



FOLKETINGET
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RIGSREVISIONEN

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Support to the fisheries sector from the EMFF

1. Introduction and conclusion

1.1. Purpose and conclusion

1. This report concerns the Danish Ministry of Foreign Affairs' management of support from the European Maritime and Fisheries Fund (the EMFF) in the period 2014-2017. The policy area of fisheries was transferred from the Danish Ministry of Environment and Food to the Ministry of Foreign Affairs by royal decree on 7 August 2017. Although the study concerns mostly the period during which the Ministry of Environment and Food was responsible for the area, it is currently within the remit of the Ministry of Foreign Affairs.

2. In the period examined, support from the EMFF made up DKK 875.4 million, of which approximately 75% was financed by the EU. Funding is allocated through 14 different programmes for, among other things, investment in fishing vessels and aquaculture, and implementation of new EU regulations concerning fisheries control. Total funding for the 10 programmes that concern fisheries and aquaculture makes up DKK 536.5 million. The objective of the support is to promote competitive, environmentally sustainable, economically viable and socially responsible fisheries and aquaculture and to promote the implementation of the EU's common fisheries policy.

3. This study covers approximately 34% of the total budget of the EMFF and approximately 56% of the budget concerning fisheries and aquaculture. Rigsrevisionen initiated the study that springs from an audit of support from the EMFF in the Danish Agricultural Agency that Rigsrevisionen conducted in the autumn 2017. This audit indicated that there were problems with the management of support from the EMFF and therefore potentially also problems with the eligibility of beneficiaries. As a result, the Ministry of Foreign Affairs may have to recover payments from recipients that have not fulfilled the requirements, and financial corrections – claims for reimbursement from the EU budget – may be imposed on Denmark by the European Commission.

4. The purpose of the study is to assess whether the Ministry of Foreign Affairs is managing support from the EMFF to the fisheries sector correctly. The admissibility of applications is a basic condition that must be fulfilled by applicants who want to be considered for support. In this context, admissibility means that the application must comply with relevant EU regulations in order to qualify for support from the EMFF. Once the basic conditions have been fulfilled, the applicants must fulfil additional requirements to be able to receive support from the EMFF.

EMFF

The EMFF is the fund for the EU's maritime and fisheries policies for 2014-2020. The fund is used to co-finance projects along with national funding.

Financial corrections imposed by the European Commission

The European Commission determines the size of financial corrections or exclusions of expenditure based on an evaluation of three factors: the nature and gravity of the infringement and the financial loss suffered by the EU budget.

Basic application admissibility

The basic admissibility conditions for the EMFF appear from EU regulation 508/2014, article 10. Admissibility requirements vary depending on the scheme under the EMFF.

The report answers the following questions:

- Is the Ministry of Foreign Affairs managing funding from the EMFF in a manner that allows the ministry to determine whether the basic admissibility conditions for receiving support have been fulfilled?
- Has the Ministry of Foreign Affairs ensured that the applications fulfil a number of other important criteria for receiving EMFF support?



Conclusion

Rigsrevisionen criticises strongly the Ministry of Foreign Affairs' overall management of support to the fisheries sector from the EMFF. As a result of the ministry's inadequate management, support from the EMFF have been provided to applicants in conflict with the regulations, and applicants have not been treated equally. The ministry's inadequate management entails a risk that the European Commission will reclaim funding already provided.

The Ministry of Foreign Affairs' management does not allow the ministry to determine whether applications for support from the EMFF fulfil the basic admissibility requirements.

First, the Ministry of Foreign Affairs has assessed the basic admissibility requirements on an incorrect basis, because the ministry has failed to manage the EU penalty point system for fishing vessels in compliance with the regulatory framework. The ministry has not to the extent required imposed penalty points for serious infringements of the fisheries rules. The ministry has imposed penalty points in 34 cases in the period 2013-2017. In Rigsrevisionen's assessment, the ministry should have imposed penalty points in additionally 29 cases. Rigsrevisionen assesses that, in failing to do so, 24% of the examined funding has been provided to fishers who would have been excluded from receiving funding had the penalty point system been managed correctly. The inadequate and incorrect management of the penalty point system has also had the consequence that fishers have not been treated equally when penalty points have been applied. Thus, some applicants have been better positioned than others to receive support. The Ministry of Foreign Affairs has informed Rigsrevisionen that it will carry out a legal analysis of the cases where penalty points should have been applied, according to Rigsrevisionen's assessment.

Second, the Ministry of Foreign Affairs has not adequately checked whether the applicants were admissible for funding, and the ministry is therefore unable to provide evidence of their admissibility.

Third, the Ministry of Foreign Affairs has interpreted the admissibility requirement incorrectly in relation to limitations. This may have deterred fishers from applying for funding, despite the fact that they, in the assessment of Rigsrevisionen, fulfilled the basic admissibility requirements.

Admissibility

To receive funding from the EMFF, applications must comply with a number of regulations concerning, for instance, that operators have not committed serious infringements of the fisheries rules.

Moreover, the Ministry of Foreign Affairs has operationalised the requirements either incorrectly or only vaguely, and as a result, it has failed to ensure fulfilment of a number of other essential requirements to receive and keep funding. Under the largest scheme for support under the EMFF, for instance, the ministry has not applied the correct support rates in up to 75% of the cases examined, and therefore the amount of funding provided has been excessive in many cases.

To this should be added that the Ministry of Foreign Affairs' checking of compliance with the requirements has been flawed. In several cases, the ministry has failed to ensure that the requirements concerning offers from potential suppliers, invoicing and evidence of payments have been fulfilled. Rigsrevisionen's study shows a number of incidents where applicants and contractors contrary to the regulations have been mutually dependent on each other, or applicants have, for instance, asked for offers and traded with their own companies, or invoicing has clearly indicated the use of front men and fraud. The ministry has asked the Legal Adviser to the Government to investigate 18% of the cases included in Rigsrevisionen's sample, and the ministry expects to report minimum 10% of the cases in the sample to the police. The Legal Adviser to the Government is investigating an additional number of cases. The ministry intends to report the suspected fraud cases to The European Anti-Fraud Office (OLAF). Taking into consideration the number of irregularities and errors detected in Rigsrevisionen's sample, Rigsrevisionen finds that the ministry should look for evidence of fraud in all cases.

Based on Rigsrevisionen's study, the Ministry of Foreign Affairs has decided to conduct a thorough review of the administrative basis for support under the EMFF and relevant aspects related to fisheries control in order to ensure compliance with EU law. The review will be carried out with external legal and technical assistance. The ministry will examine old cases with respect to the legal implications of errors and poor management. The analysis will cover all cases concerning support and penalty points where there is cause to consider reopening cases. The ministry has also informed Rigsrevisionen that it will have focus on changing the administrative culture and ensuring that the ministry has the competencies necessary to deliver sound processing of applications.

The European Anti-Fraud Office (OLAF)

OLAF investigates fraud against the EU budget, corruption and serious misconduct within the European institutions, and develops anti-fraud policy. OLAF is an independent body under the European Commission.