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COVER NOTE

From:	Mr Vítor CALDEIRA, President of the European Court of Auditors
date of receipt:	5 November 2013
To:	Mr Linas LINKEVICIUS, President of the Council of the European Union
Subject:	Report on the annual accounts of the Executive Agency for Health and Consumers for the financial year 2012 together with the Agency's replies

Delegations will find attached the European Court of Auditors' report on the annual accounts of the Executive Agency for Health and Consumers for the financial year 2012.

This report is accompanied by the Agency's replies and will shortly be published in the *Official Journal of the European Union*.

Encl.: Report on the annual accounts of the Executive Agency for Health and Consumers for the financial year 2012 together with the Agency's replies.¹

¹ In English only. The other languages of this report are available on the European Court of Auditors' website: <http://eca.europa.eu/>.

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EVROPSKÝ ÚČETNÍ DVŮR
DEN EUROPÆISKE REVISIONSRET
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ΕΥΡΩΠΑΪΚΟ ΕΛΕΓΚΤΙΚΟ ΣΥΝΕΔΡΙΟ
EUROPEAN COURT OF AUDITORS
COUR DES COMPTES EUROPÉENNE
CÚIRT INIÚCHÓIRÍ NA HEORPA



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Report on the annual accounts
of the Executive Agency for Health and Consumers
for the financial year 2012

together with the Agency's replies

INTRODUCTION

1. The Executive Agency for Health and Consumers (hereinafter “the Agency”, aka “EAHC”), located in Luxembourg, was set up by Commission Decision 2004/858/EC¹ and amended by Decision 2008/544/EC². The Agency was established for a period beginning 1 January 2005 and ending 31 December 2015 for the management of Union actions in the field of health and consumer policy³.

INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE

2. The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Agency’s supervisory and control systems. This is supplemented by evidence provided by the work of other auditors (where relevant) and an analysis of management representations.

STATEMENT OF ASSURANCE

3. Pursuant to the provisions of Article 287 of the Treaty on the Functioning of the European Union (TFEU), the Court has audited:

¹ OJ L 369, 15.12.2004, p. 73.

² OJ L 173, 3.7.2008, p. 27.

³ **Annex II** summarises the Agency’s competences and activities. It is presented for information purposes.

(a) the annual accounts of the Agency, which comprise the financial statements⁴ and the reports on the implementation of the budget⁵ for the financial year ended 31 December 2012, and

(b) the legality and regularity of the transactions underlying those accounts.

The management's responsibility

4. In accordance with Articles 33 and 43 of Commission Regulation (EC, Euratom) No 2343/2002⁶, the management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions:

(a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer⁷; making accounting estimates that are reasonable in the circumstances. The Director approves the

⁴ These include the balance sheet and the economic outturn account, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes.

⁵ These comprise the budgetary outturn account and the annex to the budgetary outturn account.

⁶ OJ L 357, 31.12.2002, p. 72.

⁷ The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, *inter alia*, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.

- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

The auditor's responsibility

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council⁸ with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

6. The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts and the legality and regularity of the

⁸ Article 185(2) of Council Regulation (EC, Euratom) No 1605/2002 (OJ L 248, 16.9.2002, p. 1).

underlying transactions. The procedures selected depend on the auditor's judgement, which is based on an assessment of the risks of material misstatement of the accounts and material non-compliance by the underlying transactions with the requirements in the legal framework of the European Union, whether due to fraud or error. In assessing these risks, the auditor considers any internal controls relevant to the preparation and fair presentation of the accounts, as well as the supervisory and control systems that are implemented to ensure the legality and regularity of underlying transactions, and designs audit procedures that are appropriate in the circumstances. The audit also entails evaluating the appropriateness of accounting policies, the reasonableness of accounting estimates and the overall presentation of the accounts.

7. The Court considers that the audit evidence obtained is sufficient and appropriate to provide a basis for its statement of assurance.

Opinion on the reliability of the accounts

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2012 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

Opinion on the legality and regularity of the transactions underlying the accounts

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2012 are legal and regular in all material respects.

10. The comments which follow do not call the Court's opinions into question.

COMMENTS ON BUDGETARY MANAGEMENT

11. Of the 1,1 million euro carried over from 2011, 0,2 million euro (18 %) were cancelled in 2012. Although this is partly related to difficulties in forecasting costs for meetings with external participants, such a high level indicates deficits in terms of budget planning.

12. The 2012 payment rates against committed appropriations are satisfactory for title I and II at 96 % and 84 % respectively. Carry-overs for title III, however, are high at 1,1 million euro or 47 % of committed title III appropriations. Although this is partly related to the late presentation of mission cost claims by external meeting participants, such a high level is at odds with the budgetary principle of annuality.

FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS

13. An overview of the corrective actions taken in response to the Court's previous year's comments is provided in **Annex I**.

This Report was adopted by Chamber IV, headed by Dr Louis GALEA, Member of the Court of Auditors, in Luxembourg at its meeting of 10 September 2013.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

ANNEX I***Follow-up of previous year's comments***

Year	Court's comment	Status of corrective action (Completed / Ongoing / Outstanding / N/A)
2011	For title III – Expenditure related to operational expenditure, an amount of 0,8 million euro, or 46 % of commitments made, was carried forward to 2012. The high level of carry-over is at odds with the budgetary principle of annuality.	Outstanding

Executive Agency for Health and Consumers (Luxembourg)**Competences and activities**

Areas of Union competence deriving from the Treaty <i>(Article 168 and 169 of the Treaty on the Functioning of the European Union)</i>	<p>A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities. Union action, which shall complement national policies, shall be directed towards improving public health, preventing human illness and diseases, and obviating sources of danger to human health. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education. The Union shall complement the Member States' action in reducing drugs-related health damage, including information and prevention.</p> <p>In order to promote the interests of consumers and to ensure a high level of consumer protection, the Union shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests.</p>
Competences of the Agency	<p>Objectives</p> <ul style="list-style-type: none"> – The Agency is responsible for carrying out the implementation tasks for the management of the second Public Health Programme 2008-2013 as adopted by Decision No 1350/2007/EC, the Consumer Programme for 2007-2013 as adopted by Decision No 1926/2006/EC and the food safety training measures covered by Regulation (EC) No 882/2004 and Directive 2000/29/EC. – The Agency also manages all the phases in the lifetime of the implementing measures delegated to it in the framework of the programme of Union action in the field of public health 2003-2008, adopted by Decision No 1786/2002/EC of the European Parliament and of the Council. <p>Tasks</p> <p>Under the Union programmes mentioned below, the Agency is responsible for implementing the following tasks as defined in the delegation act adopted on 9 September 2008¹:</p> <p>Public Health Programme 2003-2008 - Decision No 1786/2002/EC</p> <p>Public Health Programme 2008-2013 - Decision No 1350/2007/EC</p> <p>Consumers Programme 2007-2013 - Decision No 1926/2006/EC</p> <p>Food Safety Training Measures - Regulation (EC) No 882/2004 and Directive 2000/29/EC:</p> <ul style="list-style-type: none"> (a) Managing all the phases of the cycle of projects (for monitoring and dissemination purposes, the Agency shall take the necessary steps to create a database of projects or to continue an existing one, incorporating a project description and the final results). (b) Monitoring projects implemented under these programmes and measures including the necessary checks. (c) Collecting, processing and distributing data and in particular compiling, analysing and transmitting to the Commission all information required to guide implementation of the Union programmes and measures, promote coordination and synergy with other programmes of the Communities, the Member States or international organisations. (d) Organising meetings, seminars, talks, and training measures. (e) Helping to evaluate the programme's impact, in particular the annual and/or mid-term evaluation of implementation of the programmes, and implementing the follow-up actions on evaluations decided by the Commission. (f) Disseminating the results of the information operations planned and implemented by the Commission. (g) Producing overall control and supervision data. (h) Participating in preparatory work on financing decisions.

Governance	<p>Steering Committee</p> <p>Comprises five members appointed by the European Commission. The members of the Steering Committee are appointed for two years.</p> <p>It adopts the Agency's annual work programme after approval by the European Commission. In addition, it adopts the administrative budget of the Agency and its annual activity report.</p> <p>Director</p> <p>Appointed by the European Commission for four years.</p> <p>External audit</p> <p>European Court of Auditors.</p> <p>Discharge authority</p> <p>European Parliament following a recommendation from the Council.</p>
Resources made available to the Agency in 2012 (2011)	<p>Final Budget</p> <p>The Agency's administrative budget for 2012 amounted to 7,22 (7,04) million euro.</p> <p>Staff at 31 December 2012</p> <p>On 31 December 2012, the Agency employed 50 (49) statutory staff members, including 11 (11) temporary staff and 39 (38) contract staff.</p>
Products and services 2012	<ol style="list-style-type: none"> Monitoring the 2005, 2006, 2007, 2008 and 2009 grants provided under the 2003-2008 Public Health Programme (PHP); successfully finalising negotiations for grants under the 2009 calls for proposals, including projects, for conferences, operating grants, joint actions; managed the 2011 call for proposals; and the grants and contracts awarded under the 2008 calls for proposals and for tenders under the 2007-2013 Consumer Programme (CP); projects awarded under the 2007, 2008 and 2009 calls for tenders under Food Safety Training Measures. PHP work programme <ul style="list-style-type: none"> The 2012 call for proposals was launched on 8 December 2011 and closed on 9 March 2012. It was published in the EU Official Journal² and on the EAHC³ and Europa websites. Project proposals: 16 out of 84 evaluated project proposals (19,5 %) were recommended for a total of 13 312 116 euro of EU co-funding. Conference proposals: 7 out of 41 conference proposals (17 %) were recommended for funding amounting to 599 097 euro. Operating grant proposals: 19 out of 40 operating grant proposals (47,5 %) were recommended for total EU co-funding of 4 330 590 euro. Joint actions: All five joint action proposals submitted were recommended for EU co-funding of 8 941 660 euro. Reserve lists comprise five projects, two conference proposals and two operating grant proposals. They may be eligible for total EU co-funding of 4 540 962 euro, 90 000 euro and 273 754 euro respectively. Three calls for tender, including one for a framework contract on health security, one negotiated procedure and 10 requests for services were published in 2012. As most contracts were concluded in the second half of 2012, work on them began towards the end of the year. EAHC hosted a kick-off meeting for each contract and closely monitored execution, in coordination with DG SANCO. CP work programme <ul style="list-style-type: none"> In 2012, within the framework of the Consumer Programme, the Agency launched seven calls for proposals. The Agency co-funded 64 grants, which gave the opportunity to enforcement officials from several Member States to share experiences and knowledge about the implementation of Directive 2001/95/EC on general product safety and of Regulation (EC) No 2006/2004 on consumer protection cooperation. Within the framework of the GPSD Call, EAHC co-funded a project for the exchange and implementation of best practices between the Member States, thereby improving cross-border cooperation and increasing consumer product safety. Its main goal is to increase consumer product safety within the following group of products: childcare articles, nanotechnology and cosmetics, cords and drawstrings, ladders and CO and smoke detectors.

	<ul style="list-style-type: none"> – With regard to CPC joint actions, EAHC co-funded two projects. The first one will carry out activities in order to develop a shared understanding of online trading laws. The second CPC joint action will develop activities that will focus on the “unfair terms in consumer contracts”. – In 2012 the Agency signed specific grants with the Bureau Européen des Unions de Consommateurs (BEUC) and the European Association for the Coordination of Consumer Representation in Standardisation (ANEC). – The co-financing of BEUC will contribute to further promoting the interests of European consumers in the EU policy process as purchasers or users of goods and services. – The financial support given to ANEC ensures the representation and defence of consumer interests in the process of standardisation and certification. – Practical consumer problems such as product or service quality, late delivery of a product from abroad or unfair terms in a contract are among the issues handled daily by the ECC in 29 countries. In 2012, the ECC-Net handled over 72 000 contacts with consumers who experienced a cross-border problem. In total, the ECC-net has helped consumers in about 416 000 cases since its creation in 2005. EAHC launched in 2012 a Call for Proposals concerning the financial contribution to the ECCs for their activities during 2013 and concluded 29 grant agreements. – Within the framework of the Consumer Programme in 2012 the Agency launched two calls for tender and 11 requests for specific services. – Dolceta is an on-line education tool, developed within the context of the EU Consumer Programme. The Agency launched two requests for services in 2012, one aiming at promoting the new website and enriching its content and another aiming at maintaining and hosting the existing one and ensuring web maintenance and the hosting and moderation of the new site for the next year. – During 2012 a new interactive platform for secondary school teachers was developed to replace the existing Dolceta website. The interactive platform has been set-up following a needs' analysis of teachers in terms of content, features, branding and design. The website is expected to be launched in March 2013. – During 2012, EAHC signed three specific contracts in implementation of the consumer market studies framework contract. The first contract aims at analysing whether the vehicle fuels market is working for consumers and whether consumers are able to make informed purchasing decisions. The second will explore to what extent voluntary certification and self-declaration schemes that are present on food products are compliant with the applicable legislation. The third market study is to provide information on the current state of play of the presence of green claims in the single market for non-food products. – With the aim of developing data to help the Commission better understand, monitor and take account of the consumer interest in the internal market, the Agency signed a contract to carry out a survey market monitoring of 52 consumer markets in 27 Member States, Croatia, Norway and Iceland. The results of these surveys will be analysed and policy recommendations will be identified in order to remedy the shortcomings detected either in relation to the functioning of the single market or with regard to the ability of consumers to make informed decisions. – In 2012, EAHC monitored the implementation of the multiple framework contracts to reopen competition for the provision of behavioural economic studies to EAHC, DG SANCO and other Commission Services (DG JUST and DG CLIMA). – In specific, EAHC launched three requests for the conclusion of such studies in the following areas: Multilateral Interchange Fees for Credit Cards; online gambling and adequate measures for the protection of consumers of gambling services and online sustainability information displays on smart purchasing behaviours at the point of purchase (Eco-Search). – EAHC worked on the preparation of a new project on capacity building for consumer organisations. EAHC launched an open Call for the conclusion of a FWC for the implementation of training activities, including multilingual e-learning and web platform development; a study for the assessment of training needs of consumer organisations in Europe was contracted in August. Its final results will support the implementation of the new project. <p>4. BTSF work programme</p> <ul style="list-style-type: none"> – EAHC is now responsible for the implementation of almost all BTSF activities, with only training on Genetically Modified Organisms still managed by DG SANCO. Despite the expansion of the range of courses on offer, EAHC has managed to break the 85 % participant satisfaction barrier a year ahead of schedule. Moreover, the recent interim evaluation of BTSF shows that more than 96 % of participants view the knowledge gained from the training as
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	<p>beneficial to their daily work.</p> <ul style="list-style-type: none"> – In 2012, some 6 300 participants, mostly Member State officials, were trained over 156 workshops and training missions. The majority of programmes were EU-based. Others were for third countries, with training aimed at participants from the regions of the world where the events took place. – An important development in 2012 was the extension of EAHC's mandate⁴ to allow it to use funding sources under DG TRADE and DG DEVCO budget lines for BTSF activities other than those provided for by the BTSF legal basis⁵. This has led to the publication of a first Call for Tender for a new programme to be managed by EAHC aimed at enabling non-EU countries to participate more effectively in international standard setting bodies (ISSB).
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^{1.} Commission Decision of 9 September 2008 - delegating powers to the Agency.

^{2.} OJ C 358, 8.12.2011, http://ec.europa.eu/eahc/documents/health/calls/2012/WP_2012_en_for_projects.pdf.

^{3.} <http://ec.europa.eu/eahc/health/projects.html>.

^{4.} See COM implementing Decision C(2012) 8448.

^{5.} Regulation (EC) No 882/2004 and Directive 2000/29/EC.

Source: Information supplied by the Agency.