the audits and consultancy work performed by the Agency's IAC supplemented by audits performed by the Commission Internal Audit Service (IAS) and the European Court of Auditors..
Monitoring of performance of 3rd party auditors, externally contracted auditors	As from 2009, the Agency envisages to partly out-source its ex-post financial audits to a contracted audit firm to be monitored by the EAHC ex-post control audit cell, eventually via joint audits involving auditors of the internal EAHC team of auditors.
IAC, IAS, ECA, EP Feedback on adequacy of the system	<p>In 2006, the Agency's parent DG (SANCO) IAC performed a three phase audit task gradually auditing the Agency's internal control systems and procedures, accounting systems and tools, in particular regarding grant management. A consolidated audit report was produced covering:</p> <ol style="list-style-type: none"> 1. An assessment of the evaluation procedure for Call for proposals. 2. A first review of the Executive Agency's internal control environment, workflows and procedures. 3. A closing review of the Agency's internal control procedures, including the Agency's accounting systems. <p>The conclusion of the auditors was that: <i>"the Public Health Executive Agency has set up the necessary control procedures and manuals to enable a satisfactory level of control and safeguarding of assets in its future financial activities and that the Agency could be authorised to manage operational and administrative credits."</i> The audit recommendations within the direct responsibility of the Agency have been implemented.</p> <p>In November 2007, the Internal Audit Service of the Commission (IAS) made an audit to assess the adequacy and effective application of the internal control system (ICS) in the Agency. In particular, the audit assessed whether the ICS provided for reasonable assurance regarding the Agency's accounting</p>

	<p>procedures related to its administrative budget, including the accounting organisation and the accounting for fixed assets, salaries, purchases and the year-end closing procedures. Also the compliance with the rules for "data protection" was assessed. The auditors concluded that: <i>"based on the audit results, the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the Agency"</i>. The formulated audit recommendations within the direct responsibility of the Agency have been implemented.</p> <p>During the first semester of 2008, the European Court of Auditors audited the annual accounts of the Agency for the financial year 2007. The auditors made the following observations:</p> <p><i>"The Agency's final budget for 2007 amounted to 4,1 million euro. Almost all of the budget was committed: carry-overs amounted to 1,5 million euro. A significant proportion of the carry-overs for administrative expenditure was either not justified by legal obligations or concerned goods and services which, to a large extent, will be delivered in 2008. This situation was at odds with the principle of annuality."</i></p> <p>The Agency took note of the Court's observations and de-committed the undue carry-overs. An improved monitoring of open commitments in 2008 laid to a significant reduction with 43% of 2008 carry-overs; an amount of 863.936,91 € was carried over to 2009.</p> <p>The Agency did not receive more audit results of external audit services.</p>
<p>High level management reporting and its role in identifying problem issues</p>	<p>The Agency reports on a bi-monthly basis to its parent DG and Steering Committee, composed of five Commission representatives (DG SANCO (3), DG ADMIN, DG TREN).</p> <p>The Agency's Steering Committee meets four times a year. It supervises the Agency's activities, provides guidance to the Agency management and adopts decisions in compliance with the relevant Commission Decisions and guidelines on Executive Agencies.</p> <p>The Agency management receives feedback on the effectiveness of the operational processes through several information channels:</p> <ul style="list-style-type: none"> ✓ Follow-up and monitoring arrangements, including bi-weekly management meetings, follow-up of the implementation of the Agency's Annual Work Programme; ✓ Regular meetings of management and departments, involving the Director and the heads of departments to monitor progress towards the achievements of the Annual Work Programme; ✓ Minutes of meetings are established and available to staff (via the intranet); ✓ Daily financial scoreboards on the status and progress achieved of transactions and budget execution;

	✓ Reporting of the progress made during the year via the Annual Activity Report
--	---

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

Not applicable.