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STATSREVISORERNE  
RIGSREVISIONEN



Extract from Rigsrevisionen's report on

## **the management of agricultural funds**

submitted to the Public Accounts Committee



1849  
147.281  
237  
1976  
114.6  
22.480  
908

# 1. Introduction and conclusion

## 1.1. PURPOSE AND CONCLUSION

1. This report concerns the Ministry of Environment and Food's effort to ensure that Danish agricultural funds are managed in compliance with the provisions and principles of effective and efficient grant management. The Danish agricultural funds include two promille levy funds, a fund for organic agriculture (Fonden for økologisk landbrug) and twelve production levy funds, which, combined, administer subsidies of approximately DKK 500 million annually. Subsidies are granted to promote the development and competitiveness of the Danish agricultural sector.

2. The agricultural funds were established in 1972 under the Agricultural Subsidy Act. Their set up is special, because each fund is headed by a board dominated by representatives from the agricultural sector. The fifteen agricultural funds are managed by commercial organisations: most by the Danish Agriculture & Food Council. The boards manage funding, the Danish AgriFish Agency supervises the fifteen funds and the Ministry of Environment and Food has overall responsibility for the full subsidy scheme.

3. Irregularities detected in the past few years have led to repayment of subsidies to the agricultural funds. We have reported on the most significant case in report no. 23/2014 concerning the audit of the government accounts for 2014; in connection with the annual audit, the Danish AgriFish Agency detected irregularities in twelve out of thirteen cases concerning subsidies awarded to the Danish Pig Research Centre, which had received funding from the EU as well as from domestic agricultural funds. The irregularities concerned errors in applications and subsidies provided to activities that were not eligible, and led to requests for repayment of approximately DKK 27 million from the EU, the Danish Pig Levy Fund and the promille levy funds. To this should be added that some of the board members have criticized the way funds are managed, on several occasions.

**THE TWO PROMILLE LEVY FUNDS** manage grants to the various industries within agriculture and gardening. The fund for organic agriculture covers all aspects of organic food and farming. The agricultural funds are financed through a government allocation to the Ministry of Environment and Food.

**THE PRODUCTION LEVY FUNDS** manage subsidies granted to specific sectors: pigs, livestock, poultry, milk, potatoes and gardening. Levies imposed on production in these sectors finance the funds. The levies consist of a fixed amount imposed on, for instance, one litre of milk or each pig delivered to the slaughterhouse. The production levy funds are required to use levies collected for activities that will benefit the respective sector.

4. We have decided to examine if the funding has been managed effectively and efficiently in the sense that it has been managed in a uniform and transparent manner, and in compliance with the provisions and principles set out in the guidelines on effective and efficient grant management issued by the Danish Ministry of Finance. The guidelines are not part of the legislation, but they promote appropriate practice in setting out the most important provisions and requirements to grant management. In addition to these requirements, grants must also be managed in compliance with the provisions of the Agricultural Subsidy Act. Overall, the purpose of effective and efficient grant administration is to ensure that public funds deliver value for money to society and are managed in compliance with the principles for public administration.

#### THE TWELVE PRODUCTION LEVY FUNDS:

- The Poultry Levy Fund
- The Seed Levy Fund
- The Sheep Levy Fund
- The Horse Levy Fund
- The Potato Levy Fund
- The Cattle Levy Fund
- The Milk Levy Fund
- The Fur Animal Levy Fund
- The Plant Improvement Levy Fund
- The Production Levy Fund for Fruit and Gardening Products
- The Sugar Beet Levy Fund
- The Pig Levy Fund

5. The purpose of the study is to determine if the Ministry of Environment and Food has ensured that the agricultural funds manage funding effectively, efficiently and correctly, that is to say in compliance with the provisions and principles for effective and efficient grant administration. The report answers the following questions:

- Have the agricultural funds managed funding effectively, efficiently and correctly?
- Has the Ministry of Environment and Food monitored the effectiveness and efficiency of the agricultural funds' management of funding?

Rigsrevisionen took initiative to this study in October 2015.

## CONCLUSION

It is Rigsrevisionen's assessment that the Ministry of Environment and Food has not ensured effective, efficient and correct management of the agricultural funds, meaning that funding has not been managed in compliance with the provisions and principles for public administration. The agricultural funds have not managed applications in a uniform and transparent manner. Nor have criteria for awarding subsidies been applied consistently to ensure proper documentation of the basis for the allocation of funding. To this should be added that the agricultural funds do not process all applications in the same way. Generally, the agricultural funds have managed funding in compliance with the provisions of the Agricultural Subsidy Act, but they have not met the requirements concerning definition of performance targets for their activities.

It is Rigsrevisionen's assessment that the agricultural funds have managed funding as framework grants rather than as subsidies, in some areas. First, and contrary to the principles of equal treatment, the agricultural funds have allowed the recipients of subsidies to transfer unused funds from one project to another. Second, the agricultural funds have made it a priority to award the same amount of money to certain recipients year after year. This approach has given the recipients the flexibility and financial security that is generally associated with framework grants and not with subsidies.

Rigsrevisionen finds it unsatisfactory that the Ministry of Environment and Food has primarily focused on ensuring that the agricultural funds act in compliance with the Agricultural Subsidy Act, and only to a lesser degree has focused on ensuring that the agricultural funds are managed in compliance with the provisions and principles of public administration. The Ministry of Environment and Food has not acquired adequate knowledge of the agricultural funds' management of funding, and Rigsrevisionen finds it unsatisfactory that the ministry has failed to determine whether the agricultural funds have defined performance targets for their activities, as prescribed by law. Nor has the ministry followed up on the agricultural funds' evaluation of the effect of the individual subsidies. The ministry has therefore not had an adequate basis for assessing the effectiveness of the subsidy scheme. Rigsrevisionen recommends that the Ministry of Environment and Food should evaluate the subsidy scheme going forward.