



Report to the Public Accounts  
Committee on the audit of  
EU funds in Denmark in 2012

November  
2013

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Rigsrevisionen submits this report to the Public Accounts Committee under section 17(2) of the Auditor General's Act, see Consolidation Act No. 101 of 19 January 2012.

The report relates to the following sections of the Danish Appropriation Act section 7. The Ministry of Finance (Denmark's contribution to the EU's own resources), section 8. The Ministry of Business and Growth, section 9. The Ministry of Taxation and section 24. The Ministry of Food, Agriculture and Fisheries.

In the period during which the examination was carried out, the ministries were headed by the following ministers:

*Ministry of Finance*

Bjarne Corydon: October 2011 -

*Ministry of Business and Growth*

Ole Sohn: October 2011 - October 2012

Annette Vilhelmsen: October 2012 - August 2013

*Ministry of Taxation*

Thor Möger Pedersen: October 2011 - October 2012

Holger K. Nielsen: October 2012 -

*Ministry of Food, Agriculture and Fisheries*

Mette Gjerskov: October 2011 - August 2013

It should be noted that some of the audit cases referred to in this report have their origin in previous accounting years and include issues that are addressed in the *Final Report on the Danish State Accounts*.

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# I. Opinion on the audit of EU funds in Denmark in 2012

## OPINION ON THE AUDIT OF EU FUNDS IN DENMARK IN 2012

The 2012 financial statement of EU revenue and expenditure has been prepared in accordance with the Danish government accounting rules. The financial statement gives a true and fair view of revenue and expenditure in the financial year audited and of the financial position at the end of the financial year.

On the basis of the audit findings, Rigsrevisionen concludes that, taken as a whole, the transactions underlying the 2012 financial statement of EU revenue and expenditure are legal, regular and in compliance with the provisions laid down by the European Commission (the Commission) and the Council of the European Union.

Rigsrevisionen draws attention to the following emphasis of matter paragraphs concerning the EU's agricultural subsidy schemes:

- Again this year, the administration of the EU's agricultural subsidy schemes is not in some areas considered entirely satisfactory. The areas concerned are; area control, cross-compliance control and the project subsidy schemes under the European Agricultural Fund for Rural Development (the Rural Development Fund). The inadequate administration might increase the risk of financial corrections being imposed on Denmark in the future. Rigsrevisionen has noted that the authorities responsible for cross-compliance control have not decided to implement a new set-up for cross-compliance control, as recommended by Rigsrevisionen in its report to the Public Accounts Committee on the audit of EU funds in Denmark in 2011. Rigsrevisionen is satisfied, however, that the AgriFish Agency has mapped out the high risk areas where financial corrections may be imposed on Denmark and, on the basis hereof, worked out an action plan to improve control.

- In Denmark, a private auditing firm performs the audit of the Rural Development Fund and the European Agricultural Guarantee Fund (the Agricultural Guarantee Fund) on behalf of the Commission. The auditors detected errors in 30 of 111 sample checks, involving payments of EUR 1.3 million. The private auditors estimated the total value of errors in the audited area at EUR 3.6 million, out of a total of EUR 43.2 million, ie an error rate of 8.3 per cent. The EU accepts an error rate of 2 per cent, corresponding to approximately EUR 0.8 million. The private auditors qualified this part of the accounts. The AgriFish Agency has informed Rigsrevisionen that errors accounting for almost two-thirds of the EUR 3.6 million were related to the fact that beneficiaries had failed to erect and maintain notice boards that informed the public that projects were EU co-financed. It should be noted that it is not clear how failure to comply with this obligation should be sanctioned, and in the absence of guidelines issued by the EU, the private auditors decided to assess the correction at 100 per cent of the total subsidy. The AgriFish Agency finds that the correction should be proportionate to the offence. Rigsrevisionen supports this view, as the errors are mainly of a formal nature and have no impact on whether the funds are used for their intended purposes.

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## II. Introduction and conclusion

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1. This report concerns the audit of EU funds in Denmark in 2012, ie the audit of revenue received from the EU (EU revenue) and contributions made to the EU budget (EU expenditure or EU own resources).

### **Opinion on EU funds in Denmark in 2012**

2. Rigsrevisionen issues an opinion on the Danish EU funds every year. The opinion on 2012 is based partly on Rigsrevisionen's audits of EU funds and extensively on audits performed by the internal audit functions at the Danish AgriFish Agency and Ministry of Taxation, respectively. Rigsrevisionen's EU opinion is also based on the outcome of the audit of the two agricultural funds, carried out by the certifying body, and on the European Court of Auditors' (the Court) audit visits in Denmark and the Commission's visits of inspection in Denmark.

3. Rigsrevisionen's opinion on the EU funds in 2012 is reproduced in chapter I of the report. The audit gave rise to two emphasis of matter paragraphs relating to the Ministry of Food, Agriculture and Fisheries (the Ministry of Food). The first one builds on the emphasis of matter paragraphs that were included in the report to the Public Accounts Committee on the audit of EU funds in Denmark in 2011 and which concerned area control, cross-compliance control and financial corrections. The second one concerns the audit of the Rural Development Fund performed by the certifying body. The measures taken by the Ministry of Food on the basis of the emphasis of matter paragraphs are summarised in chapter VII of the report.

### **Focus areas**

4. Rigsrevisionen has in this report focused on three policy areas. Two of the areas examined concern performance management of the European Social Fund (the Social Fund) and the Rural Development Fund as implemented through the Green Growth agreement, whereas the third area concerns the administration of Denmark's contributions to the EU budget in the form of customs duties and agricultural fees and levies, VAT- and GNI-based resources. Rigsrevisionen has also followed up on the emphasis of matter paragraph that was included in the report on the audit of EU funds in Denmark in 2011 and which concerned the administration of the EU agricultural subsidy schemes under the Ministry of Food.

It should be noted that the results of the three examinations mentioned above are not referred to directly in the opinion in chapter I, but they provide the basis for the general perception of the area as expressed in the audit opinion.

## MAIN CONCLUSION

Rigsrevisionen's examination showed that performance management systems have been implemented for EU projects funded through the Social Fund and Rural Development Fund in the remits of the Ministry of Business and Growth and the Ministry of Food. Performance objectives have been defined to ensure that effect becomes a parameter in approving project applications, and to ensure that the effect of projects can be measured. Rigsrevisionen's examination also showed, however, that improvements were required in some areas.

Efforts made under the Ministry of Business and Growth concerning performance management should be better coordinated between the Danish Business Authority and regions.

As regards the Ministry of Food, Rigsrevisionen finds that the AgriFish Agency has not fully implemented performance management for the Business Development Scheme under Green Growth. The overarching hierarchy of objectives defined for the Business Development Scheme does not include concrete performance objectives, nor have clear targets or criteria for success been set for several of the projects to facilitate performance measuring.

Rigsrevisionen finds that the AgriFish Agency should be able to provide more extensive evidence of the effect assessment of applications received under the Business Development Scheme.

Rigsrevisionen finds that EU expenditure is generally managed in a satisfactory manner. However, improvements are required in the customs area, where customs declarations are still affected by many errors. Rigsrevisionen recommends that the control should be risk-based and expanded. Rigsrevisionen notes also that customs and agricultural duties are still not settled in a fully transparent manner.

Rigsrevisionen's mapping of net contributions and rebates showed that the countries receiving rebates on their contributions to the EU budget are also among the countries that are contributing the largest net amounts.

Rigsrevisionen's examination also showed gaps in the administration of the EU agricultural subsidy schemes under the Ministry of Food.

## III. Preface

### A. Background

5. The Ministry of Finance has for the state accounts for 2012 developed a statement of the revenue that Denmark received from the EU (EU revenue) and the contributions that Denmark made to the EU budget (EU expenditure). The statement is presented below in table 1.

**Table 1. EU revenue and EU expenditure in 2012**  
(EUR million)

<b>EU REVENUE</b>		
<b>Agricultural and structural funds</b>		<b>1,124.8</b>
The European Agricultural Guarantee Fund	910.5	
The European Agricultural Fund for Rural Development	109.3	
The European Social Fund	55.3	
The European Regional Fund	33.9	
The European Fisheries Fund	15.8	
<b>EU programmes outside the agricultural and structural funds</b>		<b>6.7</b>
Research and innovation	3.1	
Education and training	0.5	
Transport infrastructure	3.0	
<b>Other EU revenue</b>		<b>40.3</b>
<b>Total EU revenue</b>		<b>1,171.8</b>
<b>EU EXPENDITURE</b>		
<b>Earmarked funds</b>		<b>58.3</b>
Contributions to the European Development Fund	57.9	
Contributions to the Helsinki Commission	0.4	
Contributions to the European Environmental Bureau	0.03	
<b>Taxes and levies</b>		<b>2,690.6</b>
Contributions calculated on the basis of the gross national income	1,975.1	
Contributions calculated in accordance with the joint basis of calculation for value added tax	413.6	
Share of custom duties and agricultural fees and levies less collection costs	301.7	
Co-responsibility levy (milk)	0.3	
<b>Total EU expenditure</b>		<b>2,748.9</b>

Rate of exchange: EUR 1.00 = DKK 7.45. Totals may not add up due to rounding.

It appears from table 1 that Denmark received approximately EUR 1.2 billion from the EU and contributed approximately EUR 2.7 billion to the EU budget.



6. EU revenue provided within the frameworks of the agricultural and structural funds of in total EUR 1.1 billion accounts for the greater part of total EU revenue received. The government serves as a link for financial transfers between the EU and the final beneficiary. Payments made through the Agricultural Guarantee Fund, the Rural Development Fund and the European Fisheries Fund (the Fisheries Fund) are handled by the AgriFish Agency under the Ministry of Food. The Danish Business Authority under the Ministry of Business and Growth manages the Social Fund and the European Regional Fund (the Regional Fund).

7. EU expenditure is broken down on *earmarked expenditure* of EUR 58.4 million and *taxes and levies* of EUR 2.7 billion. Earmarked expenditure is made up of Denmark's direct contributions to programmes and projects outside the EU's general budget. Taxes and levies are Denmark's contributions to the general budget of the EU.

## **B. Purpose, delimitation and method**

8. The purpose of the report is to assess whether EU funds in Denmark are managed in a satisfactory manner.

9. Based on an assessment of materiality and risk, Rigsrevisionen has in 2012 focused on three policy areas; funding of EUR 55.3 million from the Social Fund, funding of in total EUR 109.3 million from Green Growth, including the entire Rural Development Programme, and Denmark's contribution to the EU budget of approximately EUR 2.7 billion. Payments made through the Agricultural Guarantee Fund of EUR 910.5 million are covered in chapter VII, which follows up on the emphasis of matter paragraphs that were included in the opinion on the audit of EU funds in Denmark in 2011.

The report answers the following questions:

- Is the performance management of the Social Fund satisfactory?
- Is the performance management of the Rural Development Fund – implemented through the Green Growth Strategy – satisfactory?
- Is Denmark's EU expenditure collected, settled and recorded in a satisfactory manner, and do the rebates agreed and received by the individual Member States reflect the contributions made by the Member States to the EU budget?

10. Over the past years, the focus on achieving value for money, and ensuring that initiatives and programmes deliver the intended outcomes, has increased. Rigsrevisionen has therefore decided to focus on performance management in this year's EU report. When the intended outcomes for society become the basis for managing projects, focus will be directed towards the factors that are material for the success of the projects and for their justification of existence, namely that the objectives set for the projects are achieved and thus contribute to fulfilling the overall goals set for the programme.

11. Rigsrevisionen's assessment of performance management in relation to the Social Fund and the Rural Development Fund had particular focus on the following criteria:

- schemes objectives and hierarchy of objectives;
- setting objectives for the projects;
- the institutions' assessment of applications in terms of the projected effect of proposed projects;
- follow-up on projects and programmes;
- performance measurement of projects and schemes.

Rigsrevisionen decided to prioritise these assessment criteria because performance management is concerned with identifying, defining, measuring, setting objectives for and following up on the effect of projects and programmes.

A more detailed description of Rigsrevisionen's approach to performance management, including change theory can be found in appendix 1.

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12. Rigsrevisionen collaborated with the internal auditors of the Ministry of Taxation on the audit of EU expenditure. The results of this audit reflected the considerable challenges that are facing management of EU expenditure (the EU's own resources). Particular areas of concern were – again this year – the many errors in customs declarations, inadequate registration of customs fees and agricultural levies and the Commission's comments concerning Denmark's administration of the area.

13. In the past few years, the connection between rebates and the size of the Member States' contributions to the EU budget has been debated. Rigsrevisionen has therefore mapped out the contributions made by the individual Member States, rebates granted and the connection between the contributions and agreed rebates.

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14. The report concerns mainly the financial year 2012, but for some projects the entire programming period 2007-2013 is covered, because Rigsrevisionen has also reviewed projects that were started before and stretching beyond 2012.

The examination is based primarily on a review of projects and written documentation, and meetings with relevant institutions. The internal auditors of the Ministry of Taxation and Danish AgriFish Agency, respectively, have contributed their expertise and knowledge of relevant areas.

15. A draft version of the report has been presented to the Ministry of Finance, the Ministry of Business and Growth, the Ministry of Taxation and the Ministry of Food, and their comments have been incorporated in the report to the extent possible.

16. Appendix 2 is a glossary of terms used in the report.

## IV. The Social Fund

Rigsrevisionen finds that the performance of projects under the Social Fund is generally managed in a satisfactory manner, but efforts should be made to improve the level of coordination of performance management between the Ministry of Business and Growth and the regions.

### A. Performance management of projects under the Social Fund

17. Rigsrevisionen's examination of performance management of projects under the Social Fund showed the following:

- Performance targets have been defined for most projects, but some of the targets need to be operationalised and made more relevant for managing the projects.
- Both the Danish Business Authority under the Ministry of Business and Growth and the regions follow up on and assess the results and effect of the projects.
- There is a need for shared concepts and improved coordination between the Danish Business Authority and the regions concerning formulation of targets and follow-up on projects, including which calculation methods and frameworks that should provide the basis for assessing outcomes.
- The Danish Business Authority has, in collaboration with Statistics Denmark, started working with performance measurement of a few selected projects. Rigsrevisionen finds this encouraging and recommends that the ministry should expand the collaboration with Statistics Denmark.

18. The administration of funds received from the Social Fund is shared between the Danish Business Authority and the regional growth forums. The regional growth forums are responsible for selecting and recommending projects to the Danish Business Authority, which will check the legality of the projects and subsequently decide whether they should be approved or not.

19. Rigsrevisionen has examined whether the performance of projects under the Social Fund is being measured. The audit comprised the Danish Business Authority and five regional growth forums. The audit approach included interviews and examination of cases relating to three projects from each of the five regions. The 15 projects were randomly sampled among completed type-A projects under the programme, *Development of human resources*, which includes a total of 41 projects.

## B. The Social Fund Programme and the regional growth forums

20. Denmark's Social Fund priorities are:

Priority 1 – developing the skills of the work force (better jobs);

Priority 2 – expanding the work force (more jobs).

These priorities have been sub-divided into four key action areas:

- 1) Development of human resources
- 2) Innovation, knowledge sharing and knowledge building
- 3) Establishment and development of new enterprises
- 4) Utilisation of new technology.

The projects established under these four key action areas are divided into type A and type B projects.

21. Rigsrevisionen has decided to focus on the action area *Development of human resources* and type A projects, as the majority of the funds from the Social Fund have been allocated to this area.

The Social Fund in Denmark is meant to contribute to achievement of the four overall objectives – presented in box 1 – that have been defined for this particular action area.

*The Social Fund Programme includes two types of projects.*

**Type A projects** focus on the participants and are concerned with development of competencies, improving skills, developing employment potential and the qualification and adaptability of the workforce;

**Type B projects** focus on the system, method and culture and are concerned with systems development, organisational adaptation and structural adaptation.

### BOX 1. OBJECTIVES DEFINED FOR THE SOCIAL FUND PROGRAMME

- In 2013, the participation rate of 76.3 per cent is upheld (share of citizens of employable age that are part of the work force).
- In 2013, 30 per cent of all citizens aged between 25 and 64 participate in a training programme within the last four weeks of the assessment date.
- In 2013, 45 per cent of all unskilled workers aged between 25 and 64 participate in training within the last year prior to the assessment date.
- In 2013, the employment rate (number of people employed compared to number of people aged between 16 and 66) has increased to 72.2 per cent.

## C. Setting objectives for the selected projects

22. Rigsrevisionen has examined whether useful objectives have been defined for the intended outcomes of the activities that are aiming to improve the skills level and increase employment, and whether the change theory has been applied in practice. In this context, *useful objectives* mean objectives that are operational, relevant for managing the projects and facilitating performance measurement. The regions have in the past couple of years taken a greater interest in the value for money aspect in relation to the structural funds that they are administering, which, in combination with the EU' greater focus on effect in the next programming period 2014-2020, explains the increased focus on performance.

23. Rigsrevisionen has categorised the objectives included in the project documentation in the following categories; activity objectives, production objectives and performance objectives. It should be noted that this categorisation is subject to reservations, as some of the objectives are of a general nature and cover several aspects, and could therefore just as well be placed into multiple categories. However, the categorisation reflects the main focus of the objectives. The categorisation of some of the projects will be supported with examples. The categorisation has mainly been based on project applications included in the sample, yet additional objectives may have been included if such have been agreed during the life of the project. The categorisation is presented in table 2.

**Table 2. Categories of objectives included in 15 sampled project applications**

Project	Activity objectives	Production objectives	Performance objectives	Total
På jobbet fra dag 1 (On the job from day one)	2	3	6	11
Kvinder på vej (Women en route)	5	4	5	14
Detailakademiet (The retail academy)	10	1	2	13
Uddannelse efter Vestas Nakskov (Training after Vestas Nakskov)	3	2	3	8
Fremtidspiloterne (Pilots of the future)	4	2	6	12
Mix i Match-grupper (Mix in match groups)	4	2	40	46
Kompetenceudvikling for det nordjyske turismeerhverv (Developing the competencies within tourism in Northern Jutland)	3	2	12	17
Sygefravær og sundhed på arbejdspladsen – et kompetenceudviklingsprojekt (Sickness absence and health at the workplace – a competence development project)	4	6	13	23
Udvikling af medarbejderkompetencer inden for logistik- og forretningssystemer (Training in logistic and business systems)	2	3	3	8
Alu-kompetenceudvikling (Competence development)	6	4	5	15
Seniorudvikling i private og offentlige virksomheder (Development of senior staff in private and public sector companies)	1	1	2	4
Faglærte chauffører hos Sydtrafik (Skilled chauffeurs)	4	1	4	9
Mestring af sygdom – på vej mod et bedre arbejdsliv (Mastering disease – heading for a better work life)	0	1	3	4
Fra udsat til ansat (From exposed to employed)	2	3	5	10
Jobsløjfen (Job creation)	2	4	4	10
<b>Total</b>	<b>52</b>	<b>39</b>	<b>113</b>	<b>204</b>

The examination showed great variations between the 15 selected projects in terms of the number of objectives defined, which ranged from four to 46. The number of performance objectives varied from two to 40. The project “Mix in match groups” stood out from the other projects because the performance objectives set here had been tailored to the different match groups, and therefore outnumbered those set for other projects. Excluding this project, between two and 13 performance objectives had been defined for each of the selected projects. In the majority of projects, performance objectives outnumber activity and production objectives.

24. The next four boxes show examples of projects that are different in terms of their approach to objective setting in relation to the change theory, and in terms of performance.

**EXAMPLE 1. PERFORMANCE OBJECTIVES IN THE "MIX I MATCH GRUPPER" (MIX IN MATCH GROUPS)**

The objective of the project was to test the effect of various efforts to find permanent ordinary employment for unemployed in match groups 3 and 4.

Several performance objectives that were focused mainly on skills improvement and employment had been set for the project. These performance objectives were defined at the request of the relevant growth forum secretariat. The performance objectives were tailored to the characteristics of the different match groups included in the project.

**Rigsrevisionen's assessment of the project**

The performance objectives were concrete and measurable, but not reflecting a clear relation between cause and effect. The final reporting on the performance of the project did not measure the performance against the tailored objectives. Instead, the performance of all match groups was put together and measured against selected indicators. This approach makes it impossible to determine whether the project achieved its intended objectives or whether the positive impact on employment was, for instance, related primarily to match groups that were already quite close to the labour market.

It is not entirely satisfactory that the reporting on the performance of the project did not follow up on the concrete objectives set, as this would have made it possible to establish whether the project had been successful.

*Up until 2010, the employment potential of the unemployed was rated at a scale going from 1 to 5 into the so-called **match groups**,*

*1 = immediate match  
2 = high level match  
3 = partial match  
4 = low level match  
5 = no match.*

25. Rigsrevisionen finds that the regions are not positioned to assess whether a project has delivered the intended results if the reporting on performance against objectives is inadequate.

**EXAMPLE 2. CHANGE THEORY IN THE PROJECT "KVINDER PÅ VEJ" (WOMEN EN ROUTE)**

The objective of the project was to promote the integration into the Danish labour market of females of other ethnic origin than Danish who are solely provided for by their families.

The change theory was clearly reflected in the objectives, and it appeared clearly how the individual activities, production and performance objectives were to be achieved and measured against the milestones of the project. The project did well in terms of achieving its objectives.

**Rigsrevisionen's assessment of the project**

The "Women en route" project exemplifies how change theory and performance management can be implemented in practice.

A supplementary report was developed three months after completion of the project and it showed that 82 per cent of the participants were helped into employment or helped to obtain education, and the remaining 18 per cent were either unemployed, on sick leave, retired or on maternity leave when the report was elaborated.

*A **change theory** includes an analysis of how the intended effects should be delivered. The change theory defines the activities that must be implemented to achieve the desired change for the target group of the project.*

26. The two examples referred to in the above illustrate the importance of being explicit about the relation between the projects' cause-and-effect chains. Rigsrevisionen also finds it essential that the performance of projects is measured against the concrete targets set for the specific projects.

**EXAMPLE 3. "FREMIDSPILOTERNE" (PILOTS OF THE FUTURE)**

The objective of the project was to train staff to become pilots of the future in the companies. A future pilot is an employee who is capable of meeting and matching the skills demands of the future.

**Rigsrevisionen's assessment of the project**

The expected effects were clearly stated and the training carefully planned to support the development of pilots of the future. The activity, productivity and performance objectives were, however, not measurable and not sufficiently concrete. The final reporting was based on a self-assessment. Defining criteria for the measurement of the degree to which the skills of the pilots of the future had improved could, for instance, have been determined through tests.

27. The evaluation of several of the projects that Rigsrevisionen reviewed, including the pilots of the future, was based on self-assessments carried out by the participants in the projects. It is Rigsrevisionen's experience that self-assessments tend to result in very positive ratings of activities and they should therefore be supplemented with other measurements. In this case tests to determine which specific skills the participants had acquired would, for instance, have been relevant.

**EXAMPLE 4. OBJECTIVE SETTING FOR "MESTRING AF SYGDOM – PÅ VEJ MOD ET BEDRE ARBEJDSLIV" (MASTERING DISEASE – HEADING FOR A BETTER WORK LIFE)**

The objective of the project was to test new methods that would empower women to manage their diseases, like, for instance, stress, depression and pain disorders, and thus enable them to work despite their illness.

Twenty eight women on social benefits were expected to be referred under the project. According to the objective set for the project, approximately one third – or nine – of these women were to be helped into employment. In the end, only 20 women participated in the project and the assessment report showed that they were all still unemployed when the project was finished.

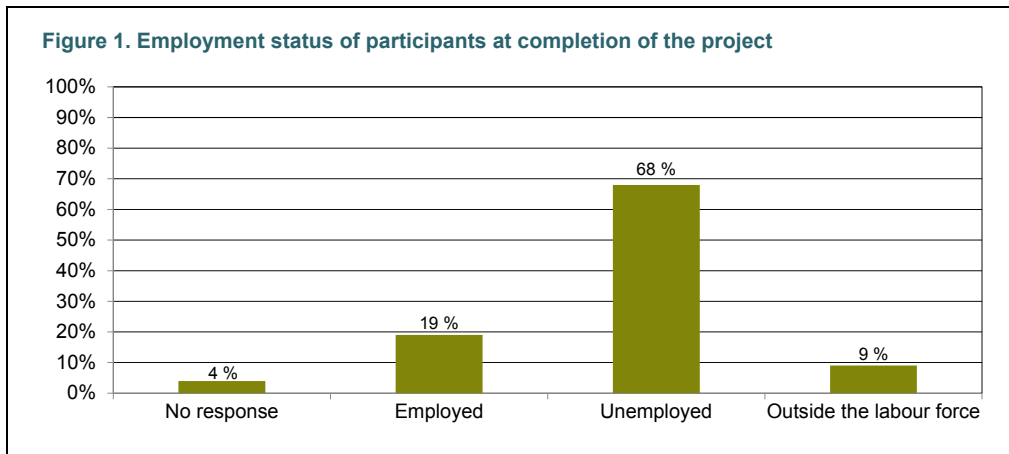
**Rigsrevisionen's assessment of the project**

The region should have focused more on carrying out an assessment of whether it would be realistic to help one third of the participants into employment, when taking into consideration the characteristics of the target group. The region has informed Rigsrevisionen that the members of the target group were in a considerably poorer condition than anticipated at project launch. Rigsrevisionen is aware that the project was launched before the financial crisis when employment opportunities were better, yet, irrespective of the general economic climate, the probability that the participants in this project would be able to contribute to increasing the work force would be marginal.

**D. Measuring the performance of Social Fund projects**

28. Rigsrevisionen has examined how many unemployed that have been helped into employment after having participated in projects under the Social Fund Programme. The Danish Business Authority is keeping electronic records of the participants' completion of the Social Fund projects; all participants are required to fill in a digital form when they start and leave a project. Rigsrevisionen has – on the basis of the information collected on the participants in 37 projects – looked into the participants' attachment to the labour market before and after project completion. Rigsrevisionen's examination concerned priority 2 projects, the purpose of which is to increase employment through expansion of the work force. Rigsrevisionen's examination is based on projects established under the *Development of human resources* action area. A total of 3,557 persons participated in these projects; 701 were unemployed at project start. When the projects were completed, 131 participants had been helped into employment, 477 were still unemployed, 64 individuals were outside the labour force and 29 persons had not indicated in the digital form whether they were still unemployed or had found employment.

Figure 1 shows the employment status of the participants at completion of the project.



It appears that 19 per cent of the unemployed participants had found employment at project completion. Taking into consideration the objective of the programme, which was to increase employment, this must be considered a modest number.

It should be noted that it is not possible to determine whether it is the participation in the projects that has helped the unemployed into employment, because the effect of projects is not validated through control groups. Thus the numbers in figure 1 reflect that the participants have found employment during the life of projects, but they do not indicate whether participants in such projects are helped into employment more frequently than the unemployed, who do not participate in such projects.

29. The number of people who are helped into employment during the projects should be seen in the perspective that the primary objective of the Social Fund projects was to improve the skills of the participants and expand the workforce in order to increase employment in the longer term, not to help the participants into immediate employment.

30. Rigsrevisionen notes that the Danish Business Authority's reporting on activities launched under the Social Fund in its annual report – which is based on information collected on the participants – does not clarify whether the projects deliver the intended effects in the short or long term. Rigsrevisionen finds that the characteristics of the projects that proved particularly effective in creating employment – and should therefore be prioritised in the future – are not identified through this approach to performance measuring. Reporting on the basis of the forms filled out by the participants in the projects is a regulatory requirement. The Danish Business Authority agrees with Rigsrevisionen that the information derived from these forms does not present fairly the effects of the effort.

31. Parallel with the general reporting to the Commission, based on the information collected on the project participants, the Danish Business Authority and Statistics Denmark have joined forces to study the long-term results of the Social Fund projects. Rigsrevisionen welcomes the Danish Business Authority's focus on identifying the results of the Social Fund effort and recommends an expansion of this collaboration to ensure the availability of valid data based on control groups. Rigsrevisionen finds that using control groups would not only contribute to ensuring that future efforts were focused on projects that delivered positive results, but would also promote a more performance-based management approach.



## E. Setting performance objectives in the regional growth forums

32. The Danish Business Authority has defined a number of performance indicators that must be addressed in the funding applications, ie estimated participants number, number of participants that are expected to upgrade their skills in relation to their current jobs, number of participants that are expected to acquire skills that will enable them to take on new jobs, number of unemployed participants that are expected to find employment, and the number of new entrepreneurs expected to emerge from the project.

Rigsrevisionen has been informed that most of the regions have chosen to supplement the performance indicators set by the Danish Business Authority with additional performance objectives, because they wish to ensure that the goals and objectives of the projects support achievement of the regions' overall business development policies and action plans.

The Region of Southern Denmark has, for instance, developed a performance measurement model, which ensures that applications are assessed against the following two criteria:

- time and price, ie time frame for delivery of the expected effects and amount of subsidy applied for;
- assessment of projected outcomes to identify the extent to which the projects support achievement of the objectives set in the Growth Forum action plans.

This assessment is carried out on the basis of information provided in supplementary application forms where the applicants are required to define three additional performance objectives for their projects, provide an estimate of the expected effects of their projects, when they will occur, and how it is ensured that the effects of the projects will support achievement of the overall objectives defined in the region's business development policy. The Region of Southern Denmark is of the opinion that it is better positioned to select the most effective projects when this assessment of the projects' potential impact has been carried out.

33. Also the Central Denmark Region has introduced additional objectives; the region develops performance contracts for all projects and defines objectives for the projects that are directly connected to the region's action plan. This trend seems to have spread to other regions and actual performance contracts have been set up for major cooperation/cluster projects. The secretariat of the North Denmark Regional Growth Forum cooperates with the beneficiaries on defining typical quantitative indicators for the expected effects of the projects and setting relevant milestones for the progress of the projects that reflect the priorities of the regional action plan. The indicators are selected during the preparation of the application and further elaborated on before the final application is submitted to the Danish Business Authority.

34. Neither the Capital Region of Denmark nor Region Zealand insist on additional performance objectives, but base their assessments on the performance measures set in the applications, i.e. the objectives defined within the key action areas of the business development policy. Generally, the two regions take the performance indicators defined by the Danish Business Authority as their point of departure for the subsequent dialogue with the applicants to operationalise the objectives and make them relevant for the management of the projects.

Rigsrevisionen has also asked the regions if they have defined objectives for the projects' effect on employment and the participants' qualifications. Four of the regions have not supplemented the application requirements stipulated by the Danish Business Authority, but the Region of Southern Denmark has – under the action area of tourism – instructed the recipients of project funds to specify the extent to which their projects will contribute to growth in employment in the experience economy sector.

35. Rigsrevisionen has asked the regions how much importance they attach to the effects of the projects described in the applications, and how they determine whether it is realistic that the projects can deliver the projected effects. The regions have informed Rigsrevisionen that effects are considered an essential measure and several of the regions have developed actual scorecards that are used in connection with the processing of the applications.

The examination showed the probability of achieving the effects indicated in the application forms is the subject of ongoing communication between the recipients of the funds and the regional case managers. Case managers with professional knowledge of specific action areas and experience from previously completed projects assess the applications. Several of the regions have indicated that major projects involving more companies and research institutions have been prioritised, because such projects tend to be the most successful.

36. The regions' approach to managing performance differs, which makes it difficult to compare the impact of projects across the regions. Rigsrevisionen finds that the regions could do more to share knowledge on performance management and would welcome a performance model that considered both the overall objectives of the Social Fund Programme and the regions' need to manage performance. Improved coordination would eliminate duplication of work. Rigsrevisionen recommends that the Danish Business Authority should – in cooperation with the regions – focus on increasing knowledge sharing and developing shared concepts, while leaving room for individual targeting of the effort in the individual regions.

37. A shared concept could, like the Danish Business Authority's current concept, take the change theory as its starting point. The concept could be further developed to take into consideration regional differences and thus reduce the need for individual regional systems.

In its response to the draft EU report, the Ministry of Business and Growth has stated that the Danish Business Authority – in cooperation with the regions – intends to develop a shared management concept, which will be based on the change theory and expand on the concepts that were applied in the period 2007-2013. The management concept is aiming to increase the focus of case processing on performance and minimise the risk of imposing any unnecessary administrative burdens on the projects. At the same time, regional variations in terms of organisation, use of external consultants at kick-off meetings, mid-term evaluations, etc. will be taken into consideration. The management concept will also focus on knowledge sharing, including lessons learnt, which can serve as basis for developing and prioritising future projects.

According to the Ministry of Business and Growth one of the goals set for the new joint management concept, which will take effect in 2014-2020, is to collect information on the progress and effects of the projects in one single operation and thus avoid double reporting.

## **F. Follow-up by the regional growth forums**

38. The Danish Business Authority and the regional growth forums must be consulted if a project undergoes changes. Most of the regions follow up on projects on the basis of six-monthly progress reports. The individual progress reports are generally compiled in an overview of the relevant region's current projects to facilitate the regional growth forum's review of the projects.

39. Rigsrevisionen has established that reporting based on performance contracts is very different from reporting that is based on the progress of activities and funds spent. Rigsrevisionen is of the opinion that the reports that are based on performance contracts are better structured and providing a better overview of the objectives set for the individual projects.

40. Rigsrevisionen considers it essential that the coordination between the Danish Business Authority and the regions is strengthened to avoid that funds recipients are asked to provide the same information twice. When Region Zealand elaborates the six-monthly *Progress report for projects receiving funds from the Regional Development Fund and Growth Forum Zealand*, the project managers are asked to submit largely the same information that they have already reported to the Danish Business Authority. The reporting by the Central Denmark Region, on the other hand, is based on performance contracts entered with funds recipients and therefore complements the Danish Business Authority's progress reporting.

41. All five regions carry out mid-term evaluations of projects with budgets exceeding EUR 0.13 million. The mid-term evaluations provide an opportunity to interrupt projects mid-life and make the necessary adjustments.

Rigsrevisionen finds that if mid-term evaluations of long-term projects are carried out regularly, they will contribute to ensuring that the adjustments required keeping the projects on track will be implemented.

42. A final report must be elaborated on completion of projects under the Social Fund Programme. The regions may – in relation to major projects – decide that also an evaluation report must be worked out.

43. Several of the regions have indicated that it is impossible to use the evaluation reports for general assessments of the effect of the projects on the key action areas of the respective regions. The reason is lack of structural consistency between the final reports and the evaluation reports. The regions have therefore decided to define each their concept for the measurement of the effect of the Regional Fund and Social Fund projects on the key action areas referred to in the business development policy. Region Zealand has, for instance, developed a three-tier model; at the top you will find the regional and socio-economic effects, followed by the direct results and outcomes delivered through the project, and at the bottom you will find the regional business cases.

44. The North Denmark Region and the Danish Business Authority have joined forces and measured the performance of a Social Fund project aiming to increase the number of businesses in growth. The performance of the project has been scrutinised using data on Danish companies registered with Statistics Denmark; growth in number of employees in the companies that participated was measured 18 months after completion of the project, and these numbers were compared with the development in a "reference group" of companies. The measurements showed that the estimated number of full-time jobs created in the 35 participating companies exceeded the reference group estimate by 27.

45. Rigsrevisionen finds it satisfying that the regions have focus on follow-up and have taken initial steps to work consistently with the measurement of effects of projects. Rigsrevisionen is, however, also finds that the cooperation between the regions and the Danish Business Authority should be improved. For instance, much of the information that funds recipients are required to report to the Danish Business Authority, is also included in the reports that the funds recipients submit to the regions.

46. Rigsrevisionen also sees a need for joint concepts for follow-up and evaluation of projects – along the lines of the regions' activities concerning objective setting. Rigsrevisionen has noted that the Danish Business Authority, in connection with the planning of the next programming period, intends to emphasise the importance of improving and coordinating progress reporting, follow-up and evaluation of projects. Rigsrevisionen welcomes this initiative.

## V. Green Growth

The performance management of the Green Growth projects is not entirely satisfactory.

The AgriFish Agency under the Ministry of Food has not to the extent required implemented performance management for the Business Development Scheme under Green Growth.

Rigsrevisionen finds the AgriFish Agency's performance management of the Capital Investment Support Scheme for Organic Production under Green Growth satisfactory, because funds are allocated on the basis of a so-called technology list that provides an overview of market available technologies that fulfil current environmental requirements. Yet, Rigsrevisionen is of the opinion that the hierarchy of objectives in relation to the success criteria of the scheme needs to be improved.

The AgriFish Agency evaluates the schemes, but Rigsrevisionen has established that the agency does not consistently follow up on the performance objectives set for the individual projects.

### A. Performance management of the Rural Development Fund as implemented through Green Growth

47. Rigsrevisionen has examined whether the performance of projects established under Green Growth is managed in a satisfactory manner by the AgriFish Agency. Rigsrevisionen's examination included two sample schemes and was focused on determining whether a coherent hierarchy of objectives had been established for the sampled schemes and projects. Rigsrevisionen has also examined whether objectives set are measurable and relevant for managing the projects, whether the AgriFish Agency assesses applications on the basis of expected effects and whether the agency follows up on the effects of the effort.

The examination showed that:

- The overall hierarchy of objectives of the Rural Development Programme lacks concrete performance objectives, and the objectives or success criteria defined for several of the selected projects lack the clarity required to allow appropriate follow-up on objective achievement.
- Some projects rely on the pre-defined effects when formulating the hierarchy of objectives. However, in about half of the projects, the pre-defined effects are formulated in such general terms that they do not specify any actual performance objectives or success criteria for the projects.

- The case managers have not – in any of the completed projects under the Rural Development Programme – asked the applicants to submit additional information on the expected effects of their projects, despite the fact that the objectives or success criteria set for several of the projects were not adequately described. Rigsrevisionen finds that the Agri-Fish Agency should be able to document more thoroughly its assessment of the effects described in the applications for funding under the Business Development Scheme.
- Rigsrevisionen finds it positive that funding under the Capital Investment Support Scheme for Organic Production is allocated on the basis of a technology list that provides an overview of market available technologies that fulfil current environmental requirements.
- The connection between the objective of the Capital Investment Support Scheme for Organic Production and the overall goal set for the programme, which calls for a doubling of the organic farming area, is relevant. However, the objective of the scheme is formulated in general terms and does not include any concrete targets or success criteria.
- The Danish Business Authority evaluates the Green Growth schemes, but does not follow up on their performance against the performance objectives defined in the project applications, or on the subsequent effects of the individual projects.

*Green Growth has changed name to Green Conversion. In this report, Rigsrevisionen uses the name Green Growth as the audit covers only the period before the change of name.*

48. Back in 2009, the then government (the Danish Liberal Party and the Conservative Party) with the support of the Danish People's Party signed an agreement on Green Growth, which was meant to ensure that a high level of environmental, nature and climate protection went hand in hand with modern and competitive agriculture and food production.

*Green Growth includes the 2009 agreement and Green Growth 2.0 which builds on the original agreement's purpose of creating a green environment for agriculture and food production, which can generate growth while supporting the objectives set for the environment and climate.*

49. Part of the Danish Rural Development Programme is implemented through Green Growth, which is financed through a combination of national funds and funding by the Rural Development Fund. According to the Danish state accounts, total funding amounted to EUR 109.3 million in 2012.

50. In 2008, the Ministry of Food took steps to ensure implementation of performance management in the ministry by the end of 2013. The ministry's efforts included publication of a *Guideline on performance management* that was issued in April 2010. The purpose of the effort made by the ministry is to provide evidence of the effect achieved and its impact on achievement of the goals set by the political level.

51. In the AgriFish Agency the implementation of performance management has, among other things, included defining hierarchies of objectives for the various schemes under the Rural Development Programme and making so-called critical assumptions based on cause and effect chains. As a consequence of the agency's work in this field, it is now a requirement that the main purpose of proposed activities should be clearly defined and stated at the beginning of all statutory orders. The rationale behind this requirement is that if the objectives of schemes are defined from the outset, it will be easier to define the desired effects and prioritise the applications. Rigsrevisionen welcomes the Ministry of Food's – including the AgriFish Agency's – focus on performance management.

52. Rigsrevisionen has examined two support schemes that concern the agricultural industry; the Business Development Scheme, which is aimed at farmers and farming organisations and the Capital Investment Support Scheme for Organic Production, which targets organic farmers.

53. The AgriFish Agency's work with performance management includes the Business Development Scheme as well as the Capital Investment Support Scheme for Organic Production, and hierarchies of objectives have been defined for both schemes. The AgriFish Agency is authorised to reject applications for funding under both schemes if the projected effects of the projects do not support achievement of the overall objective/goal of the scheme, or justify the expenditure involved.

54. It appears from the case management instructions regarding the AgriFish Agency's subsidy administration system *BTAS* that case managers – when performing the so-called legality checks – must consider whether the projects underpin the purpose of the support scheme, deliver the desired effects in the priority areas and meet the purpose of the programme. It also appears from the instructions that the projected effects must be realistic.

The case managers can only determine whether project effects are realistic if the objectives are measurable and relevant for managing the projects. The objectives and success criteria of projects must be clear.

55. The following sections, B and C, described performance management as it is practised in relation to the Business Development Scheme and the Capital Investment Support Scheme for Organic Production, respectively. Section C describes how the AgriFish Agency has followed up on the effects of the activities.

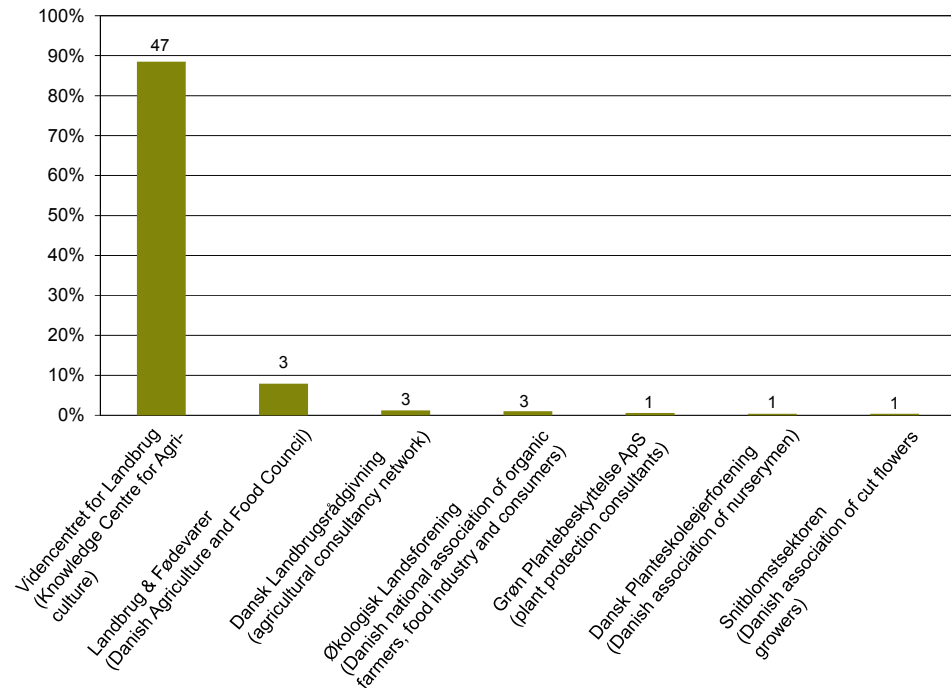
## **B. The Business Development Scheme**

56. The objective of the Business Development Scheme is to promote development and demonstration of new products, processes and technologies within the primary agricultural sector. New products, processes and technologies are meant to contribute to improving the competitiveness of the agricultural sector and at the same time reduce the impact on the environment, climate and nature. The products, processes and technologies resulting from the projects must demonstrate commercial potential no later than three years after the projects have been completed.

57. The size of the company applying may determine the amount of support granted under the Business Development Scheme. Support is, however, mainly provided to projects that are co-financed by the Public Agricultural Funds. The projects sampled for Rigsrevisionen's audit were all co-financed by the Public Agricultural Funds. The EU contributes 50 per cent of the total expenditure of such projects and the remaining 50 per cent is financed through the Danish agricultural funds, supplemented, on occasion, with funds from businesses in the trade like, for instance, Danish Crown. Agricultural organisations, mainly the Knowledge Centre for Agriculture (*Videncentret for Landbrug*), apply for funding through the agricultural funds.

## BOX 2. RECIPIENTS OF FUNDS PROVIDED THROUGH THE RURAL DEVELOPMENT PROGRAMME

It appears from the Business Development Schemes' website that only if evidence of commitment to co-financing is available from an agricultural fund at the time of application, will the application be considered. The agricultural funds are the Pro Mille Levy Fund the Production Levy Fund, which annually contribute around EUR 69.8 million to the food, agricultural and fisheries sectors. The bar chart shows distribution of funds expressed as a percentage and number of projects broken down on fund recipients.



The 59 projects under the Business Development Scheme received support of in total EUR 9.1 million. The Knowledge Centre for Agriculture received funds through 47 of the completed projects and account for 88.5 per cent of the total support provided. Of the remaining six organisations, three are independent associations, i.e. Økologisk Landsforening (Danish national association of organic farmers, food industry and consumers), Dansk Planteskoleejerforening (Danish association of nurserymen) and Snitblomstsektoren (Danish association of cut flower growers).

Grøn Plantebeskyttelse ApS (plant protection consultants) is thus owned by Videncentret for Landbrug (the Knowledge Centre for Agriculture). The Knowledge Centre for Agriculture is a subsidiary company to Landbrug & Fødevarer (Danish Agriculture & Food Council) and in addition to this a part of Dansk Landbrugsrådgivning (Danish Agricultural Advisory Service).

58. The AgriFish Agency has informed Rigsrevisionen that applications forwarded to the Business Development Scheme include project descriptions that specify the objectives, contents and effects of the respective projects. The AgriFish Agency checks that applications meet the programme requirements, but the Agency has not had to prioritise between the project applications received in 2010, 2011, 2012 and 2013, since total funds applied for have not exceeded the financial framework of the scheme. According to the AgriFish Agency, the reason for this is that the agricultural organisations applying for funds (primarily the Knowledge Centre for Agriculture) have knowledge of the amount of funds available, and adjust their applications accordingly. Very few applications fail to meet the requirements, as the applicants are familiar with the rules and the type of projects that can come into consideration for funding. Very few applications are therefore rejected.



59. The AgriFish Agency has informed Rigsrevisionen that the programme budget will be increased from EUR 5.4 million in 2012 to EUR 10.8 million in 2013, despite the fact that the number of applicants has been stable and not exceeded the programme budget. According to the AgriFish Agency the agricultural sector has over an extended period argued in favour of increasing the programme budget, as the organisations applying under the programme (primarily the Knowledge Centre for Agriculture) have held back projects that they would like to have funded.

60. Projects that are co-financed by the agricultural funds can only obtain funds from the Business Development Scheme if the projects belong to one of a number of specified action areas like, for instance, quality foods, food security, organic production or animal welfare. In addition, applicants are required to describe the expected effects of their projects in relation a range of pre-defined effects in the application form. The predefined effects are listed in box 3.

### **BOX 3. BUSINESS DEVELOPMENT SCHEME – PREDEFINED EFFECTS**

Applicants must describe the effects of their projects in relation to:

1. Creating and safeguarding jobs.
2. Improving competitiveness.
3. Contributing to reducing ammonia emissions and odours.
4. Contributing to reducing nutrient leaching.
5. Contributing to reducing energy consumption or conversion to green energy.
6. Contributing to developing the respective geographical or professional area, including creation of a robust production environment.
7. Contributing to reducing the use of pesticides or reducing the impact of pesticides on the environment.

Applicants are also required to describe:

- The diffusion potential of the products within the agricultural or processing industry.
- The expected impact of demonstrations measured as number of demonstrations arranged and number of participants in demonstrations, compared to the size of the relevant trade (applies only to demonstration projects).

61. In connection with the continuation in 2010 of the Business Development Scheme under the Green Growth Strategy, the Danish AgriFish Agency decided that objective setting should be based on a so-called minimum model. This model was selected in order to ensure that reporting to the Commission on the Rural Development Programme was based on effective monitoring and evaluation activities. The AgriFish Agency has informed Rigsrevisionen that the Ministry of Food's strategy for performance management is primarily applied in connection with the introduction of new scheme. The hierarchy of objectives for the Business Development Scheme is described in box 4.



#### BOX 4. HIERARCHY OF OBJECTIVES FOR THE BUSINESS DEVELOPMENT SCHEME

The objective of the scheme is “to promote development and demonstration of new technology and processes” through:

- developing 15 new technologies, processes or products that will have a positive impact on productivity, employment or nature, environment, climate, animal welfare and health, and working environment;
- ensuring that 60,000 farmers/manufacturing companies have access to information on new technologies, processes or products that have a positive impact on productivity, employment or nature, environment, climate, animal welfare and health, and working environment.

62. The first objective calling for development of 15 new technologies can best be described as a production objective, as it does not concern effect, but the *number* of new technologies that should be “produced”. The second objective is, in the view of Rigsrevisionen, not relevant for performance management of the scheme. The objective will be achieved when a single website providing access to the relevant information is established, since it is not a requirement that the information must be used or known by the recipients. Similarly, no concrete objectives have been defined for the desired long-term outcomes relating to productivity, employment or nature, environment, climate, animal welfare and health, and working environment. Listing many different long-term effects without indicating any criterion for achievement of the objective is not in compliance with the Ministry of Food’s *Guideline on performance management*, which recommends selection of a few concrete objectives and clear success measures.

63. Rigsrevisionen finds that for performance management to be effective, it should be based on a moderate number of long-term outcome measures linked up with a number of measurable parameters. These parameters should be set as close as possible to the desired long-term outcome. It can be difficult to define indicators for the long-term socio-economic effects. In such cases Rigsrevisionen therefore recommends that the AgriFish Agency should define parameters at a lower level of the hierarchy of objectives. These could, for instance, take the form of short-term effect measures, which must be assumed to underpin achievement of the long-term outcomes. That 20,000 farmers implement one of the technologies or methods developed under the scheme, would be an example of a short-term effect measure.

#### Predefined effects

64. The AgriFish Agency has informed Rigsrevisionen that applications under the Business Development Scheme must address predefined effects, see box 3, yet applicants are not required to define more project specific performance objectives in addition to the predefined effects. Predefined effects could, for instance, be the expected positive impacts on competitiveness or nutrient leaching.

65. Rigsrevisionen’s sample test showed great variances in the way predefined effects are applied within individual projects. In some projects, the predefined effects have been incorporated in the hierarchy of objectives set for the projects. Rigsrevisionen welcomes this approach. However, in around half the projects the formulation of the predefined effects is so general that they cannot serve as actual performance objectives or success criteria for the projects. This is illustrated by example 5.

**EXAMPLE 5. “SCENARIER OG NATUR-, MILJØ- OG LANDSKABSFARMTEST” (SCENARIOS AND NATURE, ENVIRONMENT AND LANDSCAPE FARM TEST)**

The expected impact of the project on creating and safeguarding jobs was described as follows:

*“The project is expected to contribute to safeguarding jobs in the agricultural sector through innovation and identification of alternative solutions to the challenges facing nature, the environment and agricultural sector. More qualified farmers will – on the basis of the scenario and tests – be able to work with conservation of nature, environmental management and the preservation of rural amenities at their farms. Many farmers currently refrain from – or only get involved in this work when forced – because it appears to be very complex and difficult to identify the future prospects. New jobs can be created through this project; farms that cannot – for example – develop their production further due to nature and environmental restrictions, can be re-structured to perform new roles as managers of nature and the environment”.*

66. In connection with the final reporting on completed projects, funds recipients are required to follow up on the performance of projects against the predefined effects indicated in the applications. Rigsrevisionen’s study showed that the final reporting concerning the predefined effects was – for a number of the selected projects – almost identical with the text in the applications. The sample test also showed that the final reports on some of the projects did not address the predefined effects. Example 6 is a project where the text on predefined effects in the application and final report was almost identical.

**EXAMPLE 6. “JORDEN SOM DYRKNINGSMEDIE” (LAND AS A MEDIUM OF CULTIVATION)**

**Text in application**

*“The project will contribute to ensuring a robust production environment, both in relation to reducing the negative impact on the environment and in relation to ensuring sustainable plant production”.*

**Text in final report**

*“The activities implemented have made a major contribution to ensuring a robust production environment, both in relation to reducing the negative impact on the environment and in relation to ensuring sustainable plant production”.*

Rigsrevisionen points out that following-up on predefined effects does not necessarily involve measuring the socio-economic impact, which is naturally very difficult to do immediately after completion of the project. However, Rigsrevisionen is of the opinion that the beneficiary should follow up on whether the short-term effects and results set for the project have been achieved, as such a measurement would provide some indication of the project’s long-term outcomes.

**The AgriFish Agency’s assessment of applications**

67. According to section 5 (1) in executive order no. 932 of 19 July 2010 concerning grants for development and demonstration within the primary agricultural sector and processing in the food industry, the AgriFish Agency considers applications on the basis of *“the effect that can be achieved through implementation of the individual project”* with regard to the predefined effects listed in box 3.

According to the amending executive order no. 1268 of 15 December 2011, the AgriFish Agency bases its prioritisation of the applications on the effect criteria only when total funding applied for exceeds the budget of the programme.

However, the AgriFish Agency has informed Rigsrevisionen that even if there is no need for prioritisation between projects, the projected effect of all applications will be assessed and the agency will also consider whether the predefined effects have been integrated in the project's hierarchy of objectives. The case managers' assessment of whether projects meet the objectives of the relevant programmes includes the projected effects of the projects. The case managers confirm that they have carried out this assessment by checking off a box in a check list that indicated that all relevant fields in the application form have been filled out and that the project meets the objective of the scheme. The case managers had not attached any comments to their assessments, nor had they in any other way supplemented their assessments – beyond the box ticking – in any of the sampled cases.

The AgriFish Agency has informed Rigsrevisionen that if the effects of projects are not sufficiently described in the applications, the case managers will follow up with the applicants and register relevant data in this respect in the agency's subsidy administration system.

68. Rigsrevisionen established that the case managers had not followed up with the applicants concerning the effects of any of the projects included in the test sample. The AgriFish Agency has not been able to present any examples of case managers having followed up on inadequate descriptions of effects under the programme.

69. The AgriFish Agency has informed Rigsrevisionen that no such follow-up has taken place because the effects of the projects were adequately described in the applications.

The test sample showed that an overall hierarchy of objectives had been defined for the selected projects, and the cause and effect chain had been described. The review of the test sample also showed, however, that several of the selected projects did not include clear objectives or success criteria that would facilitate subsequent measurement of the projects' performance. Against this background, Rigsrevisionen concludes that the AgriFish Agency should have contacted several of the applicants to follow up on selected project applications.

### **C. Capital Investment Support Scheme for Organic Production**

70. The purpose of this investment support scheme is to subsidise investments in new technologies for organic farming to achieve a doubling of the land area used for organic farming in Denmark by 2020, and increase organic production within the sectors with the largest potential.

71. The AgriFish Agency considers these applications on the basis of a so-called technology list developed by the University of Aarhus. The list, which is updated once a year, includes new technologies of particular relevance to five different sectors within organic farming. Support is provided only to projects involving technologies that are included on the technology list.

72. Points are awarded to applications on the basis of indicators included on the technology list. If the number of eligible applications exceeds the amount of funding available, the points system will facilitate prioritisation between applications see box 5.

#### BOX 5. INVESTMENT SUPPORT FOR ORGANIC FARMING – POINTS SYSTEM

The technologies on the technology list release points within various areas:

##### **Innovative qualities**

The innovative qualities of the technology – in an organic context – triggers between 1 and 3 points.

##### **Importance of technology for organic farming versus conventional farming**

The importance of the individual technologies for organic farming compared with conventional farming, triggers between 1 and 3 points.

##### **The organic technology index (ØUV index)**

The ØUV index operates with a scale from 1 to 10. The index reflects the importance of the technology for the promotion of organic farming in Denmark. The index reflects the outcome of an overall assessment of the significance of the individual technologies in relation to productivity, production safety and quality of organic agriculture.

##### **Potential for conversion of more land to organic farming**

Points are earned on a scale from 1 to 4 based on an assessment of the overall conversion potential.

73. Funding of investment in organic farming is capped at 40 per cent of total eligible costs. The remaining 60 per cent is financed by the applicant. The support granted consists of 75 per cent EU funds and 25 per cent national funds. The programme is directed at authorised organic farmers with an annual minimum manpower requirement of 830 hours.

74. The effect of the technologies is the decisive factor that determines whether funds will be granted to a project. Effect is thus used as a direct criterion in the application process.

75. The AgriFish Agency has developed a hierarchy of objectives for the investment support programme; the specific objective of the programme feeds into one of the overall objectives of Green Growth, which calls for promotion of market-based development of the organic farming sector in order to double the land area used for organic farming by 2020 compared to 2007, see box 6.

#### BOX 6. SPECIFIC OBJECTIVE OF THE INVESTMENT SCHEME FOR ORGANIC FARMING

The objective of the programme is to provide support for investments in organic farms in order to expand the land area used for organic farming and increase organic production within the sectors with the largest potential for growth/development.

76. Rigsrevisionen finds that the linkage between the specific objective of the scheme and the overarching objective concerning doubling the land area used for organic farming is relevant. The specific objective is, however, so generally phrased that it does not set any concrete objectives or success criteria for the scheme. The hierarchy of objectives defined for the programme could be improved; the specific objective would become more concrete if it included, for instance, measurable short-term performance objectives, or indicated how much all the projects under this scheme were expected to contribute to the expansion of the area of land used for organic farming or to the increase in organic production (e.g. a total increase in organic production of 5 per cent). This approach would clarify the success criteria set for the scheme and also clarify the extent to which it would be expected to contribute to achievement of the overall objective that calls for a doubling of land area used for organic farming by 2020.

### Assessment of applications concerning investment support for organic farming

77. Applicants are required to demonstrate the linkage between proposed activities and the challenges that the projects are expected to resolve. Rigsrevisionen finds it encouraging that applications should also include descriptions of the expected effects of the projects in terms of production value and impact on maintaining/expanding land area or number of animals.

78. The examination of the sample projects showed that some of the projects met the requirements of the guideline concerning description of expected effects in respect to production value and maintaining/expanding land area or number of animal units, whereas others failed to provide this information. As regards the latter, the AgriFish Agency had not requested the applicants to provide additional information on objectives, but had approved the projects as they were, see example 7.

#### EXAMPLE 7. WEED CONTROL, LOW ENERGY CONSUMPTION AND HIGH CAPACITY

The objective of the project was to reduce root weeds outside the growth season of crops through investment in stub oat. A measurable objective had been set for the project, i.e. a reduction of all root weeds of 90 per cent during the first season.

The project description did not indicate the expected effects of the project in terms of production value and its impact on maintaining/expanding land area or number of animal units.

#### Rigsrevisionen's assessment of the project

The project description includes a measurable outcome objective – the 90 per cent reduction of root weeds – which is relevant for the management of the project. However, the project description does not meet the requirement of the guideline concerning information on the relationship between the project and the overall objective of maintaining/expanding the land area and production area or number of animal units.

79. Five different sectors in the agricultural industry may apply for funds for investment support for organic farming; in 2012, the number of applications in the sectors “cattle” and “plant production” exceeded the programme budget, and the AgriFish Agency had to prioritise between applications. First priority is given to applications that have scored the highest number of points on the technology list. All eligible applications in the three remaining sectors were accepted for funding.

80. Points are awarded to applications for investment in organic farming, irrespective of the need for prioritisation within the respective sector. It should be noted that the applicants are not required to obtain a certain minimum number of points, if all the applications can be accepted for funding within the programme budget. The reason for this is – according to the AgriFish Agency – that if the technology referred to in the relevant project is on the technology list, it has already been established that it will produce the desired effects.

## D. Follow-up on projects and schemes

81. Rigsrevisionen has examined whether the AgriFish Agency follows up on the effects of projects and schemes under Green Growth.

82. Applicants receiving funding under the examined programmes are required to submit a final report to the AgriFish Agency on project completion.

83. Rigsrevisionen has not examined how the AgriFish Agency follows up on the scheme providing investment support for organic farming, as the scheme was quite new at the time of the audit, and had not yet made any payments.

84. The AgriFish Agency has informed Rigsrevisionen that its follow-up on projects under the Business Development Scheme is primarily focused on checking budgets, assessing the contents of projects compared to the programme requirements, assessing whether projects have been implemented in compliance with the original description of the projects, checking whether the level of expenses is reasonable and whether the expenses have been paid.

85. The performance of the schemes in general is being evaluated, but the agency does not consistently follow up on the performance objectives set for the individual projects. It is thus left largely up to the individual beneficiaries to decide whether to follow up on the effects and success criteria of the projects. On project completion, the beneficiaries will forward a final report to the AgriFish Agency. This report must include a comparison between the effects expected at the time of the application and the effects achieved at project completion. Any discrepancies between the projections at the time of application and actual effects delivered must appear from the final report. Information concerning a number of output indicators like, for instance, number of demonstrations held and number of hits on website, is entered into the agency's subsidy administration system for use in connection with reporting to the Commission on the implementation of the Rural Development Programme. The information provided in the annual report does not concern the overall effects of the programmes, but rather the scope of the financial utilisation of the programme budgets and the output indicators referred to in the above. The AgriFish Agency has informed Rigsrevisionen, that additional indicators on effects can be developed for the report, but the current practice has not included such indicators.

86. In 2010, the AgriFish Agency commissioned a mid-term evaluation of the Business Development Scheme. The evaluation was based on a questionnaire and addressed various issues, including the creation of added value and the impact of the programme on the environment. The evaluation showed that it was not entirely clear what the effects of the scheme were. The report recommended various measures to improve the programme. Rigsrevisionen established that the AgriFish Agency had implemented a number of changes to the programme in compliance with the recommendations made in the mid-term report.

87. In January 2013, the AgriFish Agency also took initiative to an analysis of the quantitative objectives set for the Rural Development Programme, which included both the Capital Investment Support Scheme for Organic Production and the Business Development Scheme. The analysis was based partly on theoretical considerations concerning the incentives of the programme and partly on existing experiences with similar programmes. Calculations of added value and employment generated the results, which were thus not based on data on completed projects. Generally, the results of the studies of the two schemes were positive. Rigsrevisionen finds that the analysis does not constitute an actual measurement of the performance of the two schemes, yet Rigsrevisionen welcomes the agency's focus on the effects of the schemes.

## VI. EU expenditure

Rigsrevisionen finds that the Ministry of Taxation's management of Denmark's EU expenditure (own resources) is generally satisfactory, as the EU's own resources are being correctly collected, settled and recorded. However, the customs declarations submitted by importers are still affected by many errors. Rigsrevisionen also notes that the rebates granted to individual Member States are generally related to the size of their contributions to the EU budget.

### A. The Ministry of Taxation's management of Denmark's EU expenditure

88. Rigsrevisionen's examination of the Ministry of Taxation's management of Denmark's EU expenditure showed the following:

- SKAT (the Danish Customs and Tax Administration) has established business procedures and internal controls that support correct collection/settlement and recording of the EU's own resources in compliance with the EU's formal and material requirements.
- Customs declarations are still affected by many errors and in high-risk areas there are errors in 90 per cent of the declarations. Rigsrevisionen therefore recommends replacing the random sample checks currently performed under the national MoFia project with a risk-based approach. At the same time the scope of control should be expanded to meet the recommendations made by the Commission.
- As yet, SKAT has not implemented a model for specification of monthly settlements of customs duties and agricultural fees and levies that meets the Commission's requirements. SKAT is working on finding an appropriate solution.
- Rigsrevisionen has noted that that the rebates granted to individual Member States are generally related to the size of their contributions to the EU budget. Yet, some of the large net contributors to the EU budget are not being compensated.

### B. Calculation and settlement of own resources to the budget of the EU

89. The budget of the EU is financed mainly through the so-called EU own resources that are provided by the Member States. The EU income is derived from three separate streams of revenue:

- customs duties and agricultural fees and levies (traditional own resources) collected in the Member States;
- resource from value added tax based on a percentage levied on the tax base of each individual Member State;
- resource based on the Member States' gross national income (GNI).

90. The current own resources arrangement covering the years 2007-2013 was adopted by the European Council (the Council) at a meeting in Brussels in December 2005 and implemented in the Council's decision of 7 June 2007 on the system of the European Communities' own resources. The estimated expenditure of the EU is financed through own resources, i.e. customs duties and agricultural fees and levies, the VAT-based resources and finally the GNI-based resource, which is a 'residual' resource, providing the revenue required to cover expenditure in excess of the amounts yielded by traditional own resources and VAT-based payments. However, the total amount of own resources that may be assigned to the EU budget must be within the overall ceiling of 1.23 per cent of the Member States' combined GNI.

#### **Customs duties and agricultural fees and levies**

91. On behalf of the EU, SKAT collects import duties on goods imported into Denmark from countries outside the EU. Agricultural fees and levies are collected on agricultural products imported from countries outside the EU to compensate for the difference between world market prices and EU prices.

In 2012, customs duties and agricultural fees and levies totalled EUR 402.7 million of which EUR 397.3 million was customs duties. Danish administrative expenses of 25 per cent, corresponding to EUR 101.5 million, should be deducted from this amount to arrive at Denmark's net contribution to the EU budget, which was EUR 301.2 million.

#### **VAT-based contribution**

92. The Commission calculates and determines Denmark's annual VAT-based payment on the basis of Denmark's VAT base and a call rate fixed by the Commission at currently 0.3 per cent of the Member States harmonised VAT base. This rate has been reduced for a number of countries that are contributing relatively much to the EU budget compared to what they receive; Germany, for instance, contributes 0.15 per cent of its VAT base. Denmark's VAT-based contribution represented EUR 416 million in 2012.

*VAT is a tax levied on all goods and services traded in Denmark.*

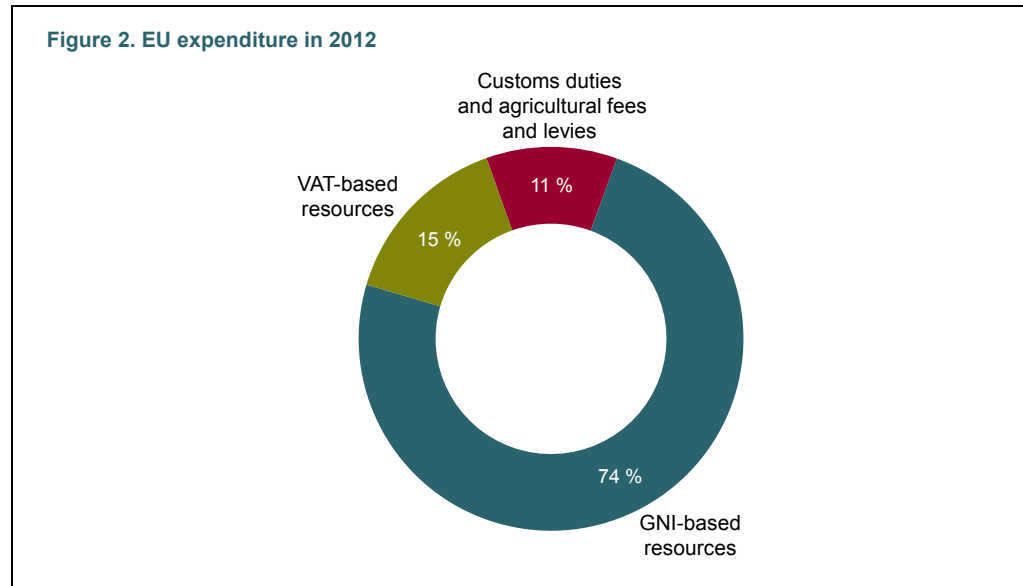
#### **GNI-based contribution**

93. The Commission determines Denmark's annual GNI-based payment as a percentage of Denmark's estimated GNI. This so-called GNI call rate is determined by the additional revenue needed to finance the budgeted expenditure and it has in recent years been between 0.6 per cent and 0.8 per cent of the Member States' estimated GNI. In the coming years, GNI-based resources will be adjusted on the basis of GNI reports issued by Statistics Denmark. The ultimate GNI is determined after four years. The GNI reports are based on Denmark's national accounts, which are largely based on macro-economic statistical data. In 2012, Denmark's GNI-based contribution to the EU budget was EUR 1.97 billion.

*Call rate is a percentage used as a basis for calculating national contributions to the EU budget.*



Figure 2 shows the composition of Denmark's EU expenditure.



It appears from figure 2 that GNI-based contributions represent 74 per cent of Denmark's EU expenditure whereas customs duties and agricultural fees and levies and the VAT-based contributions represent 11 per cent and 15 per cent, respectively.

### C. Audit of customs duties and agricultural fees and levies, VAT-based resources and GNI-based resources

94. The following section addresses the most significant issues relating to the audit and control of the collection and settlement of customs duties and agricultural fees and levies, VAT-based resources and GNI-based resources as performed by Rigsrevisionen, the internal audit function of the Danish Ministry of Taxation (SIR), the Court and the Commission (including Eurostat).

#### Monitoring SKAT's initiatives to improve the quality of customs declarations

95. SKAT collects import duties on goods brought into Denmark from countries outside the EU on behalf of the Commission. The companies importing the goods – or shipping agents representing such companies – submit the data required for customs clearance to SKAT online.

96. Errors in the electronic customs declarations have, however, been the cause of many incorrect payments of customs. SKAT has therefore launched a number of projects aiming to reduce the number of errors in the declarations. Project activities have included sample-based checks and guidance provided to the companies and shipping agents on correct customs clearance.

Rigsrevisionen and SIR have in the past years audited several of these projects and in 2012, the following two projects were scrutinized:

- the tariff classification project
- the MoFia project (the import transactions monitoring team).

*Tariff classification means that goods imported into the EU must be registered and duty paid in accordance with the tariffs and product codes determined by the EU. There are around 7,000 product codes in the EU.*

### *Tariff classification project*

97. This project was launched with the purpose of identifying first the business sectors that were responsible for the majority of errors in the customs declarations, and subsequently reducing the error rate. The following sectors were identified as being severely affected by errors; the textile trade, the shoe trade, transportation, machinery and electronics. The tariff classification project includes guidance activities and control measures.

Importers of goods from outside the EU are required to submit various specific data to SKAT, including a duty tariff code (product code) that describes the nature of the imported goods. This code also determines the rate of duty charged and it is therefore essential that it is correctly stated. Tariff classification is a complex exercise that requires deep knowledge of commodities, and it is a well-known fact that it is causing problems in connection with the declaration of customs duties.

98. In an effort to reduce the error rate, SKAT has forwarded guidance to 300 companies on how to fill in the customs declarations. SKAT has informed Rigsrevisionen that errors corrected by the 300 companies subsequently, represented a net value of around EUR 10,738; approximately EUR 26,845 concerned additional payments to be made by the companies and EUR 16,107 concerned repayments to the companies.

99. 50 of the 300 companies were selected for control on the basis of a risk model, and Rigsrevisionen has examined the results of the control performed under the project; according to the data submitted in the customs declarations, the 50 companies had initially reported customs duties of in total EUR 537,000.

SKAT found errors at 46 of the 50 companies, corresponding to a frequency of error of 92 per cent; 34 of the companies had to make additional payments of in total approximately EUR 805,000, whereas a total of approximately EUR 13,400 was repaid to the remaining 12 that had settled too much. SKAT's control showed that the companies should have reported customs duties of EUR 1.342 million, but had settled only around 40 per cent of the liable customs duties.

100. Rigsrevisionen finds that the system is not functioning in a satisfactory manner if importers in certain sectors are paying only 40 per cent of the customs duties that they are liable to pay. Despite the fact that the companies had opportunity to adjust the numbers they had reported, significant errors were found in the declarations and Rigsrevisionen therefore finds that the guidance provided by SKAT has not had the intended effect. Rigsrevisionen recommends that SKAT should examine whether tariff classification in high-risk trades is generally severely affected by errors, for instance, by increasing the scope of control to include sample-based checks of companies in other high-risk trades. SKAT has informed Rigsrevisionen that this recommendation will be considered in connection with future initiatives.

### *MoFia project*

101. The MoFia project concerns control of goods imported to Denmark from countries outside the EU. The objective of the project is to identify the nature of the errors that are typically found in the customs declarations. Due to the success of the project, this control measure became permanent as per 1 January 2011.

102. The MoFia control is performed at four custom houses in Denmark, i.e. in Frederikshavn, Kystvejen, Padborg and Aarhus (all sites located in Jutland). Checks are performed on the basis of statistical sampling. The sampling approach used varies from one custom house to the next and ranges from selecting one unit out of every 200 for control, to selecting one unit out of every 1,000, SKAT checks whether the sampled declarations include the documents required for approving the declarations, and whether the declarations are filled in correctly.

103. Rigsrevisionen has reviewed the results of the control performed in 2011 and 2012. In 2012, a total of 1,291 MoFia controls were performed. 79.5 per cent – or 1,027 – of the sample units did not reveal any errors. Errors were found in 20.5 per cent – or 264 – of the customs declarations. This is an improvement over 2011 when errors were found in 27 per cent of the sample units.

It should also be noted that the MoFia checks have only lead to very few adjustments; twelve MoFia checks resulted in repayments to the companies of customs duties totalling EUR 1,685, and 40 checks lead to additional payments being charged to the companies of in total EUR 22,532. Rigsrevisionen concludes that the checks disclose many errors, but that the amounts involved are relatively small.

104. Taking into consideration the positive results of the introduction of risk-based sampling under the tariff classification project, Rigsrevisionen recommends that risk-based control should also be implemented in connection with the MoFia checks. SKAT has informed Rigsrevisionen that it will consider supplementing the current statistical random selection with risk-based sampling.

105. The Commission has assessed the MoFia checks and concluded that SKAT is performing too few checks compared to number of customs declarations. In the first six months of 2012, SKAT performed 627 checks of documents out of the total number of customs declarations of 647,129, i.e. 0.097 per cent of all declarations were checked.

In September 2013, the Commission informed SKAT that it considered this level of control inadequate to ensure safeguarding of the EU's financial interests and compliance with the customs regulations. Rigsrevisionen agrees with the Commission's assessment, taking into consideration the error rates that were established in the customs declarations through SKAT's sample-based control.

SKAT is currently in dialogue with the Commission on this issue and based on the outcome of the dialogue, SKAT will consider various solutions.

#### **SIR's audit of customs duties and agricultural fees and levies**

106. SIR's audit includes examination of established business procedures for booking and payment of amounts to the EU. SIR also checks selected payments.

107. During the audit of customs duties and agricultural fees and levies for 2012, SIR established that the level of detail in Denmark's monthly statements to the EU did not meet the Commission's requirements in terms of transparency. SKAT has been instructed to align the statements with the Commission's regulatory framework.

In consequence of the above, and because SKAT's statement and settlement for the financial year 2012 still do not provide the required level of detail, SIR has included an emphasis of matter paragraph in the financial statement. SKAT has subsequently announced that a new collection system – a tax account – has been introduced, and that this will meet the requirements of the Commission. SKAT's department for Payments and Accounts is – in collaboration with SIR – working on resolving a few systems-related challenges, before the required level of detail can be achieved.

*Denmark's estimated customs duties and agricultural fees and levies will appear from the so-called A- and B-accounts. The A-account includes amounts that are guaranteed to be transferred to the EU. The B-account includes amounts that may not be transferred to the EU. The latter are not transferred to the EU before the debtor has paid the amount into the account.*

### **SIR's audit of Denmark's GNI- and VAT-based contributions**

108. The calculation of the GNI- and VAT-based contributions is governed by EU regulations and budgets. SIR's audit is mainly focused on assessing whether SKAT's business procedures contribute to ensuring that GNI- and VAT-based contributions are calculated in compliance with the rules. SIR's audit also includes checking whether the GNI- and VAT-based contributions paid by Denmark correspond with the EU's budget and payment requests.

109. Overall, SIR concluded that the administration of this area was satisfactory in 2012. SIR's conclusion was based on the fact that the business procedures and internal controls established supported correct calculation of contributions in compliance with the EU's formal and material requirements, and the consistency between the EU's annual budget and the amounts paid by Denmark.

### **The Commission's control of Denmark's GNI-based contribution**

110. The GNI-based contribution is calculated on the basis of statistical data, and Denmark's calculation of its GNI is therefore checked by the Commission's statistical office, Eurostat. Eurostat visits Denmark – and the other Member States – to check that the definitions concerning the reported GNI are in accordance with the rules set out in the European system of national and regional accounts (ESA95), and to verify that all relevant components are included in the calculation of the GNI. If Eurostat has comments to the sources and methods used to calculate the Danish GNI, these will be referred to as reservations concerning the Danish GNI. Eurostat's assessment reports are forwarded to the GNI Committee.

111. Eurostat last visited Denmark in 2008 (and before that in 2003). The information visit lasted a week and was focused on statistical sources and methods, and it resulted in one specific reservation on Denmark's GNI and six cross-cutting reservations that applied to all Member States.

The specific reservation concerned uncertainty relating to the statement of use of buildings because the former source of data on rent had ceased to exist. Statistics Denmark examined potential new sources and found a suitable successor. To avoid a break in the time series concerning use of buildings, the new source was not incorporated immediately. Statistics Denmark has informed Rigsrevisionen that the source will be incorporated in connection with a major audit of the Danish national accounts in 2014. Eurostat will lift its reservation on the GNI when the new source has been implemented.

112. The six cross-cutting reservations that concerned all Member States will be discussed by the members of the GNI Committee. The six reservations concern the fact that all the Member States fail to comply with the requirements of ESA95 in certain areas. Eurostat has reserved its position on cross-border capital income, financial consultancy services, processing of data on businesses with no (substantial) physical presence, car scrapping schemes, social housing and inclusion of illegal activities in the national accounts. Illegal activities include prostitution and drug-trafficking.

113. The national accounts are based on a large number of primary sources that are all subject to varying degrees of uncertainty. As the main purpose of national accounts is to provide a basis for an overall assessment of the financial, economic and cyclical development in a country, the consistency of time series is considered essential. Statistics Denmark has informed Rigsrevisionen that the national accounts figures – like all economic statistical data – are subject to uncertainty.

*The GNI Committee is composed of representatives from the national statistical institutions of the Member States. The committee meets to discuss national accounts, ESA95 and Eurostat's assessment reports.*

114. Statistics Denmark harmonises data and assesses the development in primary statistics (e.g. the industries statistics) compared with the national accounts. Statistics Denmark has also announced that steps have been taken to improve the quality of the GNI statement. The office under Statistics Denmark that is responsible for compiling the national accounts is currently developing an internal quality assurance system, according to which data will be subjected to various controls and probability assessments before the actual compilation of the national accounts begins.

Rigsrevisionen has established that Statistics Denmark is not subjected to any external control beyond the Eurostat's information visit, which takes place approximately every five years. Statistics Denmark has taken initiative to a peer review of whether Denmark's national accounts are elaborated in compliance with the principles laid down by the heads of the national statistical institutions in the Member States. The peer review is expected to take place in 2014 or 2015. Rigsrevisionen welcomes this initiative.

#### **The Commission's control of Denmark's VAT-based contribution**

115. The Commission checks the Member States' VAT statements regularly, see box 7. The Commission's most recent visit to Denmark took place in 2012. The Commission reserves its position on the Member States' VAT statements if it detects discrepancies between the 6th VAT directive and revenue and expenditure indicated in the statement. The Commission assesses and compares Denmark's commercial activities with those of other Member States and/or with other players operating in the same trade.

#### **BOX 7. VAT STATEMENT**

To ensure the comparability of the Member States' estimated VAT bases, they are required to work out a VAT statement, which should include adjustments for variances compared to the most recent VAT directive (6th VAT directive). This exercise is required because some Member States have the option not to tax certain transactions and other Member States have retained national regulations that were in force when they joined the EU. The Danish Ministry of Taxation is responsible for compiling Denmark's VAT statement.

*VAT grouping is a group that is financially, economically or organisationally attached to one another and can therefore be treated as a single taxable person for VAT purposes.*

116. The Commission had six reservations concerning Denmark's VAT statement relating to non-commercial radio and television, passenger transport, VAT-grouping schemes, exemption for charities, delivery and maintenance of ships and aircraft, and services provided on board means of transport. Information on size of amounts involved is not yet available.

One reservation concerned Denmark's national broadcasting companies DR and TV 2; the Commission has asked for an explanation of the variance in the costs of running DR and TV 2, respectively. SKAT has informed Rigsrevisionen that the variance is related to payroll-costs; DR's own production of television programmes and movies exceeds by far that of TV 2, which generally buys its products (TV-series, movies, etc.).

Two of the six reservations (the VAT grouping scheme and charities) concerned the fact that Denmark has exempted several interest groups for VAT, which, in the opinion of the Commission, is not in compliance with the 6th VAT directive.

117. Denmark is among the Member States that accept VAT grouping. The Commission, however, was of the opinion that establishing VAT groupings that might have negative consequences for VAT revenue was not in accordance with the directive. The Commission took legal action against Denmark for infringement of the treaty in connection with the Danish administrative practice in this area, but the EU Court of Justice decided in Denmark's favour, and the Commission's reservation concerning this issue has therefore been lifted.

118. According to the Danish VAT legislation, goods and services provided by charity organisations or other non-profit activities like, for instance, fund-raising campaigns are exempted for VAT. The VAT directive does not, however, in the opinion of the Commission authorise such exemptions and the reservation on this practice is maintained. SKAT has informed Rigsrevisionen that Denmark does not agree with the Commission on this issue. The Commission has not taken legal actions against Denmark in this respect.

#### **D. Comparison of EU expenditure and rebates by Member State**

119. For the past few years, the rebates granted to certain Member States have been the subject of debate, as has the connection between the rebates and the gross and net contributions made to the general budget by the individual Member States. Rigsrevisionen has therefore produced a financial summary of contributions made by the Member States, rebates granted to Member States and the connection between gross and net contributions and the agreed rebates in the period 2007-2011. Denmark has not been granted any rebate for this period, but at the Council's meeting in February 2013 it was decided to grant Denmark a gross reduction in its annual GNI contribution of EUR 130 million in the period 2014-2020.

120. In order to determine the individual Member States' net contributions to the EU budget, the amount of funding received by the individual Member State should be taken into consideration. The net contribution can be calculated in many ways. Rigsrevisionen has based its statement on the calculation made by the Danish Ministry of Finance, which includes all EU revenue and expenditure. It should be noted that this method of calculation is not identical with the method applied by the Commission. The Commission's statement does not, for instance, include taxes on EU staff salaries and the Member States' customs duties and agricultural fees and levies. It should also be noted that Rigsrevisionen's calculation as presented in table 3 includes funding provided directly by the Commission to Danish organisations and institutions (e.g. the Danish universities) and it is therefore not identical with the summary of EU revenue and expenditure that is included in the Danish state accounts (see chapter III). The Member States' individual gross contributions were also considered in the negotiations of the rebate system.

Table 3 shows net and gross contributions by Member State. A negative net contribution figure indicates that the respective Member State receives more funding from the EU budget than it contributes.

**Table 3. Net and gross contributions per capita in the period 2007-2011 (annual average)**

	Net contribution EUR		Gross contribution EUR
The Netherlands	222	Luxembourg	585
Denmark	170	Belgium	451
Sweden	148	Denmark	447
Germany	132	The Netherlands	351
United Kingdom	93	Ireland	341
Italy	89	Finland	343
Finland	87	Sweden	326
France	86	France	304
Austria	78	Austria	299
Cyprus	34	Germany	283
Spain	(51)	Italy	263
Romania	(60)	Cyprus	239
Bulgaria	(84)	Spain	236
Ireland	(87)	Greece	222
Malta	(93)	United Kingdom	209
Slovenia	(108)	Slovenia	202
The Czech Republic	(127)	Portugal	159
Belgium	(134)	Malta	155
Slovakia	(154)	The Czech Republic	141
Poland	(186)	Estonia	124
Portugal	(248)	Slovakia	121
Latvia	(254)	Hungary	96
Hungary	(254)	Lithuania	93
Estonia	(305)	Latvia	91
Lithuania	(356)	Poland	91
Greece	(421)	Romania	58
Luxembourg	(2,436)	Bulgaria	49

Note: The statement of gross and net contributions includes all EU revenue and expenditure. The summary covers the period 2007-2011 because consolidated accounting figures are available for these years. Please note that the large negative contributions of Belgium and Luxembourg are a reflection of the high compensation for administrative expenses provided to these countries because the EU institutions are located there.

Source: The Danish Ministry of Finance's calculations made on the basis of the Commission's *EU Budget 2011 – Financial Report* (net and gross contributions) and Eurostat data (population figures).

*The gross contribution includes Denmark's contributions to the EU budget, ie customs duties and agricultural fees and levies, VAT- and GNI-based resources.*

*To arrive at Denmark's net contribution, funding received from subsidy schemes and reimbursements for administration of EU funds should be deducted from the gross contribution.*

It appears from the table that 10 countries in the period 2007-2011, contributed, on average, more to the EU's general budget than they received, whereas 17 countries received more funds from the EU than they contributed. It also appears that the contribution per capita varies significantly across Member States.



121. It is this variation in contributions made by the individual Member States that has prompted some countries to ask for reductions in their contributions to the EU budget. The most important agreement concerning rebates is the so-called Fontainebleau agreement which was adopted at the Council's meeting in 1984. At this meeting the Council decided that all corrections relating to expenditure and revenue must be based on two principles:

- Expenditure policy is ultimately the essential means of resolving the question of budgetary imbalances.
- Any Member State sustaining a budgetary burden which is excessive in relation to its relative prosperity may benefit from a correction at the appropriate time.

122. Up until 2013, the largest corrections were given to United Kingdom (the UK rebate), Germany, Austria, the Netherlands and Sweden.

123. The UK rebate was made de facto permanent with the Council's decision no. 257 of 7 May 1985. The rationale for the UK rebate was the fact that United Kingdom was – at the time – one of the less prosperous countries, yet one of the greatest contributors to the EU budget, because financing was largely based on VAT resources.

United Kingdom reached an agreement that provided for 66 per cent of United Kingdom's net contribution. The cost of the UK rebate is divided among the other Member States in proportion to the share of the GNI-based resources they contribute to the EU budget.

124. However, the financing of the UK rebate has been modified over time and some of the largest net contributors to the EU budget have achieved what is commonly referred to as a "rebate on the rebate". Germany, Austria, the Netherlands and Sweden have thus, since year 2000, contributed only 25 per cent of their original financing share of the UK rebate.

125. At its meeting in Brussels in December 2005, the Council decided that the Netherlands and Sweden should be granted a gross reduction in their annual GNI-based contributions of EUR 605 million and EUR 150 million, respectively, for the period 2007-2013. The amounts were to be adjusted to current prices in the period. Also the VAT call rates for Germany, Austria, the Netherlands and Sweden were reduced for the period 2007-2013.

Table 4 is a summary of the average corrections granted to the United Kingdom, Germany, Austria, the Netherlands and Sweden in the period 2007-2011.

**Table 4. Average annual corrections granted in the period 2007-2011 by Member State and type of reduction (EUR million)**

	United Kingdom	Germany	The Netherlands	Sweden	Austria	Total
UK rebate	5,073					<b>5,073</b>
Rebate on the UK rebate		925	234	126	96	<b>1,382</b>
Reduced GNI payment			666	152		<b>818</b>
Reduced VAT payment		1,874	509	290	76	<b>2,748</b>
<b>Total</b>	<b>5,073</b>	<b>2,799</b>	<b>1,409</b>	<b>568</b>	<b>172</b>	<b>10,022</b>

Note: The summary covers the period 2007-2011 because consolidated accounting figures are available for these years. The reductions in GNI and VAT payments are financed by all Member States and the net rebate will thus be lower than indicated in the table. The UK rebate and the rebates on the UK rebate are financed by the Member States that do not receive this type of rebate.

Source: The Danish Ministry of Finance's calculations made on the basis of the Commission's *EU Budget 2011 – Financial Report*.



When comparing table 3 and table 4, it will appear that the countries that have been granted reductions are largely identical with the countries that are paying the largest contributions to the EU budget per capita.

126. At its meeting in February 2013, the Council reached an agreement on the EU's financial framework for own resources for the years 2014-2020. As regards corrections, it was agreed that the current mechanism for correcting budgetary imbalances in favour of the United Kingdom will be maintained. For the 2014-2020 period, a VAT call rate of 0.15% will apply to Germany, the Netherlands and Sweden. Denmark, the Netherlands and Sweden will benefit from reductions in their national GNI payments of EUR 130 million, EUR 695 million and EUR 185 million, respectively, in the same period. The Austrian annual GNI contribution will be reduced by EUR 30 million in 2014, EUR 20 million in 2015 and EUR 10 million in 2016. Austria's, the Netherlands' and Sweden's corrections combined will be reduced in the period 2014-2020 compared with the period 2007-2013, which means that Denmark's financing share of corrections granted to other Member States will be reduced by EUR 7,1 million annually in the period 2014-2020. Denmark will thus achieve a total correction of approximately EUR 135 million annually in the period 2014-2020.

Rigsrevisionen notes that the countries that have achieved corrections are among the nine largest net contributors to the EU budget. Generally, the size of net contributions therefore seems to be linked to corrections granted. Yet, some countries have not been granted corrections despite their sizable net contributions to the budget.

## VII. Emphasis of matter paragraphs and initiatives implemented by the Danish Ministry of Food

According to Rigsrevisionen's assessment, Denmark's administration of the agricultural schemes is still not entirely satisfactory and may lead to new financial corrections. The Ministry of Food has implemented various measures to improve Denmark's performance in this area on the basis, for instance, of recommendations made by an external consultancy firm. Rigsrevisionen welcomes this initiative.

### A. Follow-up on emphasis of matter paragraphs included in the report to the Danish Public Accounts Committee on the audit of EU funds in Denmark in 2011

127. Rigsrevisionen's assessment is based on the following:

- Some aspects of area control have improved in 2012 compared to 2011, but should be further improved to minimise the risk of future financial corrections being imposed on Denmark.
- As yet, no decision has been made to introduce a new method of control to improve the consistency of the municipalities' cross-compliance control. The Ministry of Food has, however, launched several initiatives aiming to improve the current method of control applied by the local authorities.
- The administration of subsidy schemes under the Rural Development Fund is not entirely satisfactory. The Ministry of Food has launched several initiatives to improve administration.

*In connection with the agricultural policy reform in 2005, the Single Payment System was linked to meeting environmental, public, animal and plant health and animal welfare standards and the need to keep land in good agricultural and environmental condition – the so-called cross-compliance requirements.*

*Farmers are required to comply with a total of 121 requirements, depending on the nature of their farm. Subsidies provided to farmers that fail to meet the requirements are reduced.*

128. Rigsrevisionen inserted three emphasis of matter paragraphs in its report on the audit of EU funds in Denmark in 2011. They concerned area control, control of cross compliance and financial corrections – all areas that are administered by the Ministry of Food. Rigsrevisionen has followed up on these issues and examined the measures implemented by the Ministry of Food after the report was submitted to the Public Accounts Committee in 2012.

129. Rigsrevisionen has established that area control was better organised and progressed more smoothly in 2012 than in 2011. Yet audit findings showed that remote-sensing based on ortho imagery – as expected – was less accurate than physical inspections, i.e. the size of land parcels is sometimes overstated compared to the results of physical inspections. Rigsrevisionen also established that the ongoing updating of field maps had improved and that Denmark – compared to 2011 – met more of the Commission's criteria in its test system (ETS).

*A private consultancy firm has on behalf of the AgriFish Agency in 2012/13 analysed Denmark's administration of the EU's agricultural support schemes. The purpose of the analysis was to identify the administrative areas that were most affected by errors and present proposals to reduce the risk of financial corrections being imposed on Denmark in the future.*

In spite of the improvements, the AgriFish Agency still sees a risk of financial corrections being imposed on Denmark in the agricultural policy area. In 2012/2013, the agency commissioned a consultancy firm with broad experience within area control to propose improvements that would reduce the risk of future financial corrections being imposed on Denmark.

130. The consultants made the following recommendations:

- Increase the number of staff designated to manage remote sensing; handling each individual case has – with the introduction of the new quality standards for remote sensing – become more time-consuming.
- Increase the focus on complicated cases that are funded through the Rural Development Programme, as the Commission has its eyes these cases.
- Upgrade the training and skills of the inspectors to ensure that they have adequate knowledge of the EU regulations, and competencies to read maps and handle vegetation-related issues.
- Increase the number of rechecks; the current number of rechecks performed does not suffice to determine the causes of the errors made by the inspectors.
- Improve the procedures for updating field maps; deviations in land size detected during physical inspections are not always reflected in the land parcel identification system.

Rigsrevisionen welcomes the steps taken by the agency and supports the recommendations made by the consultants. Rigsrevisionen will follow the agency's efforts to improve area control also in the future.

131. Rigsrevisionen's examination of cross-compliance control last year showed that the number of inspections performed seemed to be out of proportion to the number of cross-compliance breaches found in many of the municipalities. The Danish authorities have decided that the majority of cross-compliance checks should be performed by local level authorities. According to the Ministry of Food, this set-up prevents the ministry from supervising the cross-compliance control performed by the municipalities. Rigsrevisionen finds that the organisation of cross-compliance control needs to be re-considered to ensure that the overall responsibility for the control rests with a central authority in order to ensure consistent control.

132. The AgriFish Agency has analysed the reports submitted by the local authorities in the period 2008-2011 and found that 17 municipalities had reported very few cross-compliance breaches compared with the number of inspections performed. The agency looked at the number of breaches reported and whether these represented less than half of the average number of breaches reported for all municipalities over a period of two years or more during the years 2008 to 2011. The 17 municipalities were asked to explain and, if necessary, elaborate on the low number of breaches reported. In some of the municipalities the low number of breaches reported was linked to the fact that inspections were announced and that consultants from the Danish Farmers' Union checked the farms, before the cross-compliance control was performed. Other municipalities informed the agency that they forward a cross-compliance control checklist to the farmers along with the announcement of the planned inspection. This approach reduces the risk of cross-compliance breaches being detected considerably.

133. According to the EU regulations, cross compliance inspections should be unannounced. Announcing the inspections to the farmers undermines their objective, which is to determine whether the eligibility terms have been violated.

134. The consultancy firm also made the following suggestions:

- introduce supervision – through follow-up checks – of the cross-compliance control performed by the local authorities;
- strengthen the competencies of the inspectors;
- place the responsibility for environmental cross-compliance control with a central authority as recommended by Rigsrevisionen in its report on the audit of EU funds in Denmark in 2011.

Rigsrevisionen welcomes these suggestions, but notes that it has not yet been decided to introduce a new control method. Rigsrevisionen will follow the efforts made to improve cross compliance also in the future.

135. The report on the audit of EU funds in Denmark in 2011 also included an emphasis of matter paragraph concerning the proceedings opened against Denmark by the Commission in respect to exclusion of expenditure (repayment of previously received EU funding) amounting to approximately EUR 134.2 million for the period 2002-2011. The largest financial correction of EUR 101 million concerned exclusion of expenditure relating to hectare aid.

136. The AgriFish Agency has informed Rigsrevisionen that new procedures introduced for follow-up on financial corrections require greater involvement of the departments of the Ministry of Finance and the Ministry of Food. An incentive structure has also been implemented by the Ministry of Food, according to which the ministry will finance 100 per cent of financial corrections up to EUR 1.34 million annually, 15 per cent of financial corrections ranging from EUR 1.34 million to EUR 10.73 million and 5 per cent of the expenditure for financial corrections ranging from EUR 10.73 million to EUR 26.84 million annually. The annual co-financing provided by the Ministry of Food has thus been capped at EUR 3.55 million. The Ministry of Finance will cover the balance of expenditure for financial corrections. As mentioned earlier in the report, a major analysis has been carried out to determine how the risk of future financial corrections being imposed on Denmark can be reduced.

137. In addition to the administrative areas that were the cause of the three emphasis of matter paragraphs in 2011, Rigsrevisionen has established that the management of subsidy schemes under the Rural Development Fund is not satisfactory. This conclusion is based on the results of an audit of one of the two accounts produced under the Rural Development Programme. The auditors detected errors in 30 of 111 sample checks, involving payments of EUR 1.3 million. The private auditors estimated the total value of errors in the audited area at EUR 3.6 million, out of a total of EUR 43.2 million, ie an error rate of 8.3 per cent. The EU accepts an error rate of 2 per cent, corresponding to approximately EUR 0.8 million. The private auditors qualified this part of the accounts.

According to the AgriFish Agency the fact that beneficiaries had failed to erect and maintain notice boards that informed the public that projects were EU co-financed, accounted for two-thirds of the errors in euros. It should be noted that it is not clear how failure to comply with this obligation should be sanctioned, and in the absence of guidelines issued by the EU, the private auditors decided to assess the correction at 100 per cent of the total subsidy. The AgriFish Agency is of the opinion that the correction should be proportionate to the offence. Rigsrevisionen supports this view, as the errors were mainly of a formal nature and had no impact on the application of subsidy funds.

138. In 2013, the AgriFish Agency focused on following up on the issues that were criticized in 2012 and the agency has, among other things, clarified its rules, improved its control procedures and upgraded the skills of its staff. The agency has also increased the number of administrative case managers and taken on more people to perform physical inspections. By 16 October 2013, the agency is expecting to have implemented a system that will allow the agency to check all invoices/vouchers. Currently, around 5 per cent of all vouchers are being checked.

The conversion to a procedure where all vouchers are checked is being made in response to criticism raised against the current model by various auditing bodies. With the introduction of this new procedure, the AgriFish Agency hopes to reduce the risk of errors in the area and also the risk of financial corrections relating to project subsidies. The changed procedure is also in compliance with the recommendations made by an independent consultancy firm that assessed the quality of the agency's case handling and analysed case processing procedures in comparable countries. Overall, it must be concluded that control of all vouchers must be implemented to meet the criticism raised by the Commission. Rigsrevisionen will continue to follow the efforts made to improve administration of the subsidy schemes under the Rural Development Programme. Rigsrevisionen recommends that the agency – in the long term – should evaluate whether the outcome of the new vouching procedure matches the effort, and whether the procedure can be reduced and targeted at the high-risk areas.

Rigsrevisionen, 6 November 2013

Lone Strøm

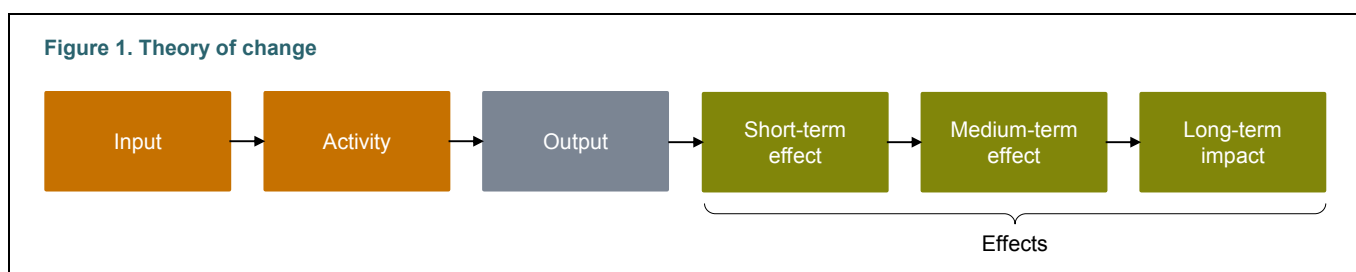
/Morten Henrichsen

## Appendix 1. Performance management and theory of change

Rigsrevisionen has focused on performance management in two of the administrative areas addressed in this report. The Danish Business Authority as well as the AgriFish Agency work with performance management and theory of change in relation to the EU's subsidy schemes. In the following sections of the report, the two concepts will be defined in order to create a framework for understanding the basis upon which Rigsrevisionen has based its assessment of how these agencies' have managed performance.

### Theory of change

Theory of change is frequently used as a tool to plan an effort or map out a project. Initially, the desired long-term changes or effects are defined. Next, the results required to achieve the intended effects are defined, and last, the services/products/activities that must be delivered to achieve the intended effects are defined. Figure 1 illustrates the theory of change.



A theory of change includes an analysis of how the intended effect will be achieved. The theory of change will outline the activities that need to be implemented to achieve the desired effects for the project target group. Describing the cause and effect linkage between the different elements in the theory of change, will underpin the assumption that the planned activities will lead to the desired effects.

Parameters for objective achievement can be incorporated in the cause and effect chain, which will then constitute a hierarchy of objectives. The hierarchy of objectives can be categorised in accordance with the individual elements of the theory of change. The objectives referred to in this report are categorised as follows:

**Activity objectives** – the link between input and output, i.e. the activities that need to be implemented – e.g. upgrading of skills.

**Production objectives** – the *output*, i.e. the immediate result of the activities – e.g. 200 people must complete a skills upgrading course.

**Performance objectives** – concern the intended *impact* of an effort on society – e.g. upgrading of skills, increased employment or integration of people with mental disorders in the labour market.

Performance objectives may be short, medium or long term. Setting parameters for long-term impact can be difficult. Instead, objectives may be defined for the intended effects in the short and medium term, which – based on the theory of change – would support achievement of the intended long-term impact. The development of a new production method, which will increase the productivity of a company may, for instance, serve as a parameter/indicator for the impact on the competitiveness of a specific trade.

Successful performance management and definition of performance objectives depend on careful consideration of the cause-effect linkage between activities launched and the intended impact on society. The theory of change can contribute to clarifying how specific inputs – through the implementation of various activities – may lead to specific effects or changes.

**Performance objectives and performance management**

Rigsrevisionen finds that a limited number of long-term measurable performance objectives represents the best possible platform for effective performance management. Parameters should be defined as early as possible in the cause-effect chain. It should be noted that defining objectives with focus on effect does not imply that setting other types of objectives is no longer relevant. Concrete activities and production objectives supplement the performance objectives and are appropriate for managing progress in the short term. Most importantly, the cause-effect chain should be mapped out to ensure that the linkage between input, activities and effects is clarified – for instance through theories of change. In the event that it is impossible to define relevant performance objectives for the entire effort or parts of the effort, Rigsrevisionen recommends that objectives should be defined as close to the top of the hierarchy of objectives as possible.

Performance management is focused on identifying, defining, measuring, setting objectives for and following up on effects. Activities that are launched on the basis of funding from the EU need to generate management information suited to demonstrate that the activities will have an impact on the target group of the project and eventually also on society, as intended.

When the desired impact on society provides the basis for management, focus will be directed towards the success criteria of projects and the factors that justify their existence, i.e. achievement of the objectives set for the projects and the extent to which they contribute to meeting the overarching objectives of the subsidy scheme. Working with and providing evidence of the impact of activities on society will also provide the politicians with a better platform for prioritising and allocating project funds.

## Appendix 2. Glossary

Areal control	Controlling that the area indicated in the application for single payment corresponds with the data available to the AgriFish Agency through the land parcel identification system and the size of the area according to the result of remote-sensing.
Business development strategy	Management tool available to the regional growth forums. The strategy describes the focus areas that set the course for the local growth forums' management and support.
Controlling authority	Cross-compliance control is performed by local authorities and various government authorities like, for instance, the Danish Nature Agency, the Danish Agency for Culture, the Danish Veterinary and Food Administration and the Danish AgriFish Agency.
Cross compliance	<p>The farmer must comply with a number of national requirements concerning the environment, health, animal welfare, and the maintenance of all agricultural land in good agricultural and environmental condition to be eligible to receive single payments and direct aid for protein and energy crops, starch potatoes, and premiums for male animals and ewe (i.e. support financed by the European Agricultural Guarantee Fund). The cross-compliance requirements are also applying to direct aid received under the livestock or arable area subsidy schemes that are financed by the European Agricultural Fund for Rural Development.</p> <p>This cohesion between payment of subsidies and compliance with requirements is called cross compliance.</p>
Cross-compliance control	Planned control performed at the farms selected for control on the basis of a risk assessment. According to the EU rules, one per cent of all farmers that have applied for support must be checked.
Direct agricultural support	Includes the Single Payment Scheme and premiums for starch potatoes, ewe and slaughter of male animals (bulls and steers).
Eligible and not eligible areas	Land used for agricultural activities (including grazing) is eligible for support under the Single Payment Scheme. The following areas are not eligible for support: fire lanes, property lines, windbreakers, natural areas like heather, areas overgrown with rush and other wetland plants, and areas that are not primarily used for agricultural activities or are planted with Christmas trees.
ESA 95	The European system of national and regional accounts. The Member States must comply with the accounting rules of ESA 95.
EU financial correction	The Commission generally applies a flat-rate penalty when project expenditure has been disqualified from reimbursement, which means that EU funding of the respective programme will be reduced by a fixed percentage.
EU funds	The EU funds contributing EU revenue to Denmark are: the European Agricultural Guarantee Fund, the European Agricultural Fund for Rural Development, the European Fisheries Fund, the European Social Fund, and the European Regional Fund. The EU funds are part of the EU budget and are not funds in the traditional legal sense of the word.
EU revenue and expenditure	Revenue, which Denmark receives from the EU, is referred to as EU revenue, whereas the Danish contributions to the EU are referred to as EU expenditure.
Good agricultural and environmental condition	Farmers must meet the requirements for good agricultural and environmental condition of his land to be eligible for support; uncultivated lands must be mown at least once every second year in the period 1 July to 15 September, and permanent pastures must be mown once a year in the same period.
Hectare (ha)	Hectare is a metric unit of area defined as 10,000 square meters (100 m by 100 m). It is primarily used in the measurement of land.
Land Parcel Identification System	System including data on the size of individual land parcels.



Livestock units	Concept describing the environmental impact of livestock. One livestock unit corresponds to the number of animals producing 100 kilos of nitrogen per year. The number of animals making up one livestock unit therefore depends on the race and weight of the individual animals.
MoFia	Project contributing to the implementation of daily control of and follow-up on customs declarations in order to reduce the error rate and eliminate other deficiencies before the declarations are approved and the good released.
Ortho imagery	The AgriFish Agency has developed digital field maps on the basis of aerial photos that have been geometrically corrected to ensure that the scale of distances, areas, etc. are as accurate as ordinary maps. These photos are referred to as ortho imagery.
Regional Growth Forum	Project applications for subsidies from the European Social Fund and the European Regional Fund are processed by the regional growth forums that are composed of individuals appointed by the regional councils and local authorities, representatives of the business community, knowledge and educational institutions and labour market representatives.
Remote sensing	Measurement of agricultural land performed by satellite or aerial photos (ortho imagery).
Single payment	Support paid to farmers under the European Agricultural Guarantee Fund (the Guarantee Fund).
Structural funds	The European Social Fund and the European Regional Fund.
The European Agricultural Fund for Rural Development (Rural Development Fund)	EU fund financing support provided under the Rural Development Programme.
The European Agricultural Guarantee Fund (Agricultural Guarantee Fund)	EU fund financing direct agricultural support.
The European Fisheries Fund (Fisheries Fund)	EU fund financing payments made under the Fisheries Development Programme.
The European Regional Development Fund (Regional Fund)	EU fund aiming to strengthen social and economic cohesion in the EU by correcting imbalances between its regions.