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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS**

Synthesis of the Commission's management achievements in 2009

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1. INTRODUCTION

In line with Article 317 of the Treaty on the Functioning of the European Union (TFEU), the European Commission takes overall responsibility for implementing the EU budget. This is an important responsibility, as the EU budget is a major tool for delivering the Union's policies, and the effectiveness of EU spending influences the EU's ability to fulfil the expectations of its citizens.

The operational implementation of the budget is delegated by the College to the Directors-General and Heads of Service, who, as "authorizing officers by delegation" (AOD), are responsible for the sound and efficient management of resources and for ensuring adequate and effective control systems in their services. Directors-General and Heads of Service report on the performance of their duties in the annual activity reports (AAR)¹, which include a signed declaration of assurance covering the legality and regularity of financial transactions. This is the main vehicle through which they document their accountability to the College. The content of these reports is discussed with the Commissioner(s) responsible before signature by the responsible Director-General or Head of Service.

By adopting this Synthesis Report, the Commission assumes its political responsibility for management by its Directors-General and Heads of Service, on the basis of the assurances and reservations made by them in their annual activity reports. It also identifies key management issues to be addressed as a matter of priority, which have been identified in the AARs (even if they have not required a reservation), and defines lines of action to address identified weaknesses.

This is the first Synthesis Report adopted during the mandate of the current Commission. The Commissioner responsible for Audit and Anti-Fraud confirmed² to the discharge authorities the new Commission's commitment to continue considering an unqualified Statement of Assurance (DAS) by the European Court of Auditors (ECA) a priority.

The previous Commission's strategic objective of obtaining an unqualified DAS mobilized energies and focused attention on fundamental issues of good governance and management, with tangible results (see section 2). The Commission is convinced that significant progress has been achieved in the management of EU funds thanks to far-reaching changes to management and control systems, working methods, and culture. However, it also acknowledges that there are still areas which require improvement, for example in shared management, where Member States execute some 75% of the budget.

¹ Article 60 of the Financial Regulation.

² COCOBU hearing on 26 March 2010.

The Commission invites the other Institutions and the Member States to engage in an in-depth reflection on how to further improve the design of funding schemes, as well as their delivery, management and control mechanisms, in order to both enhance their effectiveness on the ground and ensure that the control of EU expenditure is efficient, proportional and cost-effective.

In this context, the Budget Review and the triennial review of the Financial Regulation³, including further development of the work begun in 2008⁴ on the concept of tolerable risk, will be crucial in setting the appropriate conditions for a more effective and efficient management of EU funds in the period after 2013.

2. STRENGTHENING THE FOUNDATION OF ASSURANCE

2.1. Enhancing control mechanisms to ensure legality and regularity of transactions Commission-wide

The Commission's efforts to enhance control mechanisms, both those operated by Commission services and those executed by the Member States, in order to ensure legality and regularity with a view to obtaining an unqualified DAS, continued in 2009 with positive results.

The **DAS for the year 2008 was the best to date**: the ECA gave an unqualified opinion on the underlying transactions for **47% of the budget**, compared with **6% for 2003**; for the first time, there is a "green light" for underlying transactions for the whole of agriculture and natural resources, as well as for the chapter education and citizenship. For the second successive year, the Court also gave a positive opinion on the consolidated accounts. Moreover, it acknowledged the qualitative improvements of the AARs (see 2.2 below) and the almost full implementation of the Internal Control Standards Commission-wide.

The year 2009 also saw the achievement of important milestones in efforts to improve the management of EU funds, such as the conclusion of the final report on the **Action Plan to strengthen the Commission's supervisory role in shared management of structural actions**⁵, which has led to positive developments in this major expenditure area, including a significant increase in financial corrections (see section 3.2 on Chapter 6).

In 2009, the Commission also adopted the **Impact Report on the Commission Action Plan towards an Integrated Internal Control Framework**⁶, which concluded that significant progress had been made in strengthening internal control systems during the mandate period of the previous Commission, and that although some of the improvements could be attributed to measures introduced before 2005, there was clear evidence that progress had been significantly accelerated by the launch of the Action Plan in 2006.

Essential to building reasonable assurance is the **role of the internal audit function**. In 2009, the Commission's Internal Audit Service (IAS) concluded its Strategic Audit Plan for the

³ COM(2010) 260, 28.5.2010.

⁴ "Towards a common understanding of the concept of tolerable risk of error" - COM(2008) 866, 16.12.2008.

⁵ COM(2008) 97, 18.2.2008; see also final report SEC(2009) 1463, 28.10.2009.

⁶ COM(2009) 43, 4.2.2009.

period 2007-2009, having completed 87% of its 2009 work programme with 67 reports, of which 32 were follow-up reports and one a consultancy report. The acceptance rate of audit recommendations by auditees was 98.8%. IAS audits in 2009 covered *inter alia* business continuity, risk management, procurement and grant management, external policies and DGs' supervisory policies for shared management. Following these audit engagements 260 recommendations were issued, including 2 critical and 113 very important ones.

Two of the IAS engagements in 2009 should be highlighted: first, the IAS follow-up audit on the **AAR Assurance Process**, which concluded in December 2009 that all recommendations made in the original audit (2007) had been implemented; second, the **IAS audit of the implementation of the Commission's risk management framework**, conducted in 2009, which concluded that the Commission's risk management framework is consistent with international standards and that it provides a solid basis to support risk management. The IAS identified some areas for improvement, mainly to do with the roles and responsibilities for risk management within DGs, a need for further guidelines and clarification on certain issues and the treatment of cross-cutting risks. These issues are being addressed by the central services in the course of 2010.

Progress has been achieved also on the speedy and effective implementation of all outstanding accepted audit recommendations considered "critical" or "very important", as called for in the 2008 Synthesis Report. In 2009, the Audit Progress Committee (APC) recorded that no critical recommendations remained open six months after their due date. Nevertheless, the APC noted that follow-up of very important recommendations continued to be a challenge (68 remaining open six months after their due date).

The Commission will continue to closely monitor the implementation of "critical" and "very important" internal audit recommendations. It has called on all Directors-General and Heads of Service to ensure that this issue is given the necessary attention by management.

2.2. Improving the clarity and coherence of Annual Activity Reports (AAR)

AARs constitute a major source of evidence for the European Court of Auditors (ECA) in the approach to the discharge (DAS). The quality of these reports has improved in recent years. In 2009, in its Annual Report for 2008, the ECA gave all Commission DGs and Services' AARs grades of only "A" and "B", and even granted Chapter 5 (Agriculture and Natural Resources) an unprecedented "B+" grade⁷.

Following an instruction of the College in the Synthesis Report 2008, in 2009 the Secretariat-General and the Directorate-General for Budget carried out a survey across the Commission, to identify the success factors which influence the quality of AARs. As a response to the issues identified, a number of measures were implemented:

- The Standing Instructions for the AARs were subject to a major overhaul, including the introduction of a clear distinction between Part 2 (information on the financial and non-financial internal control systems) and Part 3 (the building blocks supporting the declaration of assurance).

⁷ An "A" rating means that the AAR provides sufficient evidence (clear and unambiguous) for the Court's conclusions; "B" means that the AAR provides supporting evidence for the Court's conclusions. The "+" sign means that there is not evidence to justify a change in the evaluation rating, but nevertheless a significant improvement has been observed by the Court. OJ C 269 of 10 November 2009, page 44.

- A new, specific conclusion on the overall functioning of the Internal Control Standards is now required in part 2 of the AAR.
- A dedicated helpdesk was set up by the Secretariat-General and the Directorate-General for Budget to handle questions from Commission services.
- An interactive presentation of the Standing Instructions was made available on the intranet, facilitating navigation and enabling services to find the answers to specific questions more easily.
- Training courses on how to produce an effective AAR were offered to staff drafting the reports, with a view to consolidating the key messages in the Standing Instructions (with some 70 staff attending).
- The Standing Instructions were issued earlier than in the past (05 November 2009).
- The Peer Review of AARs was further enhanced by early interventions by Central Services (pre-peer reviews) and systematic feedback to services on the quality of their draft AARs.

The 2009 AARs show a noticeable improvement across the Commission, both in terms of the quality of the evidence presented in support of the assurance and the readability of the reports. Central services continued to intervene early in the process of drafting the AARs, discussing key issues with DGs and Services and providing guidance as needed to improve the quality of the final texts.

The Commission will continue working towards improving the AARs as the main vehicle through which the AODs document their accountability to the College and as a source of evidence for the DAS. It has instructed SG and DG BUDG to continue giving guidance to DGs and Services, through a regular review of the Standing Instructions, guidance notes, training measures, peer-review meetings or any other means deemed useful. It has called on all Directors-General and Heads of Service to give their active support to all measures promoted by central services to enhance the quality of AARs.

3. ASSURANCE GATHERED THROUGH THE ANNUAL ACTIVITY REPORTS AND RESERVATIONS MADE BY THE DIRECTORS-GENERAL

Having examined the Annual Activity Reports, in particular the declarations signed by each Director-General, the Commission notes that **they all indicated reasonable assurance** as to the use of resources for their intended purpose, respect of the principles of sound financial management and on the fact that the implemented control procedures give the necessary guarantees concerning the legality and regularity of the underlying transactions. Some Directors-General disclosed residual weaknesses and made reservations in their AAR, **without calling into question the overall level of assurance given.**

Thirteen Directors-General issued a total of **twenty reservations** in their 2009 AAR. These included nine reservations already made in 2008 and on which action was still ongoing at the end of 2009, together with eleven new reservations. This number represents five more than in the same period last year (fifteen in 2008). There are several reasons for this: mainly the fact that in 2008, few or no payments were made under the 2007-2013 programmes, which reached maturity in 2009; to the **persistence of complex eligibility rules for grant**

beneficiaries (an issue which affects funds under direct centralized management: there were nine reservations concerning grant schemes in 2009 compared with four in 2008); and to problems in the application of **public-procurement rules**, a frequently encountered cause of errors in shared management.

An increase in the number of reservations must be seen as a sign that sound financial management is taken very seriously by AODs across the Commission, and that there is an awareness of the real and potential impact on the Commission's reputation of any irregularities in the management of EU funds.

It is also important to point out that, in light of their assessment of control results, several DGs were able to lift reservations carried over from previous years, for example in the areas of Agriculture and Natural Resources (DG MARE), Economic and Financial Affairs (DG ECFIN), or Education and Citizenship (DG COMM). The Directors-General for Enlargement and for Regional Policy were able to lift reservations entered in 2008 relating to management of pre-accession funds in Bulgaria, while the Director-General for Agriculture and Rural Development was also able to lift the reservation concerning SAPARD in Bulgaria and Romania.

Each of the DGs and Services identified the main issues leading to their reservations and set out actions to address these. As was the case in the past, DGs and Services have adequately justified lifting a reservation, not only stating the measures taken to address the problem, but also the evidence to show that the problem has been effectively addressed on the ground. In most cases, this meant having concrete information that error rates have decreased to an acceptable level or that systems have been appropriately strengthened.

3.1. Agriculture and natural resources

In its annual 2008 report, the Court noted for the first time that, overall, the error rate for the policy group Agriculture and natural resources was slightly below the materiality threshold of 2%. Although the error rate in the area of rural development was still higher than for the European Agricultural Guarantee Fund (EAGF), it was lower than in previous years. The Court found that the Integrated Administration and Control System (IACS) was generally effective in limiting the risk of error or irregular expenditure, but improvements are still necessary in selected paying agencies in some Member States.

In the 2009 AAR, the Director-General for Agriculture and Rural Development entered **two reservations**. The first reservation concerned the **expenditure for rural development measures** under Axis 2 (improving the environment and the countryside) of the 2007-2013 programming period, in view of control statistics reported by Member States, showing an error rate of **3.4%**. This reservation was entered because the error rate found is higher than the materiality threshold presently used by the European Court of Auditors.

The second reservation concerned **serious deficiencies in IACS in Bulgaria and Romania**. The reservation was entered for reputational reasons, as the deficiencies persist since accession and there have been delays in the implementation of action plans foreseen to reach closure in 2011.

The Director-General for Maritime Affairs and Fisheries issued two reservations: one on the **eligibility of payments made to Member States to compensate additional costs in the marketing of certain fishery products from the Outermost Regions**, where it estimates that **3%** of payments may be irregular. The second reservation concerned FIFG operational

programmes; it was quantified at 46.8 million Euros or 41% of payments made in the year for FIG, which in 2009 were particularly low. Consequently, the error rate is significantly higher when expressed in terms of payments made during the year. Expressed as a percentage of the average annual payments for the period 2005-2007, the error rate detected is 9.4%.

The Director-General for Environment issued one reservation on the **eligibility of expenditure declared by beneficiaries of grants**, in view of the fact that 5,97% of payments on grants in 2009 were at risk, or **3.89%** of the total amount of payments made in 2009 for the relevant ABB activity.

The Commission is committed to ensuring the effectiveness of controls, performed essentially by the Member States, in the area of rural development. Controls in this area are however costly and beneficiaries are numerous (3.6 million in 2008). On 26 May 2010 the Commission adopted a Communication to the other Institutions⁸ proposing a tolerable risk level for rural development of between 2% and 5%. The tolerable risk level is established taking into account the cost-effectiveness of the controls and an acceptable level of residual error that is justified in the light of these costs. The Commission will continue to work together with the competent authorities in the Member States to optimise the effectiveness of the control systems.

Regarding the problems caused by complex eligibility requirements for grant beneficiaries, the Commission intends to take concrete steps to address the main obstacles. (see section 4 below, "Cross-cutting issues")

The Commission recalls the commitments undertaken by the authorities of Bulgaria and Romania with respect to the action plans drawn up to remedy the deficiencies identified in their IACS, and reiterates that it will closely and strictly monitor their implementation.

3.2. Cohesion

Cohesion policy is implemented on the basis of shared management and represents around 31% of the Union budget. It remains the area of expenditure with the highest error rate in the DAS 2008 (11%) and is the only policy area still receiving a red light from the Court⁹. This is largely due to the ineffective functioning of specific management and control systems in some Member States.

In the light of these high error rates, in 2009 the Commission took significant initiatives to improve management and control systems in the area of Cohesion. Having completed the implementation of the Action Plan, in February 2010 the Commission reported¹⁰ on the impact of these actions as well as on the implementation of additional actions by the Commission under the Joint Audit Strategy for Structural Actions ("Audit Strategy"). Key impacts included a significant increase in **financial corrections**, the value of which increased for both the 1994-1999 and 2000-2006 periods, totalling 3 801 M€ in 2008 and 2009, compared to approximately 3 567 M€ in total during the years 2000-2007.

Of the resulting grand total of 7 368 M€ of corrections between 2000 and 2009, some 70% were proposed by the Commission and accepted by Member States (meaning Member States

⁸ See the Commission Communication on Tolerable Risk of Error - COM(2010) 261, 26.5.2010.

⁹ OJ C 269, 10.11.2009, p. 26.

¹⁰ COM(2010) 52.

may reallocate the Commission contribution to additional eligible projects, so-called "withdrawals") and the remainder decided by the Commission (meaning amounts are recovered for the EU budget). The Commission has stated its intention to keep up the momentum generated by the Action Plan and pursue rigorous supervisory actions in the context of its Audit Strategy.

Services continued to develop guidance on management and control systems set up by Member States for the implementation of EU funds in the Cohesion Policy area (for example by completing the final chapter to be incorporated in the Audit Reference Manual for the 2007-2013 programming period). They revised the guidance note on Annual Summaries, received and analysed the annual summaries of available audits and declarations from the Member States, due for the third time on 15 February 2010. These showed an improvement on previous years, although four Member States' summaries did not comply directly with the minimum requirements (they were invited to send additional information). Furthermore, nine Member States provided a (voluntary) overall assurance statement.

The year 2009 was also the first in which there was significant execution for the 2007-13 programming period. The 2007-2013 legislation in the Structural Funds requires Member State authorities to provide **annual control reports and audit opinions**. There is a first indication from the results of a **special audit inquiry** launched by the Directorates-General for Regional Policy and for Employment and Social Affairs that the enhanced control provisions in the 2007-2013 regulatory framework and the preventive measures taken by the Commission in the key area of cohesion policy have started to have a positive effect on error rates.

During this special audit inquiry the Commission examined a statistical sample, selected along the same lines as that of the Court, of payments made until May 2009 in the fifteen Member States that had declared expenditure up to then. It resulted in eighteen audit missions covering one hundred and sixty-four projects co-financed under seventeen operational programmes in ten Member States; it concluded that the error rate for the expenditure declared in the audited period by the fifteen Member States is around **5%**. The quantifiable errors concerned non-compliance with public procurement and eligibility rules. The auditors also detected a number of non-quantifiable errors. The frequency of transactions tested which were affected by quantifiable errors with a possible financial impact was 20% of total transactions.

There were four reservations entered by AODs in this area: two on the 2000-2006 programming period (DG REGIO and DG EMPL for ERDF and ESF, respectively), and for the first time two reservations for the 2007-13 programming period (also on ERDF and ESF respectively). Each of the reservations clearly identified the Member States and programmes concerned and the action taken or proposed to address the weaknesses.

The Director-General for Employment and Social Affairs entered two reservations: one concerns management and control systems for identified operational programmes under ESF 2000-2006 (in Belgium, Germany, France, Italy, and Spain) and the other management and control systems for identified operational programmes under ESF 2007-2013 (in Belgium, Germany, Italy, Luxembourg, Romania and Spain). The first reservation is quantified at 0,77% of interim payments made for the 2000-2006 period; the second is quantified at 1,60% of interim payments for the 2007-2013 period. Both reservations were issued for reputational reasons, in view of serious deficiencies in key elements of the management and control systems.

The Director-General for Regional Policy issued two reservations: one on management and control systems under ERDF/Cohesion Fund in the period 2000-2006 (in Bulgaria, Italy, Germany, and UK and concerning 15 Interreg programmes), and another one on ERDF/Cohesion Fund management and control systems for the period 2007-2013 (in Germany, Spain, Bulgaria, Italy, and 15 European Territorial Cooperation programmes).

The first reservation concerned only 0.44% of the ABB activities concerned, due to the fact that payments have not been executed for some of the programmes in 2009; the second reservation was quantified at 0.69% of the ABB activity. Both were entered on reputational grounds, in view of serious deficiencies in key elements of the management and control systems.

The exposure reported by the DGs for the 2007-2013 period is based on the assessment of management and control systems in Member States, as in previous years, and their capacity to prevent, detect and correct errors. It should be borne in mind that these systems are multi-annual and that the annual error rate in the DAS is likely to be higher as it reflects errors which can be detected and corrected in subsequent years and will continue to reflect errors made under the previous programming period legislation under which inherent risk was higher.

The Commission will continue to monitor closely annual summaries and engage with the competent authorities in the Member States in order for these to be more useful for assurance purposes. It will also continue to organize the annual meetings of the "Homologues Group" as well as bilateral coordination meetings and training measures. To further reinforce Member States' accountability under article 317 of the TFEU, the Commission included in its proposal for the triennial revision of the Financial Regulation the requirement for the responsible bodies accredited in the Member States to provide annual management declarations covering all funds in shared management.

The Commission welcomes initiatives by some Member States to provide voluntary national declarations and undertakes to provide a consolidated overview before summer 2010 of the added value of the current declarations in terms of assurance.

The Commission also underlines the importance of setting appropriate benchmarks for the assessment of its management of risk which take full account of the costs of control and the complexity of regulations which is a major cause of error. It will present its proposal for tolerable risk levels in the Cohesion area by the end of 2011.

3.3. Research, energy and transport

As was the case in 2008, the 2009 AAR of each of the four Directorates-General implementing actions under the **6th Framework Programme** in research (Enterprise and Industry, Information Society and Media, Research, and Mobility and Transport¹¹) contained a reservation in relation to eligibility of costs claimed by grant beneficiaries.

Each service reported on the implementation of its part of the multi-annual audit strategy and lower cumulative residual error rates compared to 2008. While this represents progress towards the multi-annual control objective of reducing the residual error rate below the 2% threshold by the end of 2010, the results of a significant number of audits need to be

¹¹ Formerly Transport and Energy

implemented through recoveries and the whole audit program completed by the end of 2010. On the basis of current results there is, however, the likelihood that the 2% target will not be achieved despite significant increases in the numbers of audits carried out compared to plan.

The Director-General for Enterprise and Industry also issued a reservation relating to the reliability of the financial reporting by the delegated body about the implementation of an action under joint management. Preliminary audit evidence indicated material error in the financial report from the implementing body. It is not possible to quantify the impact, since it will only be known at the end of the programme when the final Union contribution is calculated on the basis of the costs incurred for the implementation of the programme.

The Commission acknowledges the fact that complex eligibility requirements for grant beneficiaries are the major cause of the errors found in the Chapter "Research, energy and transport".

In its Communication, "Simplifying the Implementation of the Research Framework Programmes"¹², the Commission presented measures and options for simplifying EU research funding and called on the other EU institutions to contribute to the debate and give feedback on the options. Beyond the immediate, the Communication also proposes possible directions for more radical simplification, such as could subsequently be translated into concrete actions or in the form of new legislative proposals, including the triennial review of Financial Regulation.

Until such proposals are effectively implemented, the Commission needs to address the problems caused by complex eligibility rules for grant beneficiaries. On 26 May 2010 the Commission adopted a Communication to the other Institutions proposing a tolerable level of risk in this area of between 2% and 5%¹³. The tolerable risk level is established taking into account the cost-effectiveness of controls and an acceptable level of residual error that is justified in the light of these costs.

Furthermore, the Commission has set up a dedicated high-level Research Task Force to look, *inter alia*, into management and organizational issues in the research area.

Joint management presents particular challenges, in terms of management of EU funds, in this as in other Chapters of EU expenditure. The Commission has instructed the Secretariat-General and the Directorate-General for Budget to launch, together with the responsible services, a review of the most frequently encountered problems and propose possible improvements in the area of joint management.

3.4. External aid, development and enlargement

There are several important management-related events to be highlighted in this Chapter. The Director-General for Enlargement was able to lift the reservation on the management of EU funds in Bulgaria, on the basis of progress made in the implementation of the action plan by the competent authorities. Also, in February 2009 the **European Development Fund (EDF) accounts were successfully transferred** into the Commission's central (accruals) accounting system ABAC, a change which had been recommended by the Court of Auditors and the Discharge Authority. Significant improvements were introduced in the planning methodology

¹² COM(2010) 187, 29.4.2010.

¹³ COM(2010) 261.

of EuropeAid's external audits and terms of reference for verification missions were agreed with the United Nations family. Finally, with the entry into force of the Lisbon Treaty, work began towards the creation of the European External Action Service (EEAS). The new structure will have a major impact in terms of reporting for this chapter as of the AAR 2010.

In the AAR 2009, the Director-General for External Relations entered a reservation on the management of the Common Foreign and Security Policy (CFSP) and the Stability Instrument. The underlying problem relates to the difficulty in implementing appropriate ex-post controls and obtaining adequate quantified data on transactions as a result of these controls. The reservation is issued on reputational grounds, in view of serious weaknesses identified by the ECA, the IAS, and the IAC audits, and the possibility that, once quantified, they might reveal error rates exceeding the 2% materiality threshold.

The Commission's control activities for the management of enlargement/post-accession funds, which in financial terms constitute a significant part of this Chapter, have led to the successful remedying of the potential impact of the weaknesses previously found, allowing the lifting of a major reservation.

The issues identified by the Director-General for External Relations affect much smaller amounts, but need to be tackled just as effectively. On matters related to its responsibilities and within its capability, DG RELEX is preparing an overall action plan as a result of this reservation, consolidating and building on existing specific action plans being implemented as a result of audit findings. Issues to be addressed include a review of financial management capacity (including resources) in the context of growing budgets and the need to support CFSP missions in achieving compliance with the rules; organisation of ex-post controls to obtain quantified results; clarification of ex-post control methodologies; and the design of external audits and exploitation of their findings.

The Commission has instructed the Director-General for External Relations to closely monitor the development and implementation of the action plan. It envisages setting up a dedicated service within the Commission, reporting directly to the Vice-President and High Representative of the Union for Foreign Affairs and Security Policy, for ensuring financial control of instruments including the CFSP budget and the successor to the Stability Instrument.

A proposal for a tolerable level of error in the area of external relations will be presented by the Commission by the end of 2010.

3.5. Education and citizenship

In view of the successful implementation of all the actions foreseen in the action plan, the Director-General for Communication was able to lift the reservation made in 2008 on quality failings revealed by ex-post controls in direct centralized management. However, the Director-General maintained the reservation on the possible violation of copyright by Commission services, introduced in 2008, on reputational grounds.

Implementation of the corrective actions foreseen by the Action Plan is on track: all claims brought forward by collecting societies have been solved and an internal examination of the copyright situation in different areas of the Commission has been concluded. Agreements and legal notices are being updated, and copyright agreements are being signed with collecting societies and other right holders. Guidelines on copyright for Commission staff were

completed and a dedicated Helpdesk on copyright set up in DG COMM in early 2010. The Commission expects the action plan to be fully implemented by the end of 2010.

The Director-General for Education and Culture issued a reservation regarding the too high error rate in centralised direct management, in view of the significant occurrence of errors in the underlying transactions found through ex-post controls. The untargeted audits finalised in 2009 showed **an error rate of 2.3%**. The observed errors mostly concern the inability by beneficiaries to produce justifying documents or documents of sufficient quality.

The Director-General for Justice, Freedom and Security issued three reservations in the AAR 2009. The first was a carry-over from 2008, a reservation on reputational grounds concerning the delays in the completion of the SIS II project. The second one is similar and concerns the delays in the implementation of another large-scale IT system, VIS. The third reservation was made on the basis of material error rates: a **2,15% residual error rate** was found in auditable population of grants under programmes for fundamental rights and citizenship.

The Commission recognizes that the development and management of large-scale IT systems such as SIS II and VIS present particular challenges. It will pursue its efforts to enhance governance and improve cooperation with stakeholders while closely monitoring the contractor, assisted by a quality assurance contractor. It will enforce the available contractual and financial corrective measures – including financial sanctions and recovery orders - in cases where contractors fail to honour contractual obligations in a timely and effective manner.

The Commission has invited all DGs and Services concerned with developing and managing large-scale IT systems to ensure they have the necessary project management expertise in order to develop appropriate risk management and contingency plans.

The Commission is aware that complex eligibility requirements for grant beneficiaries are one of the main causes of the errors found in the Chapter "Education and Citizenship". It welcomes efforts by the concerned departments to mitigate the problem – such as increasing the number of monitoring visits and the rate of projects audited, especially for the population at risk, and speeding up the closure of older files. The Commission recalls the need to analyze the costs of control and will make proposals for tolerable risk levels in 2011. The Commission will also make proposals to simplify and improve the management of grants (see section 4 below, "Cross-cutting issues").

Finally, the Commission is satisfied with the work conducted as a response to the potential violation of copyright rules by its Services, which was the cause of the reservation issued by the Director-General for Communication in the AAR 2008. The Commission takes note of the fact that no new claims have been presented and that the action plan should be fully implemented by the end of this year, with a view to allowing the AOD to lift the reservation in the AAR 2010.

3.6. Economic and financial affairs

The Director-General for Economic and Financial Affairs was able to lift the reservation entered in 2008 regarding the weaknesses identified in the control systems of an implementing body. It concerned the possibility that new mitigating controls put in place following the results of the ex-post control report might not be effective for the new program.

The mitigating measures implemented during 2009 were sufficient to solve the underlying problem, allowing the AOD to lift the reservation.

4. CROSS-CUTTING ISSUES

4.1. Rules on grants and public procurement

The complexity of eligibility rules for beneficiaries of grant schemes, including the requirement to reimburse actual costs incurred, was one of the reasons underlying 9 of the 20 reservations issued by AODs in the AAR 2009. It has been the cause of recurring reservations in the Chapter "Research, Energy and Transport" for several years, and has been recognized in 2009 as affecting some areas of expenditure in the Chapters "Agriculture and Natural Resources" and "Education and Citizenship". Errors in the application of laws governing public procurement are among the most frequent problems underlying errors in the Chapter "Cohesion".

Simple rules reduce the risk of erroneous claims by beneficiaries. However, a certain level of complexity is necessary to target specific policy objectives and an appropriate balance therefore needs to be achieved¹⁴.

In the context of the triennial revision of the Financial Regulation, the Commission has put forward proposals for further simplification of grant schemes without harming the achievement of policy objectives. Initiatives for simplification aim at shifting EU grants towards a performance-based system with more frequent use of lump sums, standard scales of unit costs and flat rates. However the scope for further simplification of the detailed sectoral legislation for the 2007-2013 period is limited given the time necessary to complete the adoption procedure.

The Commission invites the other Institutions to consider the proposals it made in its Communication, "Simplifying the Implementation of the Research Framework Programmes" and reiterates its will to facilitate the inter-institutional debate. Furthermore, it will be important to agree on appropriate tolerable risk levels, on the basis of Commission proposals, for all areas of expenditure.

The Commission will also conduct an in-depth reflection on how public procurement rules could be simplified. It has called on the Secretariat-General and the Directorate-General for Budget to coordinate the necessary contacts among the Services responsible for developing and monitoring the application of public-procurement instruments at the level of both the EU and the Member States.

Nevertheless, profound changes to the legislative framework are a long-term enterprise and the main scope for further progress will be in post-2013 legislation. In the shorter term, there needs to be a shared view among the Institutions on the extent to which it is reasonable to expect the Commission to limit the level of undetected error **on an annual basis**. The Commission is committed to a continued improvement of its control systems, including those of its implementation partners. Nevertheless, it recognises the varying risk profiles of its activities and considers it important that reasonable and challenging benchmarks are set

¹⁴ Under all circumstances, the Commission will maintain proper conditions to ensure sound financial management, including appropriate fraud-prevention measures.

(using a "TRE approach"), against which its management of risk can be objectively assessed, taking into account available control resources.

The Commission has on 26 May adopted concrete proposals for tolerable risk for research, energy and transport, and rural development. It will develop further proposals, for all chapters of the Court of Auditors' Annual Report, and actively promote the idea of tolerable risk during the inter-Institutional discussions.

4.2. Human resources

In April 2007, the Commission presented its "screening" of its human resources and committed itself to maintain stable staffing for the period 2009-2013 (after all enlargement-related personnel are integrated) and to meet new staffing needs in key policy areas exclusively through redeployment. The report also contained an analysis of the Commission's overhead. It was welcomed by the European Parliament and two updates were presented in 2008 and 2009. A follow-up report was prepared in early 2010, which shows that the downward trend in the number of staff working in administrative and support functions is continuing, especially at departmental level.

The yearly screening exercise has become a useful tool to base re-allocation decisions in order to better respond to political priorities. In 2009, it was possible to pool an array of different expertise for specific time-bound tasks linked to the financial and economic crisis. A voluntary scheme allows temporary secondment of officials to the departments responsible for the management and follow-up of the crisis, and the implementation of the European Economic Recovery Plan (in particular the Directorates-General for Competition, Internal Market, Economic and Financial Affairs). More generally, the Commission continued to temporarily allocate staff to serve time-limited activities, a dynamic and flexible way to allow adequate staffing to face peaks in workload, contributing to dynamic human resources management over time.

In order to serve priorities under limited constant resources, the Commission services are being re-organized; adjusting to political priorities has meant the creation of new DGs, transfer of responsibilities, and redesign of portfolios. Economies of scale are further derived from the **pooling of support infrastructures** between DGs and the creation of shared resource directorates: 2009 saw the innovation of a shared Resources Directorate serving DG Mobility and Transport and DG Energy and a shared Resources Directorate serving DG Environment and DG Climate Action.

With regard to externalization of program management to executive agencies, the Commission respected its commitment not to create new executive agencies beyond those foreseen to cope with a doubling of the Research budget.

As regards the recruitment of nationals from the new Member States, the target for **EU-10 recruitments** had been globally surpassed at the end of 2008, two years before the end of the "transition period" set for 2010¹⁵. The target for **EU-2 recruitments** was reached¹⁶ and the

¹⁵ By November 2009, 3 814 EU-10 nationals had been recruited, which represents 109% of the overall indicative recruitment target for 2004-2010. More details on the state of play of EU-10 recruitments are available in the last Commission report on EU-12 recruitments transmitted to the Budget Committees of the Parliament and Council on 15 April 2010.

overall recruitment was reported as "on track". However, difficulty in recruiting specialized staff remains a concern for some services that need appropriate **specialist/technical profiles** in very different domains but do not always find suitable candidates on reserve lists. For certain profiles the career prospects and the remuneration that can be offered fail to attract the required talent. An oversight mechanism was put in place by the Central Services, in order to identify the specific issues and their potential solutions.

In 2009, EPSO prepared for the launch of the "**EPSO Development Programme**" (EDP), intended to fundamentally overhaul the EU's staff selection methods to select the right staff at the right time, to improve the quality of the selection process and to establish a positive and modern image for the Institutions. An entirely new specialist competition structure has been put in place, with a view to allow the Institutions to recruit the best candidates with the required skills. As to non-permanent staff, a number of services indicated an **over-reliance on these and some Directorates-General** continued to face significant issues in this area due to a high staff turnover at headquarters and a persistently high vacancy rates in delegations (for delegations in some countries, the contract agent vacancy rate reached 20% at the end of 2009).

The Commission reiterates its commitment to pursuing efforts to reduce overheads and re-allocate savings to front-line activities. It will continue conducting sectoral screenings and, whenever necessary, specific actions such as the creation of the Research Task Force, in order to tackle sector-specific management issues.

4.3. Business Continuity Planning

In 2009 the Commission progressed further in its efforts to embed a Business Continuity Management (BCM) throughout the Institution. Events such as the Berlaymont fire and the threat of a flu pandemic highlighted the importance of being prepared to cope with potential disruptions. Notable achievements over the past year included the successful continuation of the Commission's activities during the fire incident and the launch of a new communication tool for BCM ('NOAH'). A 3-year Action Plan addressing the recommendations of a recent IAS Audit was adopted in late 2009 and is being implemented.

The College calls on all Services to give this subject the necessary priority, in particular those which reported partial compliance with this Internal Control Standard. All DGs have been asked to reassess their critical functions by conducting a Business Impact Analysis (BIA) based on the new Guidance issued by the Secretariat-General, design more action-oriented Business Continuity Plans, and manage dependencies better. Existing arrangements will be tested with a view to improving them, and awareness-raising efforts should continue.

5. CONCLUSIONS

- The Commission reiterates its commitment to continue to give priority to achieving an unqualified Statement of Assurance (DAS) by the European Court of Auditors (ECA). It is convinced that significant progress has been achieved in the management of EU funds

¹⁶ By November 2009, 878 EU-2 nationals had been recruited, representing 103% of the recruitment target for 2007-2009. More details on the state of play of EU-10 recruitments are available in the last Commission report on EU-12 recruitments transmitted to the Budget Committees of the Parliament and Council on 15 April 2010.

thanks to changes to management and control systems, working methods, and culture, and is satisfied that the DAS for 2008 was the best so far.

- The Commission acknowledges that there are still areas for improvement, in particular in some areas of shared management. It will further engage with the Member States in the light of their increased responsibilities under the Treaty on the Functioning of the European Union. It invites them to continue improving the management and control systems for all open programmes in the Cohesion area.
- The Commission calls on the other Institutions to react positively to its proposal on annual management declarations for all expenditure under indirect/shared management in the context of the revision of the Financial Regulation, and on the Member States to anticipate the entry into force of these provisions.
- The Commission acknowledges the difficulties posed by complex rules for grant beneficiaries and public procurement. It has already put forward proposals to simplify the rules for grant schemes in the context of the triennial revision of the Financial Regulation. It calls on the other Institutions to react positively to its proposals for concrete tolerable levels of risk.
- The Commission is satisfied that the action plans designed by AODs are adequate to address weaknesses and mitigate the risks identified, and has called on all responsible Directors-General and Heads of Service to implement them attentively.
- The Commission invites the other Institutions and the Member States to engage in an in-depth reflection on how to further improve the design of funding schemes, as well as their delivery, management and control mechanisms, in order to both enhance their effectiveness on the ground and ensure that the control of EU expenditure is efficient, proportional and cost-effective.

Annex 1: Reservations 2005 – 2009¹⁷

DG		Reservations 2009		Reservations 2008		Reservations 2007		Reservations 2006		Reservations 2005
AGRI	2	1. Expenditure for rural development measures under Axis 2 (improving the environment and the countryside) of the 2007-2013 programming period 2. Serious deficiencies in IACS in Bulgaria and Romania	2	1. Expenditure for rural development measures under Axis 2 (improving the environment and the countryside) of the 2007-2013 programming period. 2. Management and control system for SAPARD in Bulgaria and Romania.	2	1. Insufficient implementation of IACS in Greece 2. Exactitude of rural development control data of Member States giving a first indication of the error rate in this policy area	1	1. Insufficient implementation of IACS in Greece	2	1. Preferential import of high quality beef (“Hilton” beef) – risk of non-respect of product definition. 2. Insufficient implementation of IACS in Greece
REGIO	2	1) Reservation on ERDF management and control systems for certain programmes in the period 2007-2013 in Germany, Italy, Spain, Bulgaria, 15 European Territorial Cooperation programmes 2) Reservation on ERDF management and control systems for certain programmes in the period 2000-2006 in Bulgaria, Italy, Germany, and UK and concerning 15 Interreg programmes	2	1) Reservation on ERDF management and control systems for the period 2000-2006 in certain programmes in: BELGIUM, GERMANY, ITALY, SPAIN, + 21 INTERREG programmes 2) Management and control system for the road sector in BULGARIA in 2008	2	1. Reservation concerning the ERDF management and control systems for certain programmes in the period 2000-2006 in: CZECH REPUBLIC, FINLAND, GERMANY, GREECE, IRELAND, ITALY, LUXEMBOURG, POLAND, SLOVAKIA, SPAIN + 51 INTERREG programmes. 2. Reservation concerning the management and control systems for the COHESION FUND (period 2000-2006) in:	2	1. Reservation concerning the management and control systems for ERDF in United Kingdom - 2. Reservation concerning the management and control systems for ERDF in the INTERREG programmes (except IIIB North West Europe and Azores, Canaries, Madeira)	3	1. Management and control systems for ERDF in UK-England; 2. Management and control systems for ERDF in Spain; 3. Management and control systems for the Cohesion Fund in Spain

¹⁷

This table presents a summary of reservations; it is not intended to offer an exhaustive description of them. For details of the reservations, please consult the Annual Activity Report of the relevant Commission department on http://ec.europa.eu/atwork/synthesis/aar/index_en.htm

JRC	0		0		0		0	0	1	1. Status and correctness of the closing balance
RTD	1	Accuracy of cost claims under FP6 (error rates above materiality threshold of 2%)	1	Rate of residual errors with regards to the accuracy of cost claims in FP6	1	Reservation concerning errors relating to the accuracy of the cost claims and their conformity with the provisions of the Fifth Research Framework Programme (FP5).	2	1. Accuracy of the cost claims and their conformity with the provisions of FP5 research contracts. 2. Absence of sufficient evidence to determine the residual level of persisting errors with regard to the accuracy of cost claims in FP6 contracts.	1	1. Exactitude des déclarations de coûts et leur conformité avec les clauses des contrats de recherche du 5ème PCRD
INFSO	1	Accuracy of cost claims under FP6 (error rates above materiality threshold of 2%)	1	Rate of residual errors with regards to the accuracy of cost claims in FP6	1	Reservation concerning the rate of residual errors with regard to the accuracy of cost claims in Framework Programme 6 contracts.	3	1. Allocation of research personnel 2. Errors relating to the accuracy of cost claims and their compliance with the provisions of the research contracts, FP5 3. Absence of sufficient evidence to determine the residual level of persisting errors with regard to the accuracy of cost claims in Framework Programme 6 contracts	2	1. Errors relating to the accuracy and eligibility of cost claims and their compliance with the provisions of research contracts under FP5; 2. Allocation of research personnel
ENTR	2	1) Accuracy of cost claims under FP6 (error rates above materiality threshold of 2%)	1	Rate of residual errors with regards to the accuracy of cost claims in FP6	1	Unsatisfactory functioning of the financing of European Standardisation	2	1. Errors relating to accuracy and eligibility of costs claims and their compliance with the	2	1. Errors relating to accuracy and eligibility of costs claims and their compliance with the

		2) Reservation concerning the reliability of the financial reporting by the delegated body about the implementation of the joint programme.					provisions of the research contracts under FP 5 2. Unsatisfactory functioning of the financing of European Standardisation		provisions of research and eligibility of costs claims and their compliance with the provisions of the research contracts under the 5th Research Framework Programme; 2. Uncertainty regarding cost claims of the European Standardisation Organisations	
TREN	1	Accuracy of cost claims under FP6 (error rates above materiality threshold of 2%)	1	Rate of residual errors with regards to the accuracy of cost claims in FP6	1	Erreurs concernant l'exactitude et l'éligibilité des déclarations de coûts et respect des termes des contrats du 5 ^e PCRD	1	1. Erreurs concernant l'exactitude et l'éligibilité des déclarations de coûts et respect des termes des contrats du 5e PCRD	2	1. Risque de surpaiement concernant le 5 ^{ème} Programme Cadre; 2. Sûreté nucléaire
EAC	1	Too high error rate in centralised direct management, due to lack of justifying documents for cost claims, concerning projects from the previous generation of programmes	0		0		1	1. Faiblesse des systèmes de contrôle constatées dans certaines Agences Nationales	2	1. Insuffisante assurance quant à la gestion à travers les agences nationales 2. Insuffisante assurance quant à la fiabilité et l'exhaustivité des montants inscrits au bilan de la Commission et au compte de résultat économique
ENV	1	Eligibility of expenditures declared by beneficiaries of grants	0		1	Eligibility of expenditures declared by beneficiaries of non-LIFE grants	0	0	0	0

SANCO	0		0		0	0	1	1. Insufficient assurance of business continuity of a critical activity	1	1. Health crisis management
JLS	3	1) Reputational damage due to delays in the completion of the SIS II project. 2) Reputational damage due to a delay in the completion of the VIS project. 3) Residual error rate in non-audited population of grants under programmes for fundamental rights and citizenship.	1	Delays in the implementation of the Schengen Information System II (SIS II),	2	1. Faiblesse des systèmes de contrôle et de gestion du Fonds européen pour les Réfugiés en Italie, pour les périodes de programmation 2000-2004, et 2005-2007 2. Mise en œuvre incomplète des mécanismes de supervision de la Commission en gestion partagée pour le Fonds européen pour les réfugiés 2005-2007.	1	1. Faiblesse des systèmes de contrôle et de gestion du Fonds européen pour les Réfugiés en Italie, pour la période de programmation 2000-2004	2	1. Insufficient number of ex-post controls missions and lack of a fully-fledged methodology in the area of direct management in 2005; 2. Management and control systems for the European Refugee Fund for the UK for 1002-2004
ESTAT	0		0		0		1	1. Absence de garantie sur la régularité des paiements effectués en 2006 dans le cadre des conventions de subvention signées avec trois Instituts nationaux de statistiques pour lesquels des manquements ont été constatés en 2006	0	0
ECFIN	0		1	Possibility that new mitigating controls put in place following an ex-post control report on funds managed by an external body entrusted with	1	Possibility that additionality requirements are not sufficiently met.	1	1. Possibility that additionality requirements are not sufficiently met	0	0

				indirect centralized management are not effective.						
TRADE	0		0		0		0	0	0	0
AIDCO	0		0		0		0	0	0	0
ELARG	0		1	Potential irregularities in the management of PHARE funds under extended decentralised management by two Bulgarian Implementing Agencies (named).	1	Potential irregularities in the management of PHARE funds under extended decentralised management by the following Bulgarian Implementing Agencies: - Central Finance and Contract Unit (CFCU) - Ministry for Regional Development and Public Works (MRDPW).	0	0	1	1. Legal status and liability of contractual partner in the framework of implementation of EU EU contribution to UNMIK Pillar IV in Kosovo
ECHO	0		0		0		0	0	0	0
DEV	0		0		0		0	0	0	0

RELEX	1	Lack of capacity to carry out adequate ex-post controls for CFSP and Stability Instrument	0		0		0	0	2	1. Insuffisances du contrôle et de l'information de gestion; 2. Insuffisances de la gestion administrative en délégations, et principalement au niveau de la mise en place et du respect des circuits financiers
TAXUD	0		0		0		0	0	1	1. Trans-European networks for customs and tax : availability and continuity
MARKT	0		0		0		0	0	0	0
COMP	0		0		0		0	0	0	0
COMM	1	Possible infringement of intellectual property rights	2	1. Lift the reservation from 2007 on the absence of a structured ex-post control system, but makes a follow-up reservation on the quality failings revealed by the controls. 2. Possible infringement of intellectual property rights by Commission departments.	1	Ex-post control system	1	1. Ex-post control system	1	1. Supervision (ex-post controls on grants)
ADMIN	0		0		0		0	0	0	0

DIGIT	0		0		1	Inadequacy of the Data Centre building infrastructure in Luxembourg.	1	1. Business continuity risks due to inadequacy of the data centres building infrastructure.	1	1. Business continuity risks due to inadequacy of the data centres building infrastructure
PMO	0		0		0		0	0	1	1. Council's antenna for sickness insurance
OIB	0		0		1	1. Significant weakness in the management of the non-buildings procurement procedures (evaluation of offers (e.g.: methodology used ...), delays (e.g.: no contractual basis, establishment of a 4-year reliable planning & respect, legal delays for submission...))	0		1	1. Deficiency in OIB's contracts & procurement management
OIL	0		0		0		0	0	0	0
EPSO	0		0		0		0	0	0	0
OPOCE	0		0		0		0	0	0	0
BUDG	0		0		0		0	0	2	1. Accrual accounting for the European Development Fund; 2. Accrual accounting of the Community Budget - three local systems
SG	0		0		0		0	0	0	0

BEPA	0		0		0		0	0	1	1. Weak general internal control environment
SJ	0		0		0		0	0	0	0
SCIC	0		0		0		0	0	0	0
DGT	0		0		0		0	0	0	0
IAS	0		0		0		1	1. Audit of community bodies (regulatory agencies)	1	1. Audit of community bodies (traditional agencies)
OLAF	0		0		0		0	0	0	0
TOTAL	20		15		18		20		31	

Annex 2: Synthesis 2009 multi-annual objectives

This Annex reports on the progress achieved in 2009 on the new and ongoing actions identified in the 2007 Synthesis Report to address major cross-cutting management issues. New actions introduced as a follow-up to the 2009 Synthesis report are indicated in *bold italics*.

(Initiatives stemming from previous years' Synthesis Reports, which were completed in 2008 or before, have been deleted from this table.)

Internal control systems and performance management				
Subject	Objective	Initiative(s) to meet the objective	Responsible service(s) and timetable	Progress made in 2009
Internal control	1. Achieving an effective internal control system and ownership of internal control concepts and processes at all levels in each DG and service.	In October 2007 the Commission adopted a Communication revising the Internal Control Standards and underlying framework ¹⁸ , setting out 16 new internal control standards for effective management to replace the original set of 24 standards from 1 January 2008. Services may prioritise certain Standards with the aim of strengthening the basis of the annual declaration of assurance of the Directors-General. Furthermore the compliance reporting was simplified; moving from full reporting to exception based reporting on non-compliance.	<p>DG BUDG for guidance and training, monitoring and reporting</p> <p>All Commission services for implementation</p> <p>Ongoing action</p>	<p>In 2009, the Commission adopted the Impact Report on the Commission Action Plan towards an Integrated Internal Control Framework¹⁹. It concluded that significant progress had been made in strengthening internal control systems during the mandate period of the previous Commission, and that there was enough evidence that progress was significantly accelerated by the launch of the Action Plan in 2006.</p> <p>Effective implementation of the Internal Control Framework will continue to be an objective of the Commission; however, as it is now an integral part of management in the Commission, it will be considered an ongoing action and no longer appear in this table as of the Synthesis Report 2010.</p>

¹⁸ Communication to the Commission: Revision of the Internal Control Standards and the Underlying Framework: Strengthening Control Effectiveness - SEC(2007) 1341.
¹⁹ COM(2009) 43, 4.2.2009.

Annual reports and Synthesis	activity and	2. Promoting Commission's accountability through annual activity reports and their synthesis solidly based on assurances from managers.	Assessment of critical success factors affecting the quality of AARs and take appropriate measures (training for staff involved in the preparation of AARs, further improvement of Standing Instructions).	DG BUDG and SG By September 2009 Done	In 2009 the Secretariat-General and the Directorate-General for Budget carried out a survey across the Commission, to identify the success factors influencing the quality of AARs. As a result, Standing Instructions for the AARs were subject to a major overhaul; a new, specific conclusion on the overall effectiveness of implementation of the Internal Control Standards is now required in part 2 of the AAR; a dedicated helpdesk was set up, training courses were offered, and an interactive presentation of the Standing Instructions was made available on the intranet, facilitating navigation and enabling services to find the answers to specific questions.
			To give the preparation of the AARs high priority, implementing the guidelines prepared by the central services.	All DGs By April 2010 Done	The Peer Review of AARs was further enhanced by early interventions by Central Services (pre-peer review) and systematic feedback to services on the quality of their draft AAR. The AARs 2009 show a noticeable improvement across the Commission, both in terms of the quality of the evidence presented in support of the assurance and in the readability of the reports.

<p>Risk management</p>	<p>3. Establishing effective and comprehensive risk management making it possible to identify and deal with all major risks at service and Commission level and to lay down appropriate action to keep them under control, including disclosing resources needed to bring major risks to an acceptable level.</p>	<p>Implementation of the Action Plan agreed by SG and BUDG following the IAS audit of the implementation of the Commission's risk management framework will further improve the quality of risk management in the Commission, especially as regards the monitoring of follow-up of critical cross-cutting risks.</p>	<p>SG and BUDG By December 2010</p>	<p>The IAS audit of the implementation of the Commission's risk management framework, conducted in 2009, concluded that the risk management framework of the Commission is consistent with international standards and that it provides a solid basis to support risk management. The IAS identified some areas for improvement, mainly as regards the roles and responsibilities for risk management within DGs, a need for further guidelines and clarification on certain issues and the treatment of cross-cutting risks. These issues will be addressed by the central services in the course of 2010.</p>
<p>Residual risk</p>	<p>4. Taking further the concept of residual risk</p>	<p>Present to the discharge authorities concrete proposals for tolerable risk levels for the policy areas: Research, energy and transport and Rural development.</p> <p>Actively promote the idea of tolerable risk during the inter-Institutional discussions on the proposal for the revision of the Financial Regulation (FR)</p>	<p>DG BUDG together with concerned services By June 2010</p> <p>DG BUDG with SG Ongoing for the process of reviewing the FR</p>	<p>The Commission has announced that it will continue to work on concrete proposals for tolerable risk levels for selected policy areas during 2010 as requested by the Discharge Authority.</p>

Governance

Subject	Objective	Initiative(s) to meet the objective	Responsible service(s) and timetable	Progress made in 2009
Internal audit recommendations	5. Ensuring a smooth implementation of accepted internal audit recommendations	Effective follow-up of critical and very important recommendations of IAS recommendations should be regularly monitored at senior management level, and fully integrated into regular management planning, especially the annual management plans.	All services	<p>Between March and December 2009 the Audit Progress Committee (APC) met five times and sent four information notes to the College. The APC notes that the level of acceptance of IAS recommendations remains high (close to 100%), and that the number of critical recommendations still open six months after the original delivery date was zero. There has also been a reduction in the number of IAS audits issued with an unsatisfactory opinion (4 in 2008 to 3 in 2009).</p> <p>Nevertheless, the APC notes that follow-up of very important recommendations continued to be a challenge (68 remaining open six months after their due date), and that in 2009 there was an increase in the number of critical recommendations issued (from 0 in 2008 to 2 in 2009).</p> <p>The APC continued to hold DG accountable for the implementation of their own action plans; it sent reminders to Services wherever relevant. These reminders proved effective in strengthening follow-up. The APC also equipped itself with an APC Scoreboard to support its work.</p>

<p>Regulatory agencies</p>	<p>6. Clarifying the respective roles and responsibilities of Commission services and regulatory agencies.</p>	<p>The input of all institutions is necessary to negotiate a comprehensive framework, to clarify the respective responsibilities of the institutions and of the regulatory agencies. This framework would be applicable to the creation of future agencies and, at a later stage, to those already in existence.</p>	<p>All services concerned with the assistance of SG and DG BUDG.</p> <p>End 2009</p> <p>Done</p>	<p>In a Communication of March 2008²⁰, the Commission announced a horizontal evaluation of the regulatory agencies by the end of 2009, a moratorium on creating new agencies and a review of its internal systems governing agencies.</p> <p>In January 2009 the Commission launched an independent horizontal evaluation of the system of regulatory agencies, as announced in its Communication of March 2008. The evaluation report, delivered in December 2009, concludes positively on several aspects of the agency system, such as their generally timely and adequate input to EU policies, coherence of the agencies' activities with the mandates and key policy priorities, synergies with actors in the same area and transparency <i>vis-à-vis</i> the general public. At the same time, it points at weaknesses of the agency system, including governance arrangements, and monitoring of agencies' performance. The conclusions of this evaluation are meant to feed into the ongoing inter-institutional dialogue on agencies launched in March 2009.</p> <p>As a follow-up to the above mentioned Communication, the Commission also issued several guideline documents with a view to optimising its relations with agencies: a tentative roadmap for setting up new agencies; guidelines for concluding memoranda of understanding between agencies and the Commission; and mapping of the assistance delivered to agencies by Commission services.</p>
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²⁰ Communication from the Commission to the European Parliament and the Council: "European Agencies – the way forward" - COM(2008) 135.

<p>Reservations</p>	<p>7. Ensuring strong follow-up of action plans related to the expressed reservations, notably for the progress to be made in 2009.</p>	<p>Directors-General will report on progress to the respective Commissioner in the context of the regular follow-up meetings on audit and control. The ABM Steering Group will closely monitor and regularly report to the College on the implementation of the remedial actions that delegated authorising officers have committed to carry out in their annual activity reports.</p>	<p>SG and DG BUDG for monitoring and coordinating reporting</p> <p>DGs concerned for implementation</p> <p>Continuous action</p>	<p>For all reservations, delegated authorising officers have laid down appropriate action plans to solve the underlying weaknesses. They monitored the implementation of action plans and reported to the Commissioner responsible.</p> <p>The implementation of all action plans has also been monitored by the ABM Steering Group which invited Directors-General to report regularly to the Group on the state of play of their action plans.</p> <p>An outcome of the review of the Standing Instructions for AARs is that two distinct parts of the report now build the argumentation towards the assurance. Part 2 deals with internal control in general and part 3 contains the building blocks towards the assurance on financial management. The AAR must include a conclusion drawn by the Authorising Officer by Delegation (AOD) on the basis of all evidence presented in part 3.</p>
		<p><i>Closely follow-up the delays in the implementation of the Schengen Information System II and the VIS system.</i></p> <p><i>Financial risk corresponding to the residual error rate in the non-audited population of grants in the programmes under ABB activity 1804 – Fundamental rights and citizenship</i></p>	<p>JLS, SG – by end 2010</p>	<p>The issue continued to be the subject of a reservation in the AAR 2009 of DG JLS. The two issues are being closely monitored by the Commission.</p> <p>Progress made in 2009 concerns the increased rate of projects audited in the population at risk and improvements in the procedures for direct management of grants.</p> <p>For a detailed list of actions to be implemented, please consult DG JLS's AAR 2009 on Europa (http://ec.europa.eu/atwork/synthesis/aar/index_en.htm)</p>

Financial management

Subject	Objective	Initiative(s) to meet the objective	Responsible service(s) and timetable	Progress made in 2008
Integrated internal control framework	8. Enhancing accountability by establishing a comprehensive integrated internal control framework in line with the requirements set out in the ECA's opinions on 'single audit'.	<i>Reinforce the accountability of Member States for the use of EU funds by revising the guidelines for the annual summaries to draw on the lessons learned, and continue offering support to the Member States</i>	AGRI, EMPL, MARE, REGIO, JLS By July 2010	The Directorates-General involved in shared management of EU funds have continued their efforts at coordination, including by developing and implementing joint audit strategies. As part of their work they have continued to analyze annual summaries submitted by Member States, updating the guidance and holding regular meetings with competent authorities.
Accounts	9. Increasing responsibility and accountability at the level of the Commission as a whole by the signing-off of the accounts by the Accounting Officer and by improved quality of financial information.	The Commission will further strengthen its accounting processes and systems to improve the quality of the financial information and the respect of deadlines.	All services, continuous action with the assistance of the services of the Accounting Officer Continuous action	The European Court of Auditors expressed in 2009 for the second time an unqualified opinion on the 2008 accounting data of the Commission. The accounting quality project continued in 2009. Services identified their main accounting risks and set up detailed action plans to address these as part of their annual accounting control programmes. The Accountant's report on the validation of local systems for 2009 confirmed that these in general are steadily improving. Most local systems have been validated but further improvements are needed in DGs JLS and RELEX, whose systems have not yet been fully validated, although progress on outstanding issues is being recorded. The average payment time has fallen significantly; from 34 days in 2008 to 26 days in 2009.

Annex 3: Executive and Regulatory Agencies

In line with practice in most Member States, using agencies to implement key tasks has become an established part of the way the European Union works.

Executive agencies operate within a clear institutional framework, governed by a single legal base²¹. Their tasks must relate to the management of Community programmes or actions, they are set up for a limited period and they are always located close to Commission headquarters. The Commission's responsibility for executive agencies is clear: the Commission creates them, maintains "real control" over their activity, and appoints the Director. Their Annual Activity Reports are annexed to the report of their parent Directorate(s)-General. A standard Financial Regulation adopted by the Commission, governing the establishment and implementation of the budget, applies to all executive agencies. A revision of the working arrangements was also agreed in October 2007 with the European Parliament, with the aim to further facilitate inter-institutional cooperation in this field.

Six executive agencies exist:

- the Executive Agency for Competitiveness and Innovation Programme (**EACI** – formerly known as IEEA);
- the Executive Agency for Health and Consumers (**EAHC** – formerly known as PHEA);
- the Education, Audiovisual and Culture Executive Agency (**EACEA**);
- the European Research Council Executive Agency (**ERCEA**);
- the Research Executive Agency (**REA**);
- the Trans-European Transport Network Executive Agency (**TEN-TEA**).

All these executive agencies were operational in 2009. Their Annual Activity Reports, which were attached to those of their parent DG²², did not indicate any particular control issues. ERCEA and REA reported a need to continue building up their internal control system in 2010, which is natural considering that these two agencies became operational only in 2009.

The breakdown of staff employed at 31/12/2009 by the executive agencies was as follows:

²¹ Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (OJ L 11, 16.1.2003).

²² EACI (parent DGs: ENTR, ENV, TREN); EAHC (parent DG: SANCO); EACEA (parent DGs: EAC, INFSO, AIDCO); ERCEA (parent DG: RTD); REA (parent DGs: RTD, ENTR); TEN-TEA (parent DG: TREN).

	Temporary agents (officials seconded by the Commission and agents recruited by the agency)	Contractual agents	Seconded national experts	<i>Total</i>
EACI	28	113	0	<i>141</i>
EAHC	11	37	0	<i>48</i>
EACEA	91	304	0	<i>395</i>
ERCEA	93	162	7	<i>262</i>
REA	72	238	0	<i>310</i>
TEN-TEA	31	60	0	<i>91</i>
<i>Total</i>	<i>326</i>	<i>914</i>	<i>7</i>	<i>1247</i>

The Commission's "screening" of human resources of April 2007 suggested that there were no strong candidates for a new executive agency²³. If new needs appear, the starting point would be to explore the option of extending the scope of an existing executive agency to cover a new programme. Under the current circumstances, it is however unlikely that new executive agencies will be needed during the period of the current financial framework to 2013. The 2009 follow-up report indicated that in 2009 the Commission respected its 2007 commitment not to create new executive agencies beyond those foreseen to cope with a doubling of the Research budget and some limited extensions of the mandate of existing executive agencies.

A 2009 special report²⁴ by the European Court of Auditors examined the executive agencies. The report concludes that agencies provide better service delivery than the Commission (reduced contracting time, more rapid approval procedures, shorter payment times) and also offer the advantages of simplified processes and increased external visibility for EU actions. Less positively, it suggests that, despite these achievements the initiative to set up the executive agencies was mainly driven by constraints on employment within the Commission and the will to save costs for the management of the programmes concerned. The report confirms that externalisation to Executive Agencies has effectively resulted in cost savings, which, however, are difficult to quantify due to a lack of reliable data for the ex-ante situation.

The 30 **regulatory agencies** are independent legal entities. 25 of these agencies receive funds from the European Union budget and are therefore granted discharge by the European Parliament in individual discharge decisions. The remaining five agencies do not receive EU funding and thus do not receive discharge by the European Parliament (two of these

²³ SEC(2007) 530 "Planning & optimising Commission human resources to serve EU priorities".

²⁴ Special report 13/2009: "Delegating implementing tasks to Executive Agencies: a successful option?"

agencies²⁵ are fully self-financed, and three²⁶ are funded on an intergovernmental basis and financed directly by the participating Member States).

In a Communication of March 2008 entitled "*EU agencies: the way forward*"²⁷ the Commission drew attention to the lack of a common vision on the role and functioning of regulatory agencies. It announced a moratorium on creating new agencies and a horizontal evaluation of regulatory agencies.

The evaluation was finalised in December 2009. It reported that there is no single legal framework governing the establishment and closure of EU de-centralised agencies, and that alternatives to creating agencies were paid limited attention until impact assessments came into practice. Furthermore, a number of chosen location sites for the agencies were assessed as inefficient. As regards agencies' effectiveness, the report concluded that the activities of the majority of agencies are coherent with their mandate, and that in general there was clear evidence that agencies have achieved the planned outputs. The evaluation further considered that in order to operate efficiently with regards to the administrative tasks, an agency needs to reach a certain critical size, somewhere between 50 and 100 staff. Finally, it was found that monitoring was not very well developed in terms of the use of quantifiable objectives and indicators.

The 2008 Communication also proposed to establish an inter-institutional working group to set ground rules to apply to all regulatory agencies. The inter-institutional Working Group was set up in March 2009 between the European Parliament, the Council of the European Union and the Commission with a view to assessing the existing situation and in particular the coherence, effectiveness, accountability and transparency of these Agencies, and finding a common ground on how to improve their work. The group was called to address a number of key issues put forward by the participating Institutions, including the role and position of the agencies in the EU's institutional landscape, their creation, structure and operation, as well as funding, budgetary, supervision and management issues.

Further to the kick-off meeting at political level held in Strasbourg on 10 March 2009, technical work started in spring 2009 and will continue during 2010. The reports produced so far are expected to be endorsed by the political meeting in 2010.

In March 2010, the European Parliament's Committee on Budgetary Control²⁸ adopted a decision to grant all agencies discharge for 2008, with the exception of the European Police College (CEPOL) whose discharge decision was postponed.

CEPOL's 2008 accounts received a qualified opinion in 2009 from the European Court of Auditors, for the second year. The DG responsible for the grant contribution to CEPOL's running costs (DG JLS) reported that the situation of CEPOL in 2009, where only 43.6 % of the payment appropriations were used due to an unstable organisational environment, required particular attention. In accordance with the applicable financial regulations and with a view to

²⁵ The Office for Harmonisation in the Internal Market (OHIM) and the Community Plant Variety Office (CPVO).

²⁶ The European Institute for Security Studies (ISS), the European Union Satellite Centre (EUSC) and the European Defence Agency (EDA).

²⁷ Communication from the Commission to the European Parliament and the Council: European Agencies – the way forward - COM(2008) 135.

²⁸ At its meeting of 22-23 March 2010.

obtain a better estimate of the cash requirements, a Memorandum of Understanding was signed in 2009 between DG JLS and CEPOL. New management took up posts in CEPOL during 2009, with a view to address the situation. Nevertheless, considering the residual risks while awaiting that the new arrangements would become effective, JLS maintained CEPOL as a "reputational event" in its 2009 AAR.

Annex 4: Report on negotiated procedures 2009

1. LEGAL BASIS

Article 54 of the Implementing Rules of the Financial Regulation requires authorising officers by delegation to record contracts concluded under negotiated procedures. Furthermore, the Commission is required to annex a report on negotiated procedures to the summary of the annual activity reports (AAR) referred to in Article 60.7 of the Financial Regulation.

2. METHODOLOGY

A distinction has been made between the 43 Directorates-general, services, offices and executive agencies which normally do not provide external aid, and those three Directorates-general (AIDCO, ELARG and RELEX) which conclude procurement contracts in the area of external relations (different legal basis: Chapter 3 of Title IV of Part Two of the Financial Regulation) or award contracts on their own account, but outside of the territory of the European Union.

These three Directorates-general have special characteristics as regards data collection (decentralised services, ...), the total number of contracts concluded, thresholds to be applied for the recording of negotiated procedures (€10 000), as well as the possibility to have recourse to negotiated procedures in the framework of the rapid reaction mechanism (extreme urgency). For these reasons, a separate approach has been used for procurement contracts of these three Directorates-general.

3. OVERALL RESULTS OF NEGOTIATED PROCEDURES RECORDED

3.1. The 43 Directorates-general, services or offices, excluding the three "external relations" Directorates-general

On the basis of the data received, the following statistics were registered: **143** negotiated procedures with a total value of € 577 million were processed out of a total of **1196** procedures (negotiated, restricted or open) for contracts over 60,000€ with a total value of € 2370 million.

For the Commission, the average proportion of negotiated procedures in relation to all procedures amounts to **12.0%** in number, which represents some **24.4%** of all procedures in value.

An authorising service is considered to have concluded a "distinctly higher" proportion of negotiated procedures "than the average recorded for the Institution" if it exceeds the average proportion by 50%. Thus, the reference threshold for 2009 was fixed at **17.9%** (12.8% in 2008).

Some 11 Directorates-general or services out of the 43 exceeded the reference threshold in 2009. Among those, it should be noted that 3 Directorates-general concluded only one to three negotiated procedures, but because of the low number of contracts awarded by each of them, the average was exceeded. In addition, 18 out of 43 Directorates-general have not used any negotiated procedure, including 5 DG that awarded no contracts at all. Furthermore, 11 DG

have recorded a substantially lower percentage (less than 5%) of negotiated procedures in terms of value than the Commission average (24.4%).

The assessment of negotiated procedures compared with the previous year (2008) shows an increase in the order of 3.4 percentage points in number and 19.3 percentage points in terms of value. This follows a continuous decrease in 2007 and 2008.

3.2. The three "external relations" Directorates-general

On the basis of the data received, the following statistics were registered: 298 negotiated procedures for a total value of contracts €290 million were processed out of a total of 1096 procedures for contracts over 10 000€ with a total value of about €1161 million.

For the three "external relations" Directorates-general, the average proportion of negotiated procedures in relation to all procedures amounts to 27.2% in number, which represents some 25.0% of all procedures in value terms. Only one Directorate-general exceeds the reference threshold of 40.8% (average + 50%).

If compared with previous years, these Directorates-general have registered a clear increase of 20.2 points in number of negotiated procedures in relation to all procedures.

4. ANALYSIS OF THE JUSTIFICATIONS AND CORRECTIVE MEASURES

Three categories of justifications have been presented by those Directorates-general who exceeded the thresholds:

- **Statistical deviations** due to the low number of contracts awarded under all procedures.
- **Objective situations of the economic activity sector**, where the number of operators (candidates or applicants) may be very limited or even in a monopoly situation (for reasons of intellectual property, specific expertise,). Situations of technical captivity may also arise especially in the IT domain (exclusive rights connected to software or maintenance of servers hosting critical information systems, etc).
- **Additional services/works**, where it was either technically or economically impossible to separate these from the main (initial) contract, or **similar services/works** as provided for in the terms of reference.

The increase in number (and in value) of negotiated procedures in 2009 compared to 2008 is partly explained by the high number of renewals of framework contracts, which happen periodically (normally every 4 years). This is particularly true for IT, nuclear energy, the space programme and the financial sector. The latter was also exposed to emergency procedures due to the financial crisis.

Several corrective measures have already been proposed or implemented by the Directorates-general concerned:

- Regular update of standard model documents and guidance documents.
- Training and improved inter-service communication. The Central Financial Service provided regular practical training sessions on procurement.

- Improvement of the system of evaluation of needs of Directorates-general/services and an improved programming of procurement procedures. The Commission' horizontal services will continue their active communication and consultation policy with the other DGs along the following axes:
 - permanent exchange of information;
 - ad-hoc surveys prior to the initiation of procurement procedures for the evaluation of needs;
 - where necessary, attribution of separate quotas for framework contracts within the Commission's overall ceiling to entities with specific needs or with a specific budgetary environment (e.g. JRC or some Offices).
- **Phase-out from situations of technical captivity.** The "captivity mitigation study" has been delivered in 2009. Its conclusions should enable the application of a methodological framework for assessing technical captivity in specific cases.

Annex 5: Summary of Waivers of recoveries of established amounts receivable in 2009

(Article 87.5 IR)

In accordance with Article 87(5) of the Implementing Rules, the Commission is required to report each year to the budgetary authority, in an annex to the summary of the Annual Activity Reports, on the waivers of recovery involving 100.000 € or more.

The following table shows the total amount and the number of waivers above 100.000 € per Directorate-General/Service for the EC budget and the European Development Fund for the financial year 2009.

EC budget:

Directorate-General/Service	Amount of waivers in €	Number of waivers
AGRI	1.239.974	2
AIDCO	7.711.454	8
COMP	13.878.857	4
EAC	614.518	5
EACEA	948.294	6
ECHO	240.000	1
ELARG	176.996	1
EMPL	139.479	1
ESTAT	787.549	1
INFSO	370.476	3
REA	1.539.329	1
REGIO	229.667	1
RELEX	1.600.000	2
RTD	1.411.573	5
TREN	205.043	1
Total:	31.093.209	42

European Development Fund:

Directorate-General/Service	Amount of waivers in €	Number of waivers
EDF	443.254	2

Annex 6: Compliance with payment time-limits and suspension of time-limits

(Article 106.6 IR)

Time limits for payments are laid down in the Implementing Rules of the Financial Regulation²⁹ (hereinafter IR), and exceptionally in sector-specific regulations. Under Article 106 IR, payments must be made within 45 calendar days from the date on which an admissible payment request is registered or 30 calendar days for payments relating to service or supply contracts, save where the contract provides otherwise. Commission standard contracts are in line with the time limits provided for in the IR. However, for payments which, pursuant to the contract, grant agreement or decision, depend on the approval of a report or a certificate (i.e. the interim and/or final payment), the time limit does not start until the report or certificate in question has been approved³⁰. Under Article 87 of the Regulation of the European Parliament and the Council laying down general provisions on the European Development Fund, the European Social Fund and the Cohesion Fund, a specific rule applies: payments have to be made within two months³¹.

Following the revised Implementing Rules, which entered into application on 1 May 2007, compliance with payment time limits was reported for the first time by the Services in the 2007 Annual Activity Reports³².

The table below shows the evolution of **payments made after expiration of the statutory time limit** (i.e. late payments) during the three last years, based on statistics extracted from the ABAC accounting system:

	2007	2008	2009
Late payments in number	22,6 %	22,7 %	14,0 %
Late payments in value	11,5 %	14,0 %	6,8 %
Average number of overdue days ³³	48,0 days	47,5 days	39,2 days

The table shows that in 2008 the late payments stabilised in number, but the average number of overdue days remained essentially unchanged. 2009 however saw **a significant drop in**

²⁹ Commission Regulation (EC) No 2342/2002 of 23 December 2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC) No 478/2007 of 23 April 2007 (OJ L 111, 28.4.2007, p. 13).

³⁰ Pursuant to Article 106(3) IR, the time allowed for approval may not exceed:
(a) 20 calendar days for straightforward contracts relating to the supply of goods and services;
(b) 45 calendar days for other contracts and grants agreements;
(c) 60 calendar days for contracts and grant agreements involving technical services or actions which are particularly complex to evaluate.

³¹ Regulation (EC) No 1083/2006 of the European Parliament and of the Council laying down general provisions on the European regional Development Fund, the European Social Fund and the Cohesion fund and repealing Regulation (EC) No 1260/1999 (OJ L 210, 31.7.2006, p. 25).

³² Based on available data in ABAC as of end of the financial year 2007.

³³ i.e. above the statutory time-limit.

late payments, both as regards their number and their value. Also, the average number of overdue days was reduced from 48 days in 2008 to 39 days in 2009.

As regards **interest paid for late payments** (see statistics in the table below) the total amount paid by the Commission rose significantly in 2008, due to the fact that as from 01/01/2008 payment of interest for late payments became automatic and, in principle³⁴, no longer conditional upon the presentation of a request for payment. This trend continued in 2009, despite the reduction in late payments.

	2007	2008	2009
Interest paid for late payments (rounded amounts)	378 000 €	576 000 €	808 000 €

The **causes of late payments** include inter alia the complexity of evaluation of supporting documents, in particular of technical reports requiring external expertise in some cases, the difficulty of efficient coordination of financial and operational checks of requests for payments, and managing suspensions.

In its April 2009 Communication³⁵, the Commission announced its intention to reduce its payment times further beyond the statutory time limits, aiming to make:

- first pre-financing payments **within 20 days** from the signature date of the contract, grant agreement or decision, compared with the statutory time limit of 45 days (or 30 days for service and supply contracts).
- all other payments **within 30 days**, compared with the statutory time limit of 45 days.

The Communication has provided a clear incentive to services to reduce their payment times, as can be seen by the fact that in 2009, the global average payment time fell significantly (from 34 days to 26 days) as well as the number of late payments (from 23 % to 14 % of all payments).

³⁴ With the exception of small amounts (below 200 euros in total).

³⁵ Communication from Mrs Grybauskaite: "Streamlining financial rules and accelerating budget implementation to help economic recovery" - SEC(2009) 477, 8.4.2009.