



**FOLKETINGET
STATSREVISORERNE**



**FOLKETINGET
RIGSREVISIONEN**

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**Extract from Rigsrevisionen's report
submitted to the Public Accounts Committee**

The administration of support for farmers

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the Danish Ministry of Food, Agriculture and Fisheries' administration of EU support provided to farmers. The Danish Agricultural Agency serves as the paying agency for the EU support and therefore administers and makes payments to farmers in Denmark. The agency executes payments of approx. DKK 7 billion annually, partly as direct payments and partly as payments made through the Rural Development Programme.

Direct payments include payments for areas where the farmers grow different types of crops, and the purpose of these payments is, among other things, to support Europe's food supply security. The objective of the Rural Development Programme (2014-2020) is to support development of the farming sector, strengthen environmentally sound and climate friendly farming practices and support sustainable use of natural resources in rural districts. Funding through the Rural Development Programme is allocated through project support schemes with focus on environmental technology that support tangible investments in, for instance, construction of environmentally friendly stables.

2. Rigsrevisionen initiated the study in April 2020, because indications of problems relating to the Danish Agricultural Agency's administration of financial support were found during our ongoing financial audit.

3. Financial support to farmers is mainly EU funded and must be administered in compliance with the EU regulations.

4. The purpose of the study is to assess whether the Ministry of Food, Agriculture and Fisheries has ensured correct administration of support provided to farmers in the period from 2014 to 2019. Correct administration of support depends on the Danish Agricultural Agency's effective control of underlying ownership structures. Checking ownership structures is a prerequisite for being able to make correct payments and prevent irregularities and circumvention of financial ceilings, controls and sanctions prescribed in EU regulations as well as in national regulations. In addition to the Danish Agricultural Agency's control of underlying ownership, applicants must comply with a number of other requirements to receive and keep financial support from the EU. The report therefore answers the following questions:

The Danish Agricultural Agency

The Danish Agricultural Agency is Denmark's national EU paying agency. The agency has been accredited to manage funding provided to farmers through the EU agricultural funds.

- Has the Danish Agricultural Agency adequately checked the underlying ownership of farms?
- Has the Danish Agricultural Agency ensured compliance with a number of other essential requirements to receive and keep support?



Main conclusion

The Ministry of Food, Agriculture and Fisheries has not ensured correct administration of support for farmers. This fact is criticized by Rigsrevisionen. Incorrect administration entails a risk of irregularities, circumvention of regulations and subsequent financial corrections being imposed on Denmark by the European Commission.

The Danish Agricultural Agency has not ensured adequate control of underlying ownership structures

The study found that the Danish Agricultural Agency has failed to obtain relevant information from the farmers about ownership structures. Nor has the agency checked ownership structures in other ways. Since 2005, the agency has been aware that its administrative practice in combination with inadequate control had the consequence that some farmers could obtain undue advantages by splitting their farms and applying for support through several holdings. Still, the Danish Agricultural Agency neither changed its practice nor carried out basic checks to determine whether farmers owning several holdings met the eligibility criteria to receive funding. Rigsrevisionen's statement shows that holdings with overlapping ownership have applied for and received direct payments of DKK 888 million in 2019 and have been guaranteed payments of DKK 68 million from the environmental technology schemes in the period from 2014 to 2019. This means that the Danish Agricultural Agency is unable to determine the extent to which these farmers have received payments that they were not entitled to.

The study indicates that 138 farmers, who have received direct payments, and 19 farmers, who have received support through the environmental technology schemes, may have circumvented the cap on direct payments by splitting their farms into several holdings. They may thus have obtained undue benefits and received minimum DKK 3.6 million in direct payments and minimum DKK 28 million through the environmental technology schemes. These farmers have received total payments of DKK 448 million. Additional assessment of each individual case will determine how much of this amount that has been paid to farmers that were not eligible. Farmers who have split their farms into several holdings, may also have obtained other derived benefits and, for instance, been subjected to fewer checks and sanctions; benefits that cannot be quantified in monetary terms.

The Danish Agricultural Agency has informed Rigsrevisionen that the agency agrees that the control of underlying ownership structures needs to be strengthened, and the agency will take steps to clarify the scope of future control with the European Commission.

The Danish Agricultural Agency has not to an adequate extent ensured compliance with a number of other essential requirements to receive and keep support

The study found that 26 out of 50 reviewed cases did not meet all the requirements to receive and keep support. There were errors in case processing, and errors in the basis for administration that may have led to errors in similar cases. The errors relating to the 26 cases concern, for instance, failure to meet ownership requirements, lack of authorization, inadequate documentation of invoices and payments, and shortcomings relating to invitations to submit quotes in competition with other suppliers. The 26 cases involve payments made and guarantees issued totalling DKK 60 million and DKK 105 million, respectively.