



EUROPEAN  
COURT  
OF AUDITORS

Report on the annual accounts  
of the Consumers, Health and Food Executive Agency  
for the financial year 2014

together with the Agency's reply

## **INTRODUCTION**

1. The Consumers, Health and Food Executive Agency (hereinafter “the Agency”) was set up on 1 January 2005 (Public Health Executive Agency – PHEA – from 2005 to 2008, Executive Agency for Health and Consumers – EAHC – from 2008 to 2013 and Consumers, Health and Food Executive Agency – CHAFEA – as from 1 January 2014<sup>1</sup>). The Agency, which is located in Luxembourg, was established for a period ending 31 December 2024. It implements the EU Health Programme, the Consumer Programme and the Better Training for Safer Food initiative (BTSF)<sup>2</sup>.

## **INFORMATION IN SUPPORT OF THE STATEMENT OF ASSURANCE**

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

### **STATEMENT OF ASSURANCE**

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

- (a) the annual accounts of the Agency, which comprise the financial statements<sup>3</sup> and the reports on the implementation of the budget<sup>4</sup> for the financial year ended 31 December 2014, and
- (b) the legality and regularity of the transactions underlying those accounts.

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<sup>1</sup> Commission Decision 2013/770/EU (OJ L 341, 18.12.2013, p. 69).

<sup>2</sup> **Annex II** summarises the Agency’s competences and activities. It is presented for information purposes.

<sup>3</sup> These include the balance sheet and the statement of financial performance, the cash flow table, the statement of changes in net assets and a summary of the significant accounting policies and other explanatory notes

<sup>4</sup> These comprise the budgetary outturn account, the budget implementation reports and notes on budget implementation.

***The management's responsibility***

4. The management is responsible for the preparation and fair presentation of the annual accounts of the Agency and the legality and regularity of the underlying transactions<sup>5</sup>:
- (a) The management's responsibilities in respect of the Agency's annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission's accounting officer<sup>6</sup>; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of the Agency after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of the Agency in all material respects.
- (b) The management's responsibilities in respect of the legality and regularity of the underlying transactions and compliance with the principle of sound financial management consist of designing, implementing and maintaining an effective and efficient internal control system comprising adequate supervision and appropriate measures to prevent irregularities and fraud and, if necessary, legal proceedings to recover funds wrongly paid or used.

***The auditor's responsibility***

5. The Court's responsibility is, on the basis of its audit, to provide the European Parliament and the Council<sup>7</sup> with a statement of assurance as to the reliability of the annual accounts and the legality and regularity of the underlying transactions. The Court conducts its audit in accordance with the IFAC International Standards on Auditing and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions. These standards require the Court to plan and perform the

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<sup>5</sup> Articles 38 to 42 of the Financial Regulation of the Agency.

<sup>6</sup> The accounting rules adopted by the Commission's accounting officer are derived from the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, where relevant, the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

<sup>7</sup> Articles 87 to 92 of the Financial Regulation of the Agency.

audit to obtain reasonable assurance as to whether the annual accounts of the Agency are free from material misstatement and the transactions underlying them are legal and regular.

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

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

#### **Opinion on the reliability of the accounts**

8. In the Court's opinion, the Agency's annual accounts present fairly, in all material respects, its financial position as at 31 December 2014 and the results of its operations and its cash flows for the year then ended, in accordance with the provisions of its Financial Regulation and the accounting rules adopted by the Commission's accounting officer.

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

9. In the Court's opinion, the transactions underlying the annual accounts for the year ended 31 December 2014 are legal and regular in all material respects.

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

#### **COMMENTS ON BUDGETARY MANAGEMENT**

11. Carry-overs for title III (Expenditure linked to the Agency's operations) are high at 0,9 million euro (2013: 1,0 million euro), i.e. 50 % (2013: 43 %) of committed appropriations. Although such a high level of carry-over is at odds with the budgetary principle of annuality,

it is related to services received in 2014 (0,6 million euro) and annual contracts covering part of 2015 (0,3 million euro).

#### **FOLLOW-UP OF PREVIOUS YEAR'S COMMENTS**

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

This Report was adopted by Chamber IV, headed by Mr Milan Martin CVIKL, Member of the Court of Auditors, in Luxembourg at its meeting of 8 September 2015.

*For the Court of Auditors*

Vítor Manuel da SILVA CALDEIRA

*President*

Follow-up of previous year's comments

<b>Year</b>	<b>Court's comment</b>	<b>Status of corrective action (Completed / Ongoing / Outstanding / N/A)</b>
<b>2013</b>	Of the 1,1 million euro carried over from 2012, 0,23 million euro, or 21 %, was cancelled in 2013. Such a high level of cancellations indicates weaknesses in budget planning, particularly in forecasting costs for meetings with external participants.	<b>N/A</b>
<b>2013</b>	The overall level of committed appropriations was relatively low at 94 %. The 2013 payment rates against committed appropriations were satisfactory for titles I and II at 97 % and 87 % respectively. Although carry-overs for title III are high at 1,0 million euro, or 43 % of committed title III appropriations, they reflect the multiannual nature of the Agency's activities and payments were planned and made according to operational needs.	<b>N/A</b>

**Annex II****Consumers, Health and Food Executive Agency****(Luxembourg)****Competences and activities**

<p><b>Areas of Union competence deriving from the Treaty</b></p> <p><i>(Article 168 and 169 of the Treaty on the Functioning of the European Union)</i></p>	<p>A high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities. Union action, which shall complement national policies, shall be directed towards improving public health, preventing human illness and diseases, and obviating sources of danger to human health. Such action shall cover the fight against the major health scourges, by promoting research into their causes, their transmission and their prevention, as well as health information and education and monitoring, early warning of and combating serious cross border threats to health. The Union shall complement the Member States' action in reducing drugs-related health damage, including information and prevention.</p> <p>In order to promote the interests of consumers and to ensure a high level of consumer protection, the Union shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests.</p>
<p><b>Competences of the Agency</b></p>	<p><b>Objectives</b></p> <ul style="list-style-type: none"> <li>– By Commission Implementing Decision 2013/770/EU, as amended by Commission Implementing Decision 2014/927/EU, the Agency became responsible for carrying out the implementation tasks related to the management of certain EU programmes – namely the Consumer Programme 2014-2020, the Public Health Programme 2014-2020, the food safety training measures covered by Directive 2000/29/EC and Regulation (EC) No 882/2004 and the information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries.</li> <li>– The Agency also manages the legacy of the following programmes and actions: the Public Health Programme 2008-2013, the Consumer Programme 2007-2013, the food safety training measures covered by Regulation (EC) No 882/2004, Directive 2000/29/EC, Decision C(2012) 1548 and Regulation (EC) No 1905/2006, and the last operating grant agreement that was signed between the Agency and ANEC, the European consumer voice in standardisation, which is governed by Regulation (EU) No 1025/2012.</li> <li>– By its Implementing Decision of 17 December 2013 (2013/770/EU) the European Commission established the Consumers, Health and Food Executive Agency (Chafea), which replaced and succeeded the Executive Agency for Health and Consumers from 1 January 2014 to 31 December 2024. Commission Implementing Decision 2013/770/EU</li> </ul>

(amended) of 17 December 2014 then renamed Chafea the Consumers, Health, Agriculture and Food Executive Agency.

- As a consequence, all references in this annex to the Consumers, Health and Food Executive Agency (Chafea) shall also be deemed to mean, as of 1 January 2015, the newly established Consumers, Health, Agriculture and Food Executive Agency (Chafea), which is the legal successor to the EAHC.

### Tasks

The Agency is responsible for the following programme-related tasks, as defined both in its act of establishment and in the delegation act last amended on 17 and 19 December 2014.

(a) Programme implementation tasks:

(i) manage some or all of the phases of programme implementation and stages in the lifetime of projects in the framework of the Consumer Programme 2014-2020, the Public Health Programme 2014-2020, the food safety training measures covered by Directive 2000/29/EC, Regulation (EC) No 882/2004 and Decision C(2014) 1269, the information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries covered by Regulation (EU) No 1144/2014, as well as of the Public Health Programme 2008-2013, the Consumer Programme 2007-2013, the food safety training measures covered by Directive 2000/29/EC, Regulation (EC) No 882/2004, Regulation (EC) No 1905/2006 and Decision C(2012) 1548, and the management of the agreement with ANEC governed by Regulation (EU) No 1025/2012. In this connection, the Agency is responsible for monitoring projects, making the necessary checks and recovery procedures, and performing budget implementation tasks covering revenue and expenditure within the meaning of Regulation (EU, Euratom) No 966/2012, and in particular:

- awarding grants and managing the ensuing agreement or decision, including the operations required to launch and conclude grant award procedures;
- concluding public procurement procedures and managing the ensuing contracts, including the operations required to launch and conclude public procurement procedures;
- performing all the operations required to launch contests and award prizes in accordance with Regulation (EU, Euratom) No 966/2012;

(ii) in the framework of the information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries covered by Regulation (EU) No 1144/2014, regarding simple programmes, perform the following implementation tasks:

- preparation and publication of the calls for proposals defined in the work programmes;
- preparation of information documents for potential beneficiaries;
- preparation of the evaluation of proposals, including the selection of expert evaluators;
- reception and eligibility checking of proposals;
- verification on the basis of the exclusion criteria and evaluation of

	<p>proposals;</p> <ul style="list-style-type: none"> <li>– provision of information to rejected and successful applicants.</li> </ul> <p>(b) Support in programme implementation, in particular:</p> <ul style="list-style-type: none"> <li>– collecting, processing and distributing data, and in particular compiling, analysing and transmitting to the Commission all information required to guide implementation of the programme and promote coordination with other Union programmes, the Member States or international organisations;</li> <li>– contributing to evaluation of the impact of the programme and to monitoring the actual effect of the measures on the market;</li> <li>– managing and directing a network, in particular concerning the target public (beneficiaries, recipients, projects, actors);</li> <li>– organising meetings, seminars or talks; organising training; organising the Commission's own information and promotion campaigns for agricultural products;</li> <li>– contributing to studies and evaluations, in particular the annual and/or mid-term evaluation of implementation of the programme;</li> <li>– preparing recommendations for the Commission on implementation of the programme and its future development;</li> <li>– planning and implementing information operations;</li> <li>– producing overall control and supervision data;</li> <li>– participating in preparatory work on work programmes and financing decisions.</li> </ul>
<b>Governance</b>	<p><b>Steering Committee</b></p> <p>Comprises five members appointed by the European Commission. The members of the Steering Committee are appointed for two years.</p> <p>It adopts the Agency's annual work programme after approval by the European Commission. In addition, it adopts the administrative budget of the Agency and its annual activity report.</p> <p><b>Director</b></p> <p>Appointed by the European Commission for four years.</p> <p><b>External audit</b></p> <p>European Court of Auditors.</p> <p><b>Discharge authority</b></p> <p>European Parliament, following a recommendation from the Council.</p>
<b>Resources made available to the Agency in 2014 (2013)</b>	<p><b>Final budget</b></p> <p>The Agency's administrative budget for 2014 amounted to 7,25 (7,23) million euro.</p>

	<p><b>Staff at 31 December 2014</b></p> <p>On 31 December 2014, the Agency employed 48 (50) statutory staff members, including 12 (11) temporary staff and 38 (38) contract staff.</p>
<p><b>Products and services 2014</b></p>	<ol style="list-style-type: none"> <li>1. Closed the few remaining 2005-2007 grants provided under the 2003-2008 Public Health Programme; monitoring, including concluding the balance payment for several of the 2008-2012 grants provided under the second Health Programme (HP 2008-2013); finalised negotiations for the proposals included in the reserve list of the 2013 calls; managed the implementation of the new IT tools for the 2014 calls and launched a significant number of service contracts under the 2014 work plan; managed the 2013 calls and the grants and contracts awarded under the 2008 calls for proposals and tenders under the 2007-2013 Consumer Programme (CP); awarded projects under the 2007, 2008 and 2009 calls for tenders under Food Safety Training Measures.</li> <li>2. HP work programme       <ul style="list-style-type: none"> <li>– The 2014 calls for proposals were launched on 6 June 2014 and closed on 25 September 2014. They were published in the EU Official Journal<sup>1</sup> and on the Chafea website<sup>2</sup> and Europa website<sup>3</sup>.</li> <li>– Project proposals: 12 of the 50 technically evaluated project proposals (27,2 %) were recommended for funding (excluding reserve list), for a total of 11 567 617 euro in proposed EU co-funding. However, the corresponding grants will not be signed until the first quarter of 2015 due to the late publication of the calls.</li> <li>– Operating grant proposals: 14 of the 40 technically evaluated operating grant proposals, including both the framework partnership agreements and the corresponding specific grant agreements (28,6 %), were recommended for funding. However, the corresponding grants will not be signed until the first quarter of 2015 due to the late publication of the calls. The total amount in proposed EU co-funding is 4 717 062 euro.</li> <li>– Joint actions: the negotiation procedure for joint actions was launched on 7 November 2014, with a submission deadline of 29 January 2015. All eight joint actions are expected to be co-funded, but the corresponding grants will not be signed until the first quarter of 2015 due to the late publication of the 2014 work plan. The expected amount in EU co-funding, according to the work plan, is 18 593 000 euro.</li> <li>– A single project reserve list was established, consisting of four proposals worth a total of 3 934 352 euro in proposed EU co-funding.</li> <li>– 31 procurement procedures were launched, of which 6 were open calls for tenders and the remainder requests for services.</li> </ul> </li> <li>3. CP work programme       <ul style="list-style-type: none"> <li>– In 2014, the Agency, being entrusted with the implementation of parts of the (annual) Consumer Work Programme, launched two calls for proposals, two invitations to submit proposals and 13 public procurement procedures (covering an open call for tenders, a low value contract and a specific request for services/orders).</li> </ul> </li> </ol>

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- 60 grants were awarded for exchanges of officials between competent authorities of Member States, giving enforcement officials the opportunity to share experiences and knowledge about the implementation of Directive 2001/95/EC on general product safety and Regulation (EC) No 2006/2004 on consumer protection cooperation.
  - A grant was awarded for the implementation of joint actions pertaining to the General Product Safety Directive and aimed at exchanging and implementing best practices among the competent authorities of the participating Member States and improving cross-border cooperation.
  - Following the accession of Croatia to the EU, two contracts were signed for the organisation of an information campaign on consumer rights in Croatia, with the aim of informing Croatian citizens about their new consumers' rights as EU citizens.
  - The Agency launched procedures for the conclusion of a three-year framework partnership agreement (2015-2017) and specific grant agreement for 2015 with the European Consumer Centres Network. The new procedure is designed to ensure greater stability, strategic planning and efficiency in ECC-Net grant management. The Agency also managed the first phase of a contract aimed at creating a support mechanism for the ECC-Net in order to improve its visibility and the impact of collective ECC work. The development of quality standards is part of the service and will assist ECCs to measure their performance against predefined indicators.
  - To continue its analysis of the problems faced by consumers when buying products or services, the Agency launched several surveys on consumer issues and market studies that will answer to a range of concerns regarding market functioning from a consumer perspective in various domains such as insurance, food choices and eating habits, guarantees and cross-border obstacles to the Digital Single Market. A large market monitoring study was launched covering 42 different markets.
  - A procurement procedure was completed in the area of product safety to investigate the safety aspects of ladders.
  - In the field of consumer protection cooperation, the Agency launched a procurement procedure for a market study aimed at collecting data and providing analysis on misleading "free" trials and submission traps for consumers in the EU.
  - In 2014 the Agency launched procedures for the conclusion of a four-year framework partnership agreement (2015-2018) and a specific grant agreement with BEUC, the European Consumer Organisation. The co-financing of BEUC will contribute to further promoting the interests of European consumers in the EU policy process as purchasers or users of goods and services.
  - Several procurement procedures were launched to implement Consumer Champion, a new capacity-building initiative for consumer professionals, and Consumer Classroom, an online interactive platform on consumer education for secondary school teachers.
4. BTSF work programme
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- The Agency launched five procurement procedures in the form of open calls for tenders aimed at organising training activities for staff of EU Member States, candidate countries, European Neighbourhood Policy countries and EFTA national authorities who are involved in official control activities.
  - The purpose of the training is to keep the officials up-to-date with all aspects of EU food law and ensure that controls are carried out in a more uniform, objective and satisfactory manner in all Member States. A broad range of legislation is covered, from animal health and welfare to plant health and food hygiene and control.
  - The Agency made the transfer from the first to the second phase of five contracts running since 2012 to provide training on 11 different subjects, and published two specific requests for services for the organisation of the 2nd Food Crime Conference and participation by the BTSF in activities around the 2015 Milan Expo.
  - Specific training activities for third countries, especially developing countries, were continued under the BTSF programme, which is financed from the DG DEVCO and DG TRADE budgets. The purpose of these activities is to familiarise third-country officials involved in food controls with the applicable EU standards and import requirements.
  - In 2014 the BTSF initiative achieved the target rate set at launch of around 6 000 participants per year from Member States. Overall satisfaction is close to the targeted 85 %, and more than 90 % of participants evaluate the knowledge gained as useful.

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<sup>1</sup> OJ C 171,6.6.2014, p. 10.

<sup>2</sup> <http://ec.europa.eu/chafea/health/projects.html> and  
<http://ec.europa.eu/chafea/health/grants.html>

<sup>3</sup> [http://ec.europa.eu/health/programme/how\\_does\\_it\\_work/call\\_for\\_proposals/index\\_en.htm](http://ec.europa.eu/health/programme/how_does_it_work/call_for_proposals/index_en.htm)

Source: Annex supplied by the Agency.

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**THE AGENCY'S REPLY**

11: The Agency accepts the Court's comments. The Agency shall continue its efforts to further reduce the carry-overs for title III (Expenditure linked to the Agency's operations) through early planning and close monitoring of contracts.