ECHA
EUROPEAN CHEMICALS AGENCY

Annual Activity Report of the Authorising Officer of the European Chemicals Agency for year 2013

06 March 2014

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LIST OF ACRONYMS

AWP	Annual Work Programme
CLP	Classification, Labelling and Packaging
CoI	Conflict of Interest
CSA	Chemical Safety Assessment
DG	Directorate General
DPO	Data Protection Officer
ECA	European Court of Auditors
ECHA	European Chemicals Agency
ED	Executive Director
EDPS	European Data Protection Supervisor
Forum	Forum for Exchange of Information on Enforcement
IAC	Internal Audit Capability
IAS	Internal Audit Service of the European Union
ISO	International Organization for Standardization
IUCLID	International Uniform Chemical Information Database
IQMS	Integrated Quality Management System
JRC	Joint Research Centre of the European Union
MAWP	Multi-Annual Work Programme
MB	Management Board
MSCA	Member State Competent Authority
NeRSAP	Network of REACH Socio-Economic Analysis (SEA) and Analysis of Alternatives (AoA) Practitioners
PIC	Prior Informed Consent
RAC	Committee for Risk Assessment
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
REACH-IT	central IT system providing support for REACH
SIA	Substances in articles

INTRODUCTION

The Annual Activity Report of the authorising officer responds to the requirements as laid down in the Financial Regulation of ECHA (MB/53/2008, Article 40) and reports on the performance of the duties of the Executive Director as the Authorising Officer and Appointing Authority of the Agency.

The report is drawn up by Executive Director under his own responsibility and submitted to the Management Board for information.

In line with the Financial Regulation, the Management Board is expected to make an analysis and an assessment of the Annual Activity Report (AAR) which has to be submitted, together with the AAR, to the Budgetary Authorities and the Court of Auditors no later than 15th of June and shall be included into the Agency's annual report (General Report).

All references to "ECHA Financial Regulation" in this report refer to the Regulation in force in 2013, e.g. ECHA Financial Regulation MB/53/2008.

The Annual Activity Report covers Parts II, III and IV and the pertaining annexes.

The Achievements of the year (Part I) are covered by the General Report.

PART I ACHIEVEMENTS OF THE YEAR *(see General Report)*

PART II GOVERNANCE, MANAGEMENT AND INTERNAL CONTROL SYSTEMS

2.1 Management Board

The role of the Management Board in the Agency's governance

The Management Board is the governance body of ECHA. It oversees the Agency's activities and sets overall objectives and direction whilst ensuring good governance so that the Agency performs the role and tasks assigned to it.

The Board has a supervisory role with general responsibility for budgetary matters, internal rules and strategic planning aspects. Furthermore, it is deciding on and monitoring the implementation of the ECHA annual and multi-annual work programmes. Its operational tasks are broad, ranging from the appointment of the Executive Director and members of the Board of Appeal over adopting the annual budget, work programmes and legally binding implementing rules, to setting strategic directions and reporting of the Agency's activities to EU Institutions, including the use of any European Union subsidy. The Board also approves or adopts the rules of procedure of the Agency's Committees and the Forum and decides on the memberships of the scientific Committees.

The tasks of the Management Board are mainly, but not exclusively, defined in the REACH Regulation[1], the BPR Regulation[2] the corresponding Fee Regulations[3] and the ECHA Financial Regulation[4], which is based on the Framework Financial Regulation for EU Agencies. The Management Board will also perform the supervisory function with respect to the Agency tasks under the Biocides and Prior Informed Consent Regulations.

The Management Board has currently 35[5] members:

- 1 representative of each of the EU Member States (with voting rights)
- 3 representatives of the European Commission (with voting rights)
- 2 independent persons appointed by the European Parliament (with voting rights)
- 3 individuals from interested parties appointed by the Commission (no voting rights)

In addition to the members, the Board decided to invite one observer from each of the three EEA-EFTA states (Iceland, Liechtenstein and Norway)[6] and, during the period preceding its accession to the EU, an observer from Croatia to attend its meetings[7].

Member State representatives are appointed by a decision of the Council of the European Union. The European Commission nominates its representatives and the non-voting members from interested parties per Commission decision. The independent persons appointed by the European Parliament are designated by the President of the European Parliament. The observers are designated by the respective national mission to the EU or by the responsible national ministry.

2.2 Financial reporting

As stated in Article 76 of the Financial Regulation applicable to the budget of ECHA, the annual accounts of the Agency are accompanied by a report on budgetary and financial management during the year. This report is drawn up under the responsibility of the Executive Director and the relevant part will be part of his Annual Activity Report.

Budget

In accordance with the REACH Regulation (No 1907/2006), ECHA is financed through fees paid by industry for registrations of chemical substances and by a possible EU balancing subsidy as referred to in Article 185 of the general Financial Regulation. In 2013, ECHA was fully financed through fee income for its REACH&CLP operations.

In accordance with the Regulation on Biocidal Products (No 528/2012), ECHA is financed partially through fees paid by industry and partially through an EU subsidy as referred to in Article 185 of the general Financial Regulation. In 2013, ECHA was

[1] Regulation (EC) No 1907/2006
[2] Regulation (EU) No 528/2012
[3] Commission Regulations (EC) No 340/2008 and (EU) No
[4] Financial Regulation: MB/53/2008 final
[5] In addition, there is 1 Croatian member pending a formal appointment by the Council
[6] The EEA-EFTA states take part in the REACH implementation based on EEA Joint Committee Decision 25/2008 of May 2008 on REACH and the establishment of a European Chemicals Agency
[7] After 1 July 2013 Croatia continued to send an observer to the meetings but no Council decision has been taken until 31 December to formally appoint a voting right Board member.

financed only partially from fees collected during the year whereas the majority of the expenditure budget was financed by a EU subsidy. Additionally, ECHA was supported with an additional amount of €920,900 by the Commission (DG Environment) as a compensation for non-materialised income. Furthermore, an exceptional, one-time voluntary contribution of €177,057 was received from Norway in late December 2013. This contribution will be used towards the development of Biocidal services at the Agency.

In accordance with the Prior Informed Consent (PIC) Regulation (No 649/2012), ECHA is fully financed by a Community subsidy as referred to in Article 185 of the general Financial Regulation.

The initial budgetary payment appropriations for 2013, as concluded by the Management Board in December 2012, amounted to €106,582,054.

During the year 2013 the Management Board adopted three amending budgets.

The first amending budget increased the REACH&CLP payroll expenditure by the amount necessary to cover the employer's part of the pension contribution for 2012 and 2013. The amount of €10,620,000 was transferred for this purpose from the fee reserve. In addition to this, the amending budget incorporated an exceptional contribution of €1,000,000 given by the Commission as a guarantee for eventual non-materialised Biocide fee income over the year. The introduction of this contribution and the anticipated increase in the staffing levels in favour of Biocides' activities resulted in shifting of overhead expenses from REACH to Biocides. Therefore, the net effect of the first amending budget on the reserve was €-10,422,200.

The second amending budget increased the REACH revenue with the surplus resulting from the positive outturn of 2012 (Art. 16.1 of ECHA's Financial Regulation, principle of Equilibrium). It also adjusted upwards the fee revenue stemming from the second registration deadline of 2013. The unexpected increase resulted from a set of factors such as the revision of the Fee Regulation by the Commission earlier in the year, the higher income from confidentiality claims due to the expanded scope of the SDS claims, registrations for higher tonnage ranges as well as from the different mixture of company sizes within the joint submissions. The net effect in the budget, both for the income and for the balancing reserve expenditure side, was an increase by €55,107,223.19. Apart from amending the budget, ECHA proceeded also to a budget neutral amendment of the establishment plan by converting 3 AST posts to AD at the same grade.

Finally, the third amending budget towards the end of the year decreased the REACH expenditure by €10,258,000 (9.39%) due to the reduced budget needs for the reasons explained in the section 2.2.2 Expenditure (Titles 1-3).

2.2.1 Revenue

Fee income and charges

The funding of the budget of ECHA in 2013 was as follows:

Heading	Initial Budget 2013	Amending budgets 1/2013, 2/2013 and 3/2013	Final budget	Entitlements Established	Revenue received
Fees and charges from registrations	35 127 000	46 873 000	82 000 000	81 721 339	81 721 339
Fees and charges from authorisations	600 000		600 000	587 633	587 633
Fees SME Administration	2 000 000	1 000 000	3 000 000	3 385 300	3 385 300
Fees and charges from Appeals	134 640		134 640	17 167	17 167
Fees and charges from CLP	510 000		510 000	88 700	88 700
Fees relating to Biocidal active substances	0		0	0	0
Fees for Union authorisation of Biocidal products	50 000		50 000	0	0
Miscellaneous fees Biocides	100 000		100 000	313 000	313 000
Biocide Subsidy	6 070 500		6 070 500	6 070 500	6 070 500
Biocide Balancing of non materialised fees	0	1 000 000	1 000 000	920 900	920 900
PIC Subsidy	1 561 500		1 561 500	1 561 500	1 561 500
IPA Programme	114 324		114 324	114 324	114 324
Revenue from Bank Interest on Fee income	3 375 000		3 375 000	3 271 223	3 271 223
Other	50 000		50 000	11 768	11 379
Reserve	164 658 137	7 234 223	171 892 360	171 892 360	171 892 360
	214 351 101	56 107 223	270 458 324	269 955 714	269 955 325

Fee income and charges

A) REACH

The fees and charges collected by ECHA are determined by the REACH Regulation, the Fee Regulation and by the decisions of the Management Board. Due to the once-off nature of the REACH fees, there is high uncertainty as to their amount and timing. The budgetary revenue from REACH fees/charges in 2013 in terms of the cash received amounted to €85,782,979*(€26,611,972 in 2012*). The revenue was significantly higher than initially estimated due to a number of factors, the leading factor being a larger number of non-2013 deadline related dossiers in higher tonnages than had been estimated. A detailed breakdown of the REACH income is available below.

In addition income of €17,167 was recorded in relation to Appeal fees for 2013. This income refers to appeals fees lodged whereby the Appeal was either disallowed by the Board of Appeal or withdrawn by the applicant. Until appeal cases are decided, the appeal fee received from applicant is recorded as both an asset (Bank Account) and a liability (amounts returnable) in ECHAs accounts until the final decision of the Board of Appeal. Once a decision is made, the appeal fee is either refunded or recognised as income depending upon the final decision of the Board of Appeal.

B) Biocides

The biocide fees and charges collected by ECHA are determined by the Biocidal Product Regulation, the Fee and charges Regulation and by the decisions of the Management Board. The Regulation entered into operation with effect from 01 September 2013.

The budgetary revenue from Biocidal product fees/charges, from 01 September to 31 December 2013, in terms of the cash received amounted to €313,000.

Breakdown of fee and bank income	Budgetary Income 2013
Fees and charges from registrations	77 628 344
Fees and charges from appeals	17 167
Fees From Authorisations	587 633
CLP Fees	88 700
Total revenue from registrations and appeals	78 321 844
Fees from SME re-identified Entity sizes	4 092 995
Revenue from SME Administrative charges	3 385 300
Total revenue from SME reidentified size fee/charges	7 478 295
Total budgetary income from REACH fees and charges	85 800 139
Miscellaneus Biocidal Fees and charges	313 000
Bank interest on current accounts	25 854
Bank Interest Deposit Agreements	52 791
Central Bank of Finland - Deposit account	12 888
European Investment Bank - Investment Portfolio	3 179 700
Cashed (budgetary income) Interest return from Trustees	3 271 233

The following table illustrates the cashed amounts of REACH and Biocidal Product income received by month in comparison to the Final Budgeted Revenue for 2013.

REACH Fee Revenue 2013 (including Authorisations and CLP)

Month	Cashed Income Fee income	Budget Fee Income	Difference Over/(Under) Budget €	Difference Cumulative €	Over/(Under) by month %	Over/(Under) Cumulative %
Jan-13	2 510 720	3 302 637	-791 917	-791 917	-23.98%	-23.98%
Feb-13	3 927 720	3 302 637	625 083	-166 834	18.93%	-2.53%
Mar-13	5 204 345	5 218 237	-13 893	-180 727	-0.27%	-1.53%
Apr-13	9 975 042	7 057 214	2 917 828	2 737 102	41.35%	14.50%
May-13	26 793 702	5 218 237	21 575 465	24 312 567	413.46%	100.89%
Jun-13	17 374 597	42 250 429	-24 875 833	-563 266	-58.88%	-0.85%
Jul-13	5 983 215	5 803 785	179 430	-383 836	3.09%	-0.53%
Aug-13	2 864 875	2 791 365	73 510	-310 326	2.63%	-0.41%
Sep-13	2 271 212	2 791 365	-520 153	-830 479	-18.63%	-1.07%
Oct-13	3 627 821	2 791 365	836 456	5 977	29.97%	0.01%
Nov-13	2 136 677	2 791 365	-654 688	-648 711	-23.45%	-0.78%
Dec-13	3 148 616	2 791 365	357 251	-291 460	12.80%	-0.34%
Cumulative 2013	**85 818 541**	**86 110 000**	**-291 460**			**-0.34%**

Note: Initial Budget 2013 amounted to EUR 38,237,000
This was amended in June 2013 and invcreased by EUR 47,873,000
"Budget Fee Income" column amended in June 2013

Biocide Fee Income

Month	Cashed Income Fee income	Budget Fee Income	Difference Over/(Under) Budget €	Difference Cumulative €	Over/(Under) by month %	Over/(Under) Cumulative %
Sep-13	40 000	10 000	30 000	30 000	300.00%	300.00%
Oct-13	40 300	20 000	20 300	50 300	101.50%	167.67%
Nov-13	144 000	50 000	94 000	144 300	188.00%	180.38%
Dec-13	88 700	70 000	18 700	163 000	26.71%	108.67%
Cumulative 2013	**313 000**	**150 000**	**163 000**			**108.67%**

In accordance with article 59 of the Agency's current Financial Regulation, the number of debit notes issued and their global amount shall be provided in the Agency's report on budgetary and financial management.

In accordance with article 59 of the Agency's Financial Regulation, where fees and charges are entirely determined by legislation or decisions of the Management Board, the Authorising Officer may abstain from issuing recovery orders and directly draw up debit notes after having established the amount receivable. Where the Agency uses a separate invoicing system, the accounting officer shall regularly, and at least on a monthly basis, enter the accumulated sum of fees and charges received into the accounts.

The Agency uses a separate invoicing and debtors system for daily transactions related to fee income which is implemented in the REACH IT (REACH Fees) and REACH-NG (Biocidal Product Fees) invoicing modules. In the year 2013, ECHA registered the sent debit notes in the central accounting system SAP/ABAC. It also registered received payments along with a summary recovery order in the budgetary accounts (ABAC system) on a monthly basis.

A) REACH Fees

During 2013, ECHA issued 12,832 debit notes (4,419 in 2012) for a total amount of €96,744,311 *(*€30,655,839 *in year 2012)*. Altogether 1,019 credit notes *(485 credit notes in year 2012)* for a total amount of €9,673,124 were issued (€4,440,088 in 2012). In addition, there were 171 cases *(65 cases in year 2012)* for a total amount of €1,096,341 (€451,019 in 2012) where the registration was rejected in accordance with the REACH Fee Regulation as no payment was received from the registrant by the set payment deadline.

It is noted that out of the credit invoices mentioned above, 735 (380 in 2012) were issued to cancel the original invoices following the verification of the SME status of enterprises claiming to be entitled to fee reductions. An additional amount of €4,460,871 (€1,944,882 in 2012) was invoiced and €4,092,995 of the outstanding invoices was cashed (€2,364,515 in 2012). In addition ECHA issued 307 (97 in 2012) administrative charges invoices for the amount of €3,757,630 (€1,914,900 in 2012) of which €3,385,300 was cashed (€1,815,500 in 2012). During the year an option to rectify an incorrectly declared size category directly after ECHA has initiated verification was introduced. This option allowed the companies to benefit from a 50% reduction in the administrative charge. A significant number of companies chose this option which resulted in an increased number of invoices issued during the year. In accordance with article 58a of the Agency's current Financial Regulation, the accounting officer shall indicate decisions by the Authorising Officer to waive or partially waive recovery of established amounts. The list is added to the Agency's

report on budgetary and financial management. In the year 2013, bank charges were deducted by the senders' banks for 44 invoices *(10 invoices in 2012)* related to REACH fee income. For management efficiency reasons these invoices were considered paid and therefore a total amount of €813 *(€115 in 2012*) was waived.

B) Biocidal Product Fees

During 2013, ECHA issued 248 debit notes for a total amount of €560,200. Altogether 33 credit notes for a total amount of €121,000 were issued. In addition, there were 43 cases for a total amount of €30,100 where the registration was rejected in accordance with the Biocidal Product Fee Regulation as no payment was received from the registrant by the set payment deadline.

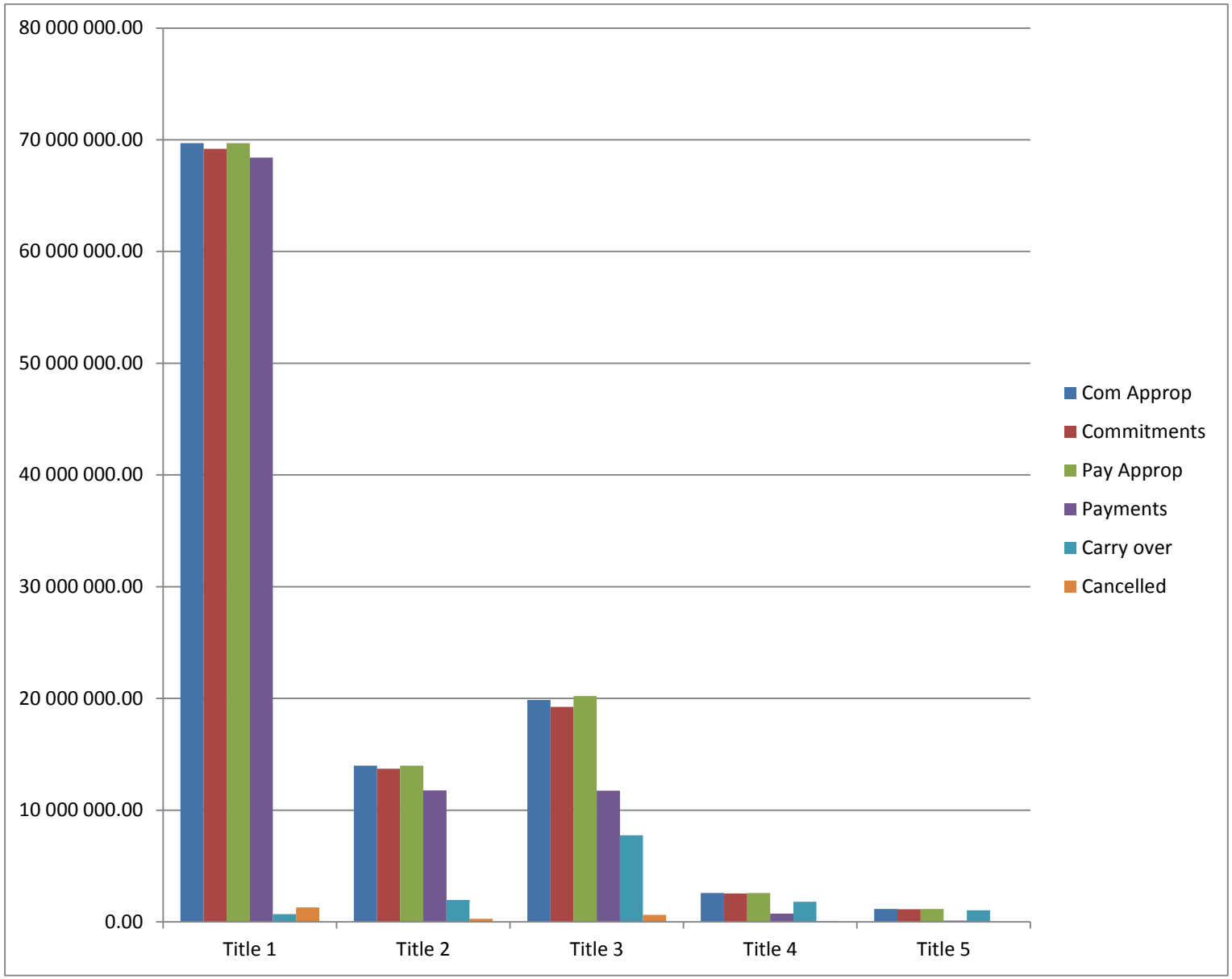
In accordance with article 58a of the Agency's current Financial Regulation, the accounting officer shall indicate decisions by the Authorising Officer to waive or partially waive recovery of established amounts. The list is added to the Agency's report on budgetary and financial management. During 2013 no waivers or partially waived fees decisions were taken.

2.2.2 Expenditure

Budget expenditure includes payments made during the year plus the carry-over of budgetary appropriations. The following table and chart present a summary of the budget expenditure execution (C1 credits):

BL	Budget Line Desciption	Voted Budget Payment Appropriations	Amending budgets Payment Appropriations	Transfers	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Carry over %	Cancelled (1)-(2), For Title 1 (3)-(4)	Cancelled %
Title 1	STAFF	64 041 000.00	6 051 400.00	-384 310.00	69 708 090.00	69 192 863.69	99.26%	69 708 090.00	68 414 989.23	98.14%	688 238.95	0.99%	1 293 100.77	1.86%
Title 2	BUILDING, EQUIPMENT AND MISCELL. OPER EXPEND	15 857 800.00	-1 703 600.00	-162 720.00	13 991 480.00	13 712 520.57	98.01%	13 991 480.00	11 756 139.03	84.02%	1 956 381.54	14.27%	278 959.43	1.99%
Title 3	OPERATIONAL EXPENDITURE - REACH	23 907 830.00	-3 698 800.00	0.00	19 858 200.00	19 245 484.55	96.91%	20 209 030.00	11 741 766.10	58.10%	7 755 935.50	40.30%	612 715.45	3.03%
Title 4	OPERATIONAL EXPENDITURE - BIOCIDE	1 726 000.00	515 200.00	332 320.00	2 573 520.00	2 534 242.25	98.47%	2 573 520.00	739 880.69	28.75%	1 794 876.81	70.82%	39 277.75	1.53%
Title 5	OPERATIONAL EXPENDITURE - PIC	935 100.00	0.00	214 710.00	1 149 810.00	1 141 444.70	99.27%	1 149 810.00	104 830.49	9.12%	1 036 614.21	90.82%	8 365.30	0.73%
	total	**106 467 730.00**	**1 164 200.00**	**0.00**	**107 281 100.00**	**105 826 555.76**	**98.64%**	**107 631 930.00**	**92 757 605.54**	**86.18%**	**13 232 047.01**	**12.50%**	**1 454 544.24**	**1.35%**

Note: As ECHA operates with both differentiated (multiannual) and non-differentiated (annual) budget lines, the funds reserved for commitments (commitment appropriations) do not equal the funds reserved for payments (payment appropriations). The payment appropriations in 2013 exceed the commitment appropriations by the amount that corresponds to the obligations from commitments established in previous years on the differentiated budget line for international activities. The results for the administrative titles 1 and 2 are combined for all three Regulations.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BL	Budget Line Desciption	Voted Budget Payment Appropriations	Amending budgets Payment Appropriations	Transfers	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Carry over %	Cancelled (1)-(2)	Cancelled %
REACH														
B03003	Registration, datasharing and dissemination	1 247 000.00	-116 000.00		1 131 000.00	1 087 024.63	96.11%	1 131 000.00	788 072.31	69.68%	298 952.32	27.50%	43 975.37	3.89%
B03004	Evaluation	2 191 000.00	-238 500.00		1 952 500.00	1 950 153.75	99.88%	1 952 500.00	252 602.25	12.94%	1 697 551.50	87.05%	2 346.25	0.12%
B03005	Authorisations and restrictions	834 800.00	-364 500.00		470 300.00	464 096.34	98.68%	470 300.00	191 792.34	40.78%	272 304.00	58.67%	6 203.66	1.32%
B03006	Classification and labelling	178 000.00	-141 800.00		36 200.00	35 375.32	97.72%	36 200.00	25 664.32	70.90%	9 711.00	27.45%	824.68	2.28%
B03007	Advice, assistance through guidance and helpdesk	277 800.00	-110 500.00		167 300.00	159 490.88	95.33%	167 300.00	159 490.88	95.33%	0.00	0.00%	7 809.12	4.67%
B03008	Scientific IT tools	10 268 800.00	-732 000.00		9 536 800.00	9 357 006.04	98.11%	9 536 800.00	5 706 148.81	59.83%	3 650 857.23	39.02%	179 793.96	1.89%
B03009	Scientif technic advice to EU institut and bodies	230 800.00	-127 300.00		103 500.00	98 801.28	95.46%	103 500.00	84 906.28	82.04%	13 895.00	14.06%	4 698.72	4.54%
B03011	Committees and Forum	1 563 400.00	-120 400.00	-113 100.14	1 329 899.86	1 235 160.24	92.88%	1 329 899.86	894 873.06	67.29%	340 287.18	27.55%	94 739.62	7.12%
B03012	Board of appeal	105 000.00	-46 000.00		59 000.00	52 981.08	89.80%	59 000.00	24 430.44	41.41%	28 550.64	53.89%	6 018.92	10.20%
B03013	Communications including translations	4 053 800.00	-1 091 900.00		2 961 900.00	2 902 492.26	97.99%	2 961 900.00	1 972 239.55	66.59%	930 252.71	32.05%	59 407.74	2.01%
B03022	Management Board and management of the Agency	1 516 600.00	-207 000.00		1 309 600.00	1 260 983.33	96.29%	1 309 600.00	806 692.47	61.60%	454 290.86	36.03%	48 616.67	3.71%
B03030	Missions	650 000.00	-132 400.00		517 600.00	420 919.26	81.32%	517 600.00	361 636.20	69.87%	59 283.06	14.08%	96 680.74	18.68%
B03111	Committees and Forum (Multiannual)	0.00		113 100.14	113 100.14	113 100.14	100.00%	113 100.14	0.00	0.00%	0.00	0.00%	0.00	0.00%
B03801	Cooperation with internat organisat for IT program	790 830.00	-270 500.00		169 500.00	107 900.00	63.66%	520 330.00	473 217.19	90.95%	0.00	0.00%	61 600.00	11.84%
		23 907 830.00	**-3 698 800.00**	**0.00**	**19 858 200.00**	**19 245 484.55**	**96.91%**	**20 209 030.00**	**11 741 766.10**	**58.10%**	**7 755 935.50**	**40.30%**	**612 715.45**	**3.03%**
BIOCIDE														
B04003	Submissions, datasharing, dissemination	15 900.00		-15 900.00	0.00	0.00	0.00%	0.00	0.00	0.00%		#DIV/0!	0.00	#DIV/0!
B04007	Advice assistance through guidance and helpdesk	27 500.00	40 000.00	-35 392.35	32 107.65	30 760.52	95.80%	32 107.65	30 760.52	95.80%	0.00	0.00%	1 347.13	4.20%
B04008	Scientific IT tools	918 700.00	360 000.00	744 846.00	2 023 546.00	2 022 389.89	99.94%	2 023 546.00	391 566.98	19.35%	1 630 822.91	80.64%	1 156.11	0.06%
B04009	Scientif technic advice to EU institut and bodies	17 900.00		-2 837.76	15 062.24	15 062.24	100.00%	15 062.24	12 137.24	80.58%	2 925.00	19.42%	0.00	0.00%
B04011	Biocidal products Committee and Rapporteurs	224 500.00		-84 312.12	140 187.88	136 964.15	97.70%	140 187.88	88 690.95	63.27%	48 273.20	35.25%	3 223.73	2.30%
B04012	Board of Appeal	14 300.00		-10 300.00	4 000.00	3 403.32	85.08%	4 000.00	3 403.32	85.08%	0.00	0.00%	596.68	14.92%
B04013	Communications including Translations	289 300.00	115 200.00	-187 808.02	216 691.98	211 444.57	97.58%	216 691.98	119 250.95	55.03%	92 193.62	43.60%	5 247.41	2.42%
B04022	Management Board and management of the Agency	92 500.00		-36 591.00	55 909.00	49 254.03	88.10%	55 909.00	38 430.25	68.74%	10 823.78	21.98%	6 654.97	11.90%
B04030	Missions	85 500.00		0.00	85 500.00	64 963.53	75.98%	85 500.00	55 125.23	64.47%	9 838.30	15.14%	20 536.47	24.02%
B04801	Cooperation with internat organisat for IT program	39 900.00		-39 384.75	515.25	0.00	0.00%	515.25	515.25	100.00%	0.00	#DIV/0!	515.25	100.00%
		1 726 000.00	**515 200.00**	**332 320.00**	**2 573 520.00**	**2 534 242.25**	**98.47%**	**2 573 520.00**	**739 880.69**	**28.75%**	**1 794 876.81**	**70.82%**	**39 277.75**	**1.53%**
PIC														
B05000	Studies and consultants	100 000.00		-99 997.60	2.40	0.00	0.00%	2.40	0.00	0.00%		#DIV/0!	2.40	100.00%
B05007	Advice assistance through guidance and helpdesk	20 000.00		-20 000.00	0.00	0.00	0.00%	0.00	0.00	0.00%		#DIV/0!	0.00	#DIV/0!
B05008	Scientific IT tools	657 600.00		395 390.00	1 052 990.00	1 052 824.82	99.98%	1 052 990.00	21 868.06	2.08%	1 030 956.76	97.92%	165.18	0.02%
B05011	Meetings with the DNAs and experts on PIC implem	57 100.00		5 227.60	62 327.60	59 106.95	94.83%	62 327.60	59 106.95	94.83%	0.00	0.00%	3 220.65	5.17%
B05013	Communications including Translations	70 400.00		-65 910.00	4 490.00	3 517.28	78.34%	4 490.00	3 497.73	77.90%	19.55	0.56%	972.72	21.66%
B05030	Missions	30 000.00		0.00	30 000.00	25 995.65	86.65%	30 000.00	20 357.75	67.86%	5 637.90	21.69%	4 004.35	13.35%
		935 100.00	**0.00**	**214 710.00**	**1 149 810.00**	**1 141 444.70**	**99.27%**	**1 149 810.00**	**104 830.49**	**9.12%**	**1 036 614.21**	**90.82%**	**8 365.30**	**0.73%**

BL	Budget Line Desciption	Commitment Appropriation Transaction Amount (1)	Executed Commitment Amount (2)	% Committed (2)/(1)	Payment Appropriation Transaction Amount (3)	Executed Payment Amount (4)	% Paid (4)/(3)	Carried over RAL (C8) (2)-(4)	Cancelled (1)-(2)
A-11	STAFF IN ACTIVE EMPLOYMENT	64 622 147.53	64 579 413.76	99.93%	64 622 147.53	64 489 778.25	99.80%	0.00	42 733.77
A-12	MISCELL EXPEND ON STAFF RECRUITMENT AND TRANSFER	866 737.89	764 955.39	88.26%	866 737.89	700 052.37	80.77%	64 903.02	101 782.50
A-13	MISSIONS AND DUTY TRAVEL	50 000.00	44 008.17	88.02%	50 000.00	44 008.17	88.02%	0.00	5 991.83
A-14	SOCIO-MEDICAL INFRASTRUCTURE AND SOCIAL WELFARE	620 260.56	545 733.84	87.98%	620 260.56	374 600.77	60.39%	171 133.07	74 526.72
A-15	TRAINING	1 436 879.83	1 227 952.97	85.46%	1 436 879.83	1 041 173.69	72.46%	186 779.28	208 926.86
A-16	EXTERNAL SERVICES	2 105 252.94	2 026 655.37	96.27%	2 105 252.94	1 762 352.80	83.71%	264 302.57	78 597.57
A-17	ENTERTAINMENT AND REPRESENTATION EXPENSES	6 811.25	4 144.19	60.84%	6 811.25	3 023.18	44.39%	1 121.01	2 667.06
	total Title 1	**69 708 090.00**	**69 192 863.69**	**99.26%**	**69 708 090.00**	**68 414 989.23**	**98.14%**	**688 238.95**	**515 226.31**
A-20	RENTAL OF BUILDINGS AND ASSOCIATED COSTS	7 732 412.65	7 616 989.78	98.51%	7 732 412.65	7 392 418.67	95.60%	224 571.11	115 422.87
A-21	INFORMATION AND COMMUNICATION TECHNOLOGY	5 437 130.36	5 365 055.19	98.67%	5 437 130.36	3 807 571.19	70.03%	1 557 484.00	72 075.17
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	433 502.49	353 546.97	81.56%	433 502.49	242 804.86	56.01%	110 742.11	79 955.52
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	381 434.50	371 958.52	97.52%	381 434.50	308 448.88	80.87%	63 509.64	9 475.98
A-25	MEETINGS EXPENDITURE	7 000.00	4 970.11	71.00%	7 000.00	4 895.43	69.93%	74.68	2 029.89
	total Title 2	**13 991 480.00**	**13 712 520.57**	**98.01%**	**13 991 480.00**	**11 756 139.03**	**84.02%**	**1 956 381.54**	**278 959.43**
B3-0	REACH	19 575 599.86	19 024 484.41	97.18%	19 575 599.86	11 268 548.91	57.56%	7 755 935.50	551 115.45
B3-1	MULTI-ANNUAL ACTIVITIES	113 100.14	113 100.14	100.00%	113 100.14	0.00	0.00%	0.00	0.00
B3-8	INTERNATIONAL ACTIVITIES	169 500.00	107 900.00	63.66%	520 330.00	473 217.19	90.95%	0.00	61 600.00
	total Title 3	**19 858 200.00**	**19 245 484.55**	**96.91%**	**20 209 030.00**	**11 741 766.10**	**58.10%**	**7 755 935.50**	**612 715.45**
B4-0	BIOCIDES	2 573 004.75	2 534 242.25	98.49%	2 573 004.75	739 365.44	28.74%	1 794 876.81	38 762.50
B4-8	INTERNATIONAL ACTIVITIES	515.25	0.00	0.00%	515.25	515.25	100.00%	0.00	515.25
	total Title 4	**2 573 520.00**	**2 534 242.25**	**98.47%**	**2 573 520.00**	**739 880.69**	**28.75%**	**1 794 876.81**	**39 277.75**
B5-0	PIC	1 149 810.00	1 141 444.70	99.27%	1 149 810.00	104 830.49	9.12%	1 036 614.21	8 365.30
	total Title 5	**1 149 810.00**	**1 141 444.70**	**99.27%**	**1 149 810.00**	**104 830.49**	**9.12%**	**1 036 614.21**	**8 365.30**
	total C1	**107 281 100.00**	**105 826 555.76**	**98.64%**	**107 631 930.00**	**92 757 605.54**	**86.18%**	**13 232 047.01**	**1 454 544.24**

BL	Desciption	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-12	MISCELL EXPEND ON STAFF RECRUITMENT AND TRANSFER	8 775.00	8 633.19	98.38%	8 775.00	8 633.19	98.38%	141.81	141.81
A-22	MOVABLE PROPERTY AND ASSOCIATED COSTS	184.60	0.00	0.00%	184.60	0.00	0.00%	184.60	184.60
A-23	CURRENT ADMINISTRATIVE EXPENDITURE	1 388.58	0.00	0.00%	1 388.58	0.00	0.00%	1 388.58	1 388.58
B3-0	REACH	52.01	52.01	100.00%	52.01	52.01	100.00%	0.00	0.00
B4-0	BIOCIDES	492.61	0.00	0.00%	492.61	0.00	0.00%	492.61	492.61
	Total C4	**10 892.80**	**8 685.20**	**79.73%**	**10 892.80**	**8 685.20**	**79.73%**	**2 207.60**	**2 207.60**

BL	Desciption	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-15	TRAINING	150.00	150.00	100.00%	150.00	150.00	100.00%	0.00	0.00
B3-0	REACH	6 909.96	6 909.96	100.00%	6 909.96	6 909.96	100.00%	0.00	0.00
	Total C5	**7 059.96**	**7 059.96**	**100.00%**	**7 059.96**	**7 059.96**	**100.00%**	**0.00**	**0.00**

BL	Desciption	Commitments Appropriations	Commitments Established	Com %	Payments Appropriations	Payments Executed	Pay%	Carried over commitment appropriations	Carried over payment appropriations
A-11	STAFF IN ACTIVE EMPLOYMENT	70 328.59	44 850.47	63.77%	70 328.59	41 165.91	58.53%	25 478.12	29 162.68
B-39	EARMARKED OPERATIONS	225 240.68	110 612.43	49.11%	225 240.68	85 676.78	38.04%	114 628.25	139 563.90
B-49	EARMARKED OPERATIONS	262 868.11	84 446.84	98.41%	262 868.11	84 446.84	98.41%	178 421.27	178 421.27
	Total R0	**558 437.38**	**239 909.74**	**42.96%**	**558 437.38**	**211 289.53**	**98.41%**	**318 527.64**	**347 147.85**

		576 390.14	**255 654.90**	**44.35%**	**576 390.14**	**227 034.69**	**98.41%**	**320 735.24**	**349 355.45**

Title 1: staff expenditure

The initially adopted budget for Title 1 in 2013 (€64,041,000) was increased via the first amending budget for REACH by €10,618,000 for the payment of the employer's part of the pension contribution and for Biocides by €288,700 to allocate the Commission fee guarantee to paying part of the staff costs.

Towards the end of the year, the REACH part was reduced by €4,855,600 via the third amending budget while the Biocides and PIC parts were reduced by €384,310 via transfers to the operational Titles 4 and 5. For REACH/CLP, the main reason for the difference between the estimated and actual budget needs in Title 1 was mainly constituted by the funds reserved for the retroactive payment of the salary indexations of 2011 that remained unused following the negative opinion of the Court of Justice on the proposed increases. Additional reasons for reduced staff expenses were the number of vacant posts and in particular those of high grades, and the consequent reduced ancillary costs such as recruitment, removal and medical expenses.

As a result, the execution rate for Title 1 reached 99.3%.

Title 2: infrastructure expenditure

When comparing the actual committed vs. budgeted expenditure, the expenditure of Title 2 was 98% of the amended budget (€13,712,520.57 vs. €15,857,800).

The decrease by around 11.8% of the initially adopted budget (€1,866,320) results from the cancellation of the setting up of the daycare facility and its ancillary costs as well as from the postponement to 2014 of the electricity system upgrade that will be implemented under the supervision of the landlord. Additionally, several minor surpluses that add up to one significant amount are present in lines of administrative and thus unpredictable nature.

The biggest expenditure areas, apart from the rent of the building, were the IT hosting services, the costs of security, cleaning and electricity of the building, purchases of IT hardware, software and their maintenance.

Title 3: operational expenditure REACH and CLP

When comparing the actual committed expenditure against the budgeted expenditure, the expenditure of Title 3 amounted to 96.9% of the amended budget (€19,245,484.55 vs. €19,858,200). The decrease by 15.7% of the initially adopted budget (€23,604,324) was due to several factors that occurred in the area of REACH operations as follows:

- Activity 1, Registration (€116 thousand) where several economies were achieve to both outsourced services and to meeting reimbursements. Additionally, 2 SID related events were considered no longer necessary due to the relevant issues being resolved by other means;

- Activity 2 – Evaluation (€238 thousand) where one workshop less was needed. Additionally, two technical meetings on dossier evaluation were replaced by other communication;

- Activity 3, Authorisation and Restrictions (€364 thousand), where a large proportion of services were not outsourced as the expertise was available in-house. Additionally, several events such as the NeRSAP conference were either postponed to 2014 or cancelled;

- Activity 4, Classification and labelling (€141 thousand) where projects were either implemented with own resources or cancelled;

- Activity 5, Advice and assistance through guidance and helpdesk (€110 thousand), where several foreseen meetings were cancelled or postponed to 2014 due to the need to develop practical examples, to solve the reporting on information on risk characterisation for physicochemical properties and wait for the outcome of the WP 4.3 of the CSA programme to plan the update of Part E on the framework of that scoping project. In addition, the final cost for HelpNet meetings was less than initially budgeted due to the lower number of participants as foreseen;

- Activity 6, IT support to the operations (€732 thousand), where some projects were cancelled, such as the Business Objects extension, or delayed due to unavailability of contractors to provide the needed resources, such as the SharePoint consultancy. Furthermore, the project of REACH-IT 3.0 experienced delay in the definition of its scope;

- Activity 7, Scientific and technical advice to EU institutions and bodies (€127 thousand), where two Nano-materials meetings were held back-to-back conserving significant savings. Further savings resulted from the cancellation of a project due to JRC's agreement on undertaking the work as the normal part of their work programme;

- Activity 8: Committees and Forum (€120 thousand), where the foreseen study on methodology to recommend analytical methods will be carried out by the Member States and the WG without outsourcing, the SIA project did not take place in 2013 and the training for national coordinators was cancelled. For some of the materialised meetings the final costs were less than initially budgeted due to the lower number of participants as foreseen;

- Activity 10, Communications including translations (€1.09 million), where documents planned for translation into 22 languages were cancelled or delayed, four videos were postponed to 2014 and the web based work on the project to improve the dissemination of information on chemicals will now only kick off in 2014;

- Activity 11, Cooperation with international organisations for IT programs (€270 thousand) where several payments in respect of multiannual obligations either took place in the end of the previous year or have been postponed to 2014;

- Activity 12, Management (€207 thousand), several consultancy projects as well as audits were postponed to 2014;

Title 4: operational expenditure Biocides

When comparing the actual committed expenditure against the budgeted expenditure, the expenditure of Title 4 amounted to 98.5% of the amended budget after the transfers made (€2,534,252.25 vs. €2,573,520). The increase by 49.1% of the initially adopted budget via the first amending budget and via transfers from the administrative Titles was due to significant investment needs in the area of IT development. Part of the transfers from the administrative Titles of the budget to the operational Titles was approved by the Agency's Management Board.

Title 5: operational expenditure PIC

When comparing the actual committed expenditure against the budgeted expenditure, the expenditure of Title 5 amounted to 99.3% of the amended budget after the transfer made (€1,141,444.70 vs. €1,149,810). The increase by 23% of the initially adopted budget via transfers from the administrative Titles was due to significant investment needs in the area of IT development. Part of the transfers from the administrative Titles of the budget to the operational Titles was approved by the Agency's Management Board.

Carry over to budget year 2014

Commitments are entered in the accounts on the basis of the legal commitments signed before 31 December and payments on the basis of the payments made by the accounting officer by 31 December of that year.

Non-differentiated commitment and payment appropriations, corresponding to obligations duly contracted at the close of the financial year, are carried over automatically to the following financial year.

For the REACH budget line 3801 "Cooperation with international organisations for IT programs" which has differentiated appropriations, the amount of commitments made, and for which future payment appropriations are necessary, amounted to €107,900 as of 31 December 2013 (€209,827.67 as of 31 December 2012). ECHA also introduced a new budget line 3111 for "Committees and Forum (Multiannual)", whose necessity derives from the regulatory obligations and in particular from the multiannual nature of the Authorisation process. Under this budget line the amount of commitments made and for which future payment appropriations are necessary amounted to €113,100.14 as of 31.12.2013.

The carry-over of commitment and payment appropriations (€13,232,047.01) mainly relates to IT costs for support to REACH operations (€3,650,857.23 covering IUCLID, REACH-IT, Odyssey, portal dashboard, Chesar and Documentum applications), IT costs for support of Biocides operations (€ 1,630,822.91), IT costs for support of PIC operations (€1,030,956.76) as well as to the general administration of the Agency (€1,557,484 covering hosting services, sharepoint consultancy, the new HR system, the system for the management of the declarations for conflicts of interest, general hardware and consultancy). A significant amount (€1,652,719.50) is also carried over to cover the costs for the Member State Competent Authorities for the work done in the context of substance evaluation procedure for which the work was still on-going at the year-end. Communication costs carried over include translations ordered and other costs such as media monitoring, ECHA terminology database (€930,252.71 for REACH, €92,193.62 for Biocides and €19.55 for PIC).

Furthermore, it was necessary to carry over the committed reimbursement costs for participants to meetings which were to take place in early 2014 for which invitations had to be sent out before the end of the 2013 as well as for meetings that took place close to year-end of 2013 (€220,497.22). Some carry-over (€149,733) resulted also from outstanding reimbursements to the committee rapporteurs on restriction dossiers. Finally, interim staff costs (€435,639.57) and other staff related costs, such as outstanding reimbursements to candidates invited to recruitment interviews, medical examinations, administrative assistance from other institutions, training and interim staff, were also carried over (€427,345.38).

The carry-over percentage ended at the level of 12.5% of the established commitments combined for the REACH/CLP, Biocides and PIC Regulation implementation which is an improvement of 2.6 percentage points compared to the previous year (15.1%).

Further reduction in the level of carry-over for REACH/CLP is becoming increasingly challenging as ECHA manages several large-scale projects, especially in the field of IT systems development, which are of a longer term and multi-annual nature. Additionally, the 12 month deadlines for the work assigned to the Member State Competent Authorities in the context of substance evaluation procedures originate from the REACH Regulation and it is not feasible to expect that the amounts budgeted for one calendar year could both be committed and paid for within the same year. Finally, in many cases, the carry-over is merely a result of a failure at the contractor's side to present the invoice for payment before the end of the calendar year.

Concerning Biocides and PIC, despite being still in a start-up phase, the carry-over rate has improved significantly compared to the previous year. Specifically, for the Biocides activities an improvement was achieved by 18.6 percentage points (29.3% compared to 47.9%) and for PIC by 17.3 percentage points (70% compared to 87.3%). The main driver for the still high carry-over rates is the multi-annual scientific IT systems development projects but it is expected that the carry-over rates will significantly improve once the projects have been completed.

Cancellations of carried over appropriations (C8)

A total amount of €1,385,342.99 was cancelled from the total amount of €14,379,576.5 of commitment and payment appropriations that were carried over from the budget of 2012. This results mainly from the surpluses of 191 commitments that were not paid in full for several reasons, such as resigned interim staff, earlier finalisation of projects, decreased volume of man-days used, lower number of meeting participants than invited or more economical prices obtained. In fact, 50% of the total cancelled carried over appropriations result from the cancellation of only 15 commitments and the average participation per commitment to the total of the cancelled credits is 0.33% per case.

2.3 Risk Management

In accordance with the ED decision 29/2010 on Risk Management in ECHA, an annual risk assessment exercise is conducted in order to identify, assess and manage the potential events that could put at risk the achievement of the objectives defined in the annual Work Programme. The exercise is an integral part of the Work Programme preparation. The Senior management follows up the implementation and reviews the effectiveness of the risk mitigation measures on a quarterly basis.

Based on this assessment, ECHA's management identified seven main risks which were included in the corporate level Risk Register. The senior management also agreed that all these risks should be reduced through specific actions that were described in the action plan relating to the Risk Register.

Regular follow-up of the actions was undertaken during the year. In the last follow-up done in the beginning of 2014, the Management concluded that the actions taken to mitigate the risks have been implemented according to the plan, have proved to be cost-effective and have not lead to major secondary risks. Among the most important actions completed in order to mitigate the risks are a number of efficiency improvements in the dossier evaluation process having resulted in achievement of the 5% target of compliance checks performed on dossiers registered in 2010. A lot of staff retention initiatives, including adoption of the staff retention policy have taken place in order to mitigate the risk of high staff turnover. The risks related to the entering into force of the Biocides' Regulation have been tackled through close involvement of the Management in the IT systems development and a number of fallback plans.

In 2013 efforts have been also made towards expanding the risk management exercise to Activity and process level.

2.4 ECHA Integrated Management Standards

The Management Board adopted the new ECHA Integrated Management Standards, replacing the ECHA Quality and Internal Control Standards on 17 December 2013 and instructed the Executive Director to implement them as of 01 January 2014.

Background:

The requirement for establishment, implementation and maintenance of an internal control system are stipulated in Article 38(4) of ECHA Financial Regulation and Article 44 (2) of the Framework Financial Regulation[8].

The Commission's revised Internal control standards bringing the number of the standards to 16 from 24 entered into force on 01 January 2008.

Since the establishment of ECHA, its Management has been committed to implement an integrated quality management system aiming at ISO 9001 certification. That

[8] "The authorising officer shall put in place, in compliance with the minimum standards adopted by the Management board on the basis of equivalent standards laid down by the Commission for its own departments, and having due regard to the risks associated with the management environment and the nature of the action financed, the organisational structure and the **internal management and control systems** and procedures suited to the performance of his duties, including where appropriate ex post verifications."

commitment has required that ECHA adopts not only Internal control, but also Quality management standards. Thus the Management Board, at its meeting of 24 September 2008, adopted the Quality and Internal Control Standards based on the standards of the European Commission and the requirements of ISO 9001 standard.

The New Framework Financial Regulation (adopted on 30 September 2013 and entering into force as of 01 January 2014) brought a number of new provisions focusing on the elimination of multiple controls and improving the cost-benefit ratios of controls. The new Regulation foresees that the Authorising officers assess the efficiency and effectiveness of the internal control systems, including an overall assessment of the costs and benefits of controls (Articles 30(3)[9], 30(4)[10] and 47(1)[11]).

In view of setting the foundations for meeting those future requirements (applicable as of year 2014) and as a result of the initiatives taken to improve the overall efficiency of the Agency[12], ECHA revised its Quality and Internal Control Standards in December 2013.

The New Standards

The new Integrated Management Standards follow a simplified structure with clear requirements, where overlaps between quality and internal control elements are cleaned and the concept of efficiency and cost-effectiveness (in line with the new New Framework Financial Regulation) is introduced.

The assessment of the Agency's management system reflected in the Annual Activity Report of the Authorising Officer is done based on the new Standards (Annex II).

[9] **Article 30 Internal control of budget implementation**
(3) Effective internal control shall be based on best international practices and include, in particular, the following:
- segregation of tasks;
- **an appropriate risk management and control strategy including control at recipient level;**
- avoidance of conflicts of interests;
- adequate audit trails and data integrity in data systems;
- procedures for monitoring of performance and for follow-up of identified internal control weaknesses and exceptions;
- periodic assessment of the sound functioning of the internal control system.

[10] **Article 30 Internal control of budget implementation**
(4) **Efficient** internal control shall be based on the following elements:
- the implementation of an appropriate risk management and control strategy coordinated among appropriate actors involved in the control chain;
- the accessibility for all appropriate actors in the control chain of the results of controls carried out;
- reliance, where appropriate, on independent audit opinions, provided that the quality of the underlying work is adequate and acceptable and that it was performed in accordance with agreed standards;
- the timely application of corrective measures including, where appropriate, dissuasive penalties;
- **the elimination of multiple controls;**
- **improving the cost-benefit ratio of controls**

[11] **Article 47 Consolidated Annual Activity Report**
(1) The consolidated annual activity report shall indicate the results of the operations by reference to the objectives set, the risks associated with the operations, the use made of the resources provided and the **efficiency and effectiveness of the internal control systems, including an overall assessment of the costs and benefits of controls.**

[12] See point 2.5 "Specific efforts to improve the economy and efficiency of financial and non-financial activities"

2.5 Specific efforts to improve the economy and efficiency of financial and non-financial activities

Following the general economic situation and in an effort to build the foundations for the 4th Strategic objective[13], in 2013 ECHA started significant efforts to increase its efficiency.

An efficiency competition was conducted among staff members where 24 good efficiency ideas were collected. Implementing some of those ideas is a priority for the Senior management in 2014.

An efficiency project was conducted in order to prepare a proposal for the Efficiency Development Programme. The project focused on identifying new ways of tackling process weaknesses, inefficiencies and finding improvements. Two pilot studies were conducted: a process capability study in the area of dossier evaluation, where an example of measurement analysis was demonstrated and a planning and reporting case study where opportunities for streamlining were identified. A Management seminar on Efficiency was conducted in November 2013 where the conclusions of the two projects above were presented together with a number of ideas to fit under an Efficiency Programme for the years 2014-2016. The Senior Management decided to align the ideas with the initiatives and projects already on-going at the Agency and to elaborate on the projects to run under the Efficiency Programme for the years 2014-2016. Thus, the Programme will be implemented through a number of projects aiming at streamlining selected processes and following a step-wise approach, thus ensuring realistic planning and analysis of the lessons learned before investing resources for the next stage. The Programme is expected to lead to an overall improvement in the efficiency of the Agency, so that the ratio between the resources used and outputs delivered improves over the years 2014-2016.

[13] Embracing current and new legislative tasks efficiently and effectively, while adapting to upcoming resource constraints - ECHA Multi-Annual Work Programme 2014-2018

PART III BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE

3.1 Assessment by Management

As required by ECHA Financial Regulation (and the new Framework Financial Regulation), the Authorising Officer performed an assessment of the efficiency and effectiveness of the internal control system, based on the new ECHA Integrated Management Standards[14] (Annex II).

In addition, and in order to fulfil the requirements of the Quality management standard ISO 9001:2008, a Management review meeting took place on 24 February 2014. A number of surveys and other sources of information were analysed in order to draw conclusions.

The overall conclusion of the meeting was to continue with the initiatives under the Efficiency development programme, foreseen to start in 2014, which is expected to offer further opportunities for streamlining controls and overall improving the efficiency of ECHA Management system.

With regard to the first building block "Governance", it was concluded that the mission and ethical and organisational values are defined from the perspective of the Agency's stakeholders, and well communicated inside and outside the organisation. In 2014, efforts will be invested in further optimisation of the stakeholders' process and in strengthening the fraud prevention policy of ECHA. Actions stemming from the staff and stakeholders' surveys conducted in 2013 will be implemented in 2014.

The second building block covering strategy, planning and risk management was considered well-functioning, with an overall conclusion to continue further embedding risk management in the decision making process at all levels.

The third building block "Operations and operational structure" was reviewed with the conclusion that the Agency has regularly and effectively tested security and business continuity policies and an improving information management system. With regard to the process design, it was decided to continue the efforts towards establishing relevant quality objectives and process indicators.

The fourth building block "Evaluation and improvement" was considered functioning, however with a number of improvement opportunities in view of gaining efficiency in the area of monitoring and measurement.

3.2 Prevention of Conflicts of Interest

General

The policy concerning the management of potential conflicts of interest, adopted by the Management Board in September 2011, has been further implemented with specific decisions of the Executive Director, further integrated in the ECHA processes and largely communicated within the Agency. Several key documents were reviewed

[14] See point 2.4 "ECHA Integrated Management Standards"

(e.g. the eligibility criteria for members of ECHA bodies, the internal work instruction for prevention of conflicts of interest), while additional guidance documents were developed (e.g. General Principles and Guidance for the Committees and the Forum and Guidance for the Committee and Forum Chairs on possible mitigating measures). Compulsory trainings and workshops on conflicts of interest and ethics have been organised for all staff and managers.

The Conflict of Interest Advisory Committee met at three occasions during the year to advise the management of the Agency on specific matters related to the implementation of its conflict of interest policy. In preparation of a review of the policy in 2014, an external audit firm was hired to review the implementation status against the 2012 findings of the Court of Auditors (ECA). The external auditor concluded that ECHA "fully recognises their responsibilities with regards the management of potential conflicts of interest and have been proactive and positive in ensuring that their policies and procedures address both the issues raised in the ECA report and other potential risks that ECHA have foreseen themselves". Also the European Ombudsman, in the context of his own initiative inquiry (OI/12/2012/EIS), "applauded the fact that ECHA has adopted concrete measures to implement the findings of the Court of Auditors" and considered that ECHA has implemented his suggestions in this regard.

Implementation

In its policy, ECHA has defined that all members of ECHA bodies and all staff members submit annually a declaration of interest to the Secretariat. The declarations of the members of the ECHA bodies and of the ECHA managers are published on the ECHA website for transparency purposes.

On this basis, ECHA has implemented an approach which involves a systematic check for potential conflicts before assigning tasks to staff members. Based on a thorough risk assessment of its activities, the Agency has identified the processes and sub-process that require (conflict of) interest management. For more than 30 processes, sub-processes or process steps conflict of interest checks are performed, including the main operational processes of the Agency, as well as important administrative processes such as procurement and selection procedures. In all of these processes a review of the annual declaration of interest is performed by the process owner each time a task is assigned to a staff member, while in some sensitive processes this is complemented with a case-specific no-interest declaration by the staff member. In case of a potential conflict the case is assigned to a different staff member. The approach is documented in detailed work instructions and guidance is available to the interest managers to deal with individual cases. As a result, no actual case of a conflict of interest has been identified in 2013.

At the time of their appointment all members of the ECHA bodies are assessed against the eligibility criteria agreed upon by the Management Board. Once they take up their function their annual declaration of interest is reviewed by the respective chair and published on the ECHA website. Before each meeting specific declarations with regard to the items on the agenda are collected and documented in the (publicly available) minutes together with the mitigating measures imposed. As the large majority of the members of the ECHA bodies are Member State public officials, most conflicts of interest declared by the members concerned involvement in the preparation of a dossier submitted by their Member State Competent Authority. In all such cases, the members concerned were considered not to be in a position to participate to the voting

on such dossiers.

Post-employment

When leaving the service of the Agency, members of staff have to sign a declaration related to post-employment duties. There were 36 staff members who left ECHA in 2013, 58% of them went to another EU institution, body or agency. Furthermore, one staff member left to a Member State public employer, one staff member left to the private sector (not regulated by ECHA) and one went to a non-governmental organisation (not in the field of chemicals management). In the remaining cases (22%), the departure was due to the end of contract, unemployment after resignation or retirement. In 2013 the appointing authority did not identify the need to impose any specific conditions on post-employments, besides those already foreseen in the applicable regulations (e.g. non-disclosure of confidential information). No breach of trust or disciplinary procedure was initiated in the area of conflict of interest management.

3.3 Data protection

The year 2013 brought a certain maturity to Data Protection compliance at ECHA, as a complete register of processing operations was attained, containing notifications for 100% of the processes involving personal data, as identified in the inventory of the Data Protection Officer (DPO). At the same time, the DPO managed to send notifications for prior checking to the European Data Protection Supervisor (EDPS) for the final processes where this was necessary. This included notifications for the following processes: leave and time management, internal mobility, teleworking, conflict of interest management and the selection procedure for confidential counsellors. At the same time the DPO followed-up on the files sent for prior checking at an earlier stage.

The basic building blocks being in place, the DPO could in the second half of the year start to shift focus towards his core task of advising the controllers and staff members of the Agency with regard to the implementation of the Data Protection Regulation in daily practice. Several awareness actions were organised and training of staff also got the necessary attention.

A specific Data Protection audit of the video-surveillance system was organised, which was an audit undertaken with the cooperation of the Internal Audit Capacity (IAC). Compliance with the Data Protection Regulation, the EDPS guidelines and recommendations and ECHA's own policy was tested. Following the IAC findings, an action plan was agreed upon with the controller.

3.4. Security and business continuity

In 2013, following the recommendations of an internal audit, the Agency revised its Business Continuity policy in order to define a common terminology, formalise the objectives and the strategy, indicate different steps for implementation and define the governance for Business continuity management at ECHA. Level of criticality and

prioritisation for the Agency's processes in the context of business continuity was discussed with the MB Audit working group and reflected in the policy. Besides the clear hierarchy, establishing the criticality of ECHA processes in a disaster and/or business disruption situation, the policy also defines the recovery order of ECHA's operations in order to determine the timeframe in which office space, equipment (IT and other) and communication tools will have to be procured and/or resources allocated. In addition, the IT continuity technical preparedness plan was established.

In 2013, ECHA's Management Board also adopted a unified security model based on REACH and CLP information systems to cover also exchange of information with Biocides MSCAs. The model was prepared by the Security Officers' Network taking into account the fact that MSCAs are directly involved in many processes under the Biocidal Product Regulation and therefore need more extensive and flexible access to Agency's information systems.

3.5. Fraud prevention

The Agency's internal control systems are designed with embedded fraud prevention, with emphasis on risky areas such as financial transactions, procurement and selections.

ECHA's Code of Good Administrative Behaviour is well communicated to all staff members. MB decision 30/2009 as of 23 April 2009 stipulates the terms and conditions for internal investigations in relation to the prevention of fraud, corruption and any illegal activity detrimental to the Communities' interests.

In 2013, the Commission issued guidelines for developing an anti-fraud strategy in EU agencies. The Agency is in discussion with the Management Board on how to develop a formalised policy on that basis.

3.6 Results from audits and evaluations during the reporting year

All very important audit recommendations were followed up as high priority by the Management.

3.6.1 Audits Internal Audit Service (IAS)

According to ECHA's Financial Regulation, the Internal Auditor for ECHA is the Internal Auditor of the European Commission (IAS). The IAS performed an audit on "Committees Management in the European Chemicals Agency" in 2013. In the audit the IAS assessed and provided an independent assurance on the design and effective application of the internal control system set up by the management with regard to the workings of the Committees that constitute an integral part of the Agency by providing scientific and technical advice as basis for decision making by ECHA and/or the Commission. Based on the results of the audit, the IAS raised 7 recommendations, including the following very important recommendation:

Timeframe for RAC opinions under the CLP Regulation – Regarding the

process for harmonised classification, labelling and packaging (CLP), the internal procedures state a timeframe and deadline for developing the RAC opinion that differs from the wording of the CLP regulation. This entails a risk that the Agency might not be compliance with the underlying legislation should an interested party challenge the timely completion of the CLP process for a chosen chemical substance. To remedy the situation, the Agency should review its interpretation of the timeframe for completion of RAC opinions on substances proposed for harmonised classification, labelling and packaging under the CLP Regulation.

An action plan has been developed in response to the IAS's recommendations.

The IAS also prepared "IAS Strategic Internal Audit Plan 2014-2016" including a shortlist of future audit topics. Furthermore, the IAS closed all the outstanding actions from the 2012 Stakeholder Relations and External Communication audit, which will be confirmed in their 2013 audit report for the Agency.

3.6.2 Audits Internal Audit Capability (IAC)

In line with the Quality and Internal Control Standards and considering the Agency's risk profile, the local "Internal Audit Capability" (IAC), as a permanent resource, adds value by providing the Executive Director with additional assurance and consulting activities. In 2013, the IAC carried out assurance audits on Video-surveillance implementation at the ECHA premises; Forum secretariat; and Document and record management.

Video-surveillance implementation at the ECHA premises

- Scope: To assess and provide reasonable assurance on the regularity and the quality of internal control systems applied to implementation of the video-surveillance including duty to comply with the Data Protection obligations.
- No critical or very important findings resulted from this audit.
- ECHA management developed an action plan to respond to the 4 important recommendations of the IAC. IAC believes that the action plan is adequate.

Forum secretariat

- Scope: To assess and provide reasonable assurance on the regularity and the quality of internal control systems applied as well as efficiency and effectiveness of the Forum secretariat.
- Three very important recommendations:
    - Strive to involve systematically Forum, EU Commission and ECHA's regulatory Directorates to establish and achieve commonly agreed enforcement objectives.
    - Ensure quick finalisation of necessary IQMS documentation. Finalise the filing plan. Identify within the main workflow steps which supporting emails and documents should be stored systematically.
    - Establish a process to regularly review and validate the access rights to

Circa-BC and to remove them from those who do not work with Forum any longer. Review authorisation documentation for all MS RIPE administrators and request retroactively authorisation for those whose documentation is incomplete.

- ECHA management developed an action plan to respond to the recommendations of the IAC. IAC believes that the action plan is adequate.

Document and record management

- Scope: To verify that the IQMS policy, procedure and lists related to document and record management are sufficiently known and applied in practice, in order to provide reasonable assurance on the regularity, efficiency, effectiveness and the quality of the internal control systems applied.

- Three very important recommendations:

  - Establish filing plans for the processes according to ECHA process structure and implement them in Share Point 2010 or Dynamic case / Documentum.

  - Define all process records in the IQMS process documents.

  - Ensure proper commenting (through versioning control), approving and storing of crucial process documents and records in ECHA's recognised document management systems (Share Point and Documentum).

- ECHA management developed an action plan to respond to the recommendations of the IAC. IAC believes that the action plan is adequate.

IAC will follow-up the implementation of these action plans in 2014.

Follow-up audits

IAC finalised two follow-up audits in 2013. The following remaining very important recommendations are pending from audit on “IQMS Process documentation”:

- Ensuring that in Documentum for SVHC, the workflows can be easily retrieved also for closed workflows.

- Ensuring effective control measures over rights of access in order to prevent any access, any elimination, any alteration and unauthorised moving of documents, files, metadata and stages of the procedure in DEP and Documentum tools.

No follow-up was conducted on the audit on “Compliance with rules on Classification of documents and data protection”. A new policy “Classification and handling of ECHA Information” has been established with an effective date of 31.3.2014. Therefore the new policy will be applied only in 2014. Based on IAC’s review on the implementation status of the action plan as of 31.12.2013 the following very important recommendations remain open:

- Raise awareness of different classification categories, classify templates and introduce an automatic assignment of documents to a certain classification category in the filing plans and IT tools.

- Raise awareness only to insert links in e-mails and Outlook meeting invitations to access-restricted SharePoint, DEP etc. sites – instead of attaching confidential data directly to the e-mail or Outlook meeting invitation.
- Create a policy and secure IT tools to send documents to external parties (such as industry and the EU Commission) via e.g. a secure e-mail system.
- Use secure IT tools for electronic storage where the access can be restricted (SharePoint, Documentum) and refrain from using shared drives where all ECHA staff has free access.

Outsourced assessment:

The IAC annual audit plan 2012 included an outsourced assessment of the implementation status of the recommendations from the European Court of Auditor's special report 15/2012 "Management of conflict of interest in selected EU Agencies".

The final assessment report recommended ECHA to:

- Better define incompatible interests and present them in a more user-friendly way (e.g. table format)
- Clarify the breach of trust procedures
- Include the ECHA expert groups into the scope of the CoI Policy
- Continue and improve training
- Improve post-employment procedures

ECHA management developed an action plan to respond to the recommendations.

3.6.3 External assessments

Court of Auditors

The Court of Auditors, as the Agency's external Auditor, performed an audit in October 2013 and planned the audit of the 2013 accounts for end of March 2014. The observations of the Court on the 2013 accounts and on the legality and regularity of the underlying transactions are expected to arrive at ECHA before 31 May 2014 and shall be attached to the final accounts to be established by 1 July 2014.

3.7. Follow-up of observations from the discharge authority for year N-2 (2011)

Following the observations from the discharge authority, on 04 December 2013, ECHA provided a full report for the financial year 2011 pursuant to Article 96 (2) of the Framework financial regulation, available at the European Parliament website:

http://www.europarl.europa.eu/document/activities/cont/201312/20131209ATT75764/20131209ATT75764EN.pdf

3.8 Reservations

The Authorising Officer does not make any reservations.

PART IV DECLARATION OF ASSURANCE

The Declaration of assurance is available in Annex III

ANNEXES

Annex I Establishment plan
Annex II Assessment of ECHA Integrated Management standards
Annex III Declaration of assurance