



Audit of EU funds in Denmark

November
2008

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A note to the reader:

Rigsrevisionen's audit of Danish EU funds takes place in collaboration between the internal auditors/controllers in the three ministries that are responsible for the administration of Danish EU funds, i.e. the Ministry of Foods, Agriculture and Fisheries, the Ministry of Taxation, and the Ministry of Economic and Business Affairs. These ministries contribute management statements on accounting in the EU areas, and the internal auditors/controllers organise their work to ensure that audit findings may be incorporated into Rigsrevisionen's audit opinion.

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RIGSREVISIONEN'S DECLARATION ON EU FUNDS IN DENMARK

Reliability of accounts

In Rigsrevisionen's opinion, the 2007 accounts of the EU areas: the European Social Fund, the European Regional Development Fund, agricultural and fishing subsidies, the VAT contribution and the GNI contribution have been prepared in compliance with the government's accounting rules. The accounts give a true and fair view of EU grants, duties, levies and contributions for the year under review and of the financial position at the end of the financial year. As regards settlement of customs duties and agricultural levies, etc., Rigsrevisionen's preliminary opinion is that the settlement is not true and fair, but contains errors which have a financial impact.

Legality and regularity of underlying transactions

On the basis of the audit findings, Rigsrevisionen is of the opinion that taken as a whole, the transactions underlying the 2007 accounts for the EU area are legal, regular and in compliance with the provisions laid down by the European Commission (the Commission) and the Council of the European Union (the Council). It should be added, however, that the transactions concerning customs duties and agricultural levies, etc., consisting of information provided by enterprises, contain errors which have a financial impact.

a. Introduction

1. Each year Denmark receives funds from the EU and likewise settles duties, levies and contributions to the EU's own resources. EU funds consist of grants from the EU structural funds, including the European Social Fund (the Social Fund) and the European Regional Development Fund (the Regional Fund), and grants from the European Agriculture Guidance and Guarantee Fund (agricultural subsidies). Settlements include customs duties and agricultural levies, etc., (traditionally the EU's own resources) and contributions calculated on the basis of the VAT base (VAT contribution) and gross national income (GNI contribution).

Rigsrevisionen plans and performs the audit of EU funds based on the same materiality and risk considerations that apply to the audit of government funds. Rigsrevisionen complies with Good Public Auditing Practice and basically applies the same audit methods as it does when auditing government funds in general, that is, systems-based auditing and sample substantive auditing.

2. Rigsrevisionen has conducted an audit of the duties, levies, and contributions to the EU's own resources, an audit of the grants awarded by the Regional Fund and Social Fund under the National Agency for Enterprise and Construction (the Agency), and an audit of the grants for agricultural subsidies and fishing subsidies under the Directorate for Food, Fisheries and

Agri Business (the Directorate). On the basis of these audits, Rigsrevisionen issues the above declaration on EU funds in Denmark.

b. Audit of duties, levies and contributions to the EU's own resources

3. The Ministry of Taxation is responsible for settling duties, levies and contributions to the EU on the basis of SKAT's calculation of customs duties and agricultural levies, etc., and on the basis of the EU's calculation of the VAT contribution, the GNI contributions, and the UK compensation, etc. The latter is compensation paid to Great Britain due to budget imbalances.

SKAT's collection of customs duties, agricultural levies, etc., is largely based on information provided by the enterprises liable to duties, levies and tax. SKAT collects the EU customs duties and agricultural levies, etc. in Denmark and takes the amounts collected to income in the state accounts. On the basis of SKAT's statement, the Ministry of Taxation settles customs duties and agricultural levies to the EU on a monthly basis, deducting 25 percent for administration. The monthly amounts are paid into a specific account held by the EU with Denmark's Nationalbank.

The VAT contribution is calculated by the EU and represents a specific percentage of an EU equalized VAT base. The percentage and the equalized VAT base are both calculated by the EU. The calculation of the equalized VAT base includes a harmonized VAT base and an intermediate VAT base, and also the GNI of the member states affects the equalized VAT base. The Ministry of Taxation settles the harmonized and the intermediate VAT annually on the basis of SKAT's and others' statement of the VAT collected. The VAT contribution is settled through monthly payments calculated on the basis of statements prepared by the EU. The Ministry of Taxation verifies the EU statements and makes the monthly payments into the EU account with Denmark's Nationalbank.

GNI contribution is settled by the EU as a percentage of an EU harmonized GNI. The GNI percentage is calculated and determined by the EU to balance the EU's expenses and income. The calculation is based on the annual statement of Denmark's GNI prepared by Statistics Denmark and other statements. The Ministry of Taxation controls the EU's statements and makes the monthly payments into the EU account with Denmark's Nationalbank.

4. Rigsrevisionen's audit of duties, levies and contributions does not cover the EU's management or Statistics Denmark's calculation of the GNI, but solely the management performed by the Ministry of Taxation.

Rigsrevisionen's audit of the Ministry of Taxation's management in the EU area included audit of the ministry's calculation and settlement of duties, levies and contributions to the EU's own resources and audit of SKAT's calculations of customs duties, agricultural levies, etc., and VAT receipts, cf. the following sections.

Audit of the Ministry of Taxation's calculation and settlement of duties, levies and contributions to the EU's own resources

5. Rigsrevisionen's audit included audit of the ministry's procedures and internal controls. In addition, Rigsrevisionen audited all entries in the ministry's 2007 accounts regarding settlement of duties, levies and contributions to the EU's own resources.

In 2007, the Ministry of Taxation settled duties, levies and contributions to the EU's own resources of DKK 16.6 billion, of which customs duties and agricultural levies, etc., amounted to DKK 2.5 billion, the VAT contribution to DKK 3.7 billion, and the GNI contribution to DKK 10.4 billion. The UK compensation of DKK 1.2 billion is included in the VAT contribution.

Rigsrevisionen has reviewed the ministry's procedures and internal controls and assessed whether they have served to ensure the prevention, detection and correction of errors, and whether the ministry's written procedures are being complied with in practice. Rigsrevisionen has also assessed whether duties are adequately segregated between individuals with respect to approval, authorisation, payment and book-keeping, and whether the ministry has performed relevant reconciliations in a satisfactory manner

Rigsrevisionen has also checked whether the monthly payments made to the EU were approved and authorized by the designated individuals, whether the book-keeping was correct and the amounts entered in the books included in the printed state accounts. Furthermore, Rigsrevisionen has reviewed the correctness of the amounts transferred to the EU's account with Denmark's Nationalbank, whether the transfers were made on time, and whether the amounts paid were drawn on the Ministry of Taxation's account with Denmark's Nationalbank.

Within the area of customs duties and agricultural levies, etc., Rigsrevisionen reviewed whether the Ministry of Taxation had received from SKAT the monthly statements of amounts for payment, whether the contributions were calculated and settled in compliance with the statements received from SKAT, and finally whether the ministry's transfer of amounts to the EU's account with Denmark's Nationalbank was consistent with the statements received from SKAT.

With regard to the VAT contribution and the GNI contribution, Rigsrevisionen has checked whether payments made were in compliance with the amounts contained in the EU's budget and with EU regulations, whether contributions were calculated and settled in compliance with the statements received from the EU, and whether the ministry's authorising letters and requests for transfers of amounts to the EU's account with Denmark's Nationalbank were prepared in compliance with the statements received from the EU.

Rigsrevisionen's audit showed that taken as a whole, the ministry has calculated and settled duties, levies and contributions correctly on the basis of SKAT's calculations; that the settlement of duties, levies and contributions is correctly stated in the ministry's accounts; and that the ministry has established procedures and internal controls which have ensured this to the widest possible extent. However, the audit of SKAT also showed that SKAT's calculations of customs duties and agricultural levies, etc., which are based on information provided by the enterprises, contain errors, cf. the sections below.

Audit of SKAT's calculation of customs duties and agricultural levies, etc.

6. The audit of SKAT's calculation of customs duties and agricultural levies, etc., is performed in a collaboration between Rigsrevisionen and SKAT's internal audit department.

The audit showed that taken as a whole, SKAT calculated customs duties and agricultural levies, etc., correctly on the basis of the information provided by the enterprises liable to duties, levies and tax and that SKAT has established procedures and internal controls which to the widest possible extent ensure this. The audit also showed continued problems with transactions that were not finalized in SKAT's IT system – Importsystemet – and problems related to the enterprises' reporting. That declarations have not been finalised means that the enterprises have started the processing of the declarations, but not finalised them in Importsystemet.

7. The audit of the state accounts for 2005 disclosed that SKAT's IT system, Importsystemet, may have held declarations relating to 2005 and 2006 that had not been finally processed, cf. Final Report on the State Accounts for 2006, page 73, item 2.

In July 2006, the Commission asked the Danish authorities to perform an additional check of Importsystemet towards the end of 2006, to identify declarations for 2005 and 2006, that had not yet been finalised, and report on their findings to the Commission.

In January 2008, SKAT forwarded a statement to the Commission concerning the procedures governing preliminary declarations in Importsystemet, and at the same time SKAT initiated measures which in the course of the 1st quarter of 2008 were to ensure ongoing follow-up on declarations which the enterprises have not finalised, cf. Final Report on the State Accounts for 2006, page 223, item 40.

It appears from SKAT's statement that to ensure processing of unfinished declarations, Importsystemet distributes a list of all unfinished declarations to the tax centres on a daily basis.

The Commission has not responded to SKAT's statement of January 2008 on the procedures governing unfinished declarations held in Importsystemet.

In December 2007, the Court and Rigsrevisionen conducted a joint audit of a Danish tax centre. The tax centre was asked to review two of the daily lists of declarations that had not been finalized. The review showed that 54 items were processed and settled in compliance with the regulations. Four of the remaining 18 items were open, as SKAT has approached the enterprises requesting additional documentation. The tax centre still needs to perform additional on-the-spot checks in the enterprises. The report on this additional control is expected to be available in early December 2008. Rigsrevisionen is of the opinion that SKAT should have completed the follow-up on the lists from December 2007 earlier. The remaining 14 items had either been settled too late, or action had been taken for post-clearance recovery totally DKK 68,232. The Court concluded that instructions should be elaborated to ensure that declarations that have not been finalised are processed as quickly as possible, as they may cover items that have not been declared on arrival or a delay in transfer of or loss of outstanding import duties. Rigsrevisionen notes that the sample substantive auditing of 300 items showed that underpayments and overpayments of duties and levies were largely on the same level, cf. the following sections.

Moreover, the internal auditors have examined the processing of the lists in three of five tax centres, responsible for customs clearance in each their geographical area. The audit showed that two of the three tax centres had not processed the lists of declarations that had not been finalised in a satisfactory manner, possibly because the guidance issued by SKAT in this area has been inadequate.

SKAT has indicated that guidance has subsequently been issued to meet inconsistencies, and that it is being considered to elucidate the guidance even further when the next edition of the Danish Customs Guidance is being elaborated. The guidance concerning the daily lists was last adjusted in June 2008, and SKAT is of the opinion that the follow-up routines established in Importsystemet are now functioning satisfactorily, and that guidance on the follow-up routines is clear.

The fact that the follow-up routines established for declarations contained in Importsystemet do not work satisfactorily is not considered satisfactory by Rigsrevisionen. Neither is it considered satisfactory that the follow-up on incomplete declarations for 2005-2006 and 2007 has not been finished. Rigsrevisionen finds that SKAT must make sure that the tax centres have clear guidelines at hand at all times, enabling them to perform the required checks. Rigsrevisionen will continue to monitor the initiatives taken by SKAT to ensure ongoing follow-up on incomplete declarations lodged by the enterprises.

8. As mentioned in the Public Accounts Committee's Report no. 16/06 on the audit of the state accounts for 2006, page 131, item 466, 300 items were subjected to a representative sample examination, including also checks of the information provided by the enterprises liable to duties, levies and tax. The examination, which was not finished when the report was submitted, seemed to indicate that the information provided by the enterprises liable to duties, levies and tax with respect to settlement of customs duties and agricultural levies,

etc. were incorrect to a considerable extent. Thus, 65 errors which had a financial impact were identified among the 300 sample items.

The final audit report on the sample examination of 300 items disclosed errors in 115 items which had a financial impact.

70 items accounted for an underdeclaration of customs duties of well over DKK 270,000, and 45 items accounted for excess declarations of well over DKK 126,623,000. The errors were caused by inadequate or incorrect declarations lodged by the enterprises liable to duties, levies and tax, and they were not the result of errors in SKAT's processing of the information.

Most of the excess customs declaration of DKK 126,623,000 concerned declarations that had not been lodged in due time for clearance, and were therefore roughly estimated, or declarations containing errors which were obviously caused by carelessness or miscalculations. In total, rough estimates and errors due to carelessness/miscalculations amounted to just under DKK 126,400,000. These errors were corrected shortly after the declarations had been lodged.

The 30 remaining declarations with errors accounted for overpayments of DKK 224,000.

On going through the final report, SKAT indicated that the initiative which had been launched in 2007 regarding customs clearance quality would be evaluated at the beginning of 2008. SKAT's evaluation showed a continuously high error rate in 2007. SKAT had before the evaluation decided to continue the efforts to raise the quality of customs clearance in 2008. The internal auditors have not performed a similar sample examination as regards the state accounts for 2007, but in 2008, when they followed up on the sample examination conducted in 2006, they reviewed 18 of the errors identified in the sample. The internal auditors established that there were still errors in 12 of the 18 declarations, and that these had not been corrected in the 2007 accounts.

As mentioned earlier, Rigsrevisionen and the Court conducted a joint audit of a Danish tax centre in December 2007. In its preliminary report, the Court stated that there were comments to 24 cases of the 48 contained in two samples. Ten of the comments were related to errors which had a financial impact. SKAT's subsequent processing of the cases showed that only one declaration was incorrect, entailing a small-scale corrective payment, whereas three had not yet been settled. Thus the audit showed that there were indeed errors in the declarations, but the errors were not of the substance indicated in the Court's preliminary report. In the final report, the Court waived some of its comments, but maintained others. The Court maintained its conclusion that the information entered into the system by the enterprises was not reliable, and consequently the amounts booked relating to import duties were too low. In the opinion of the Court, the Danish authorities need to make a greater effort, including spot checks, to reduce the high error rate related to the enterprises' entering of information into the system as quickly as possible. Rigsrevisionen finds that the comments maintained by the Court largely concern formalities relating to the basis of the customs declaration, and that the errors are of minor financial impact.

Based on the follow-up performed by the internal auditors in the 2007 accounts on errors in the sample for 2006, SKAT's evaluation of the quality of customs clearance, and the audit findings related to the audit performed together with the Court in December 2007, the internal auditors have concluded that the fiscal year 2007 is still characterised by many errors in the customs declarations.

SKAT has stated that the "Quality Customs Clearance" initiative was launched nationwide in 2008 in a campaign targeted at professionals (shipping agents, couriers, etc.), highlighting guidance and control to raise the quality. SKAT has also in 2008 followed up on 2007 measurements and error rates. In the follow-up procedure, SKAT will call upon the enterprises

to submit material for control, and subsequently SKAT will pay a control visit in the enterprise. If SKAT discloses repeat violations of the rules, sanctions will be implemented against the enterprise. Finally, the draft to an action plan for 2009 calls for continued focus on data quality. SKAT agrees that it is not satisfactory that errors identified in the sample in 2006, have not been corrected in 2008. It is SKAT's overall assessment that the initiatives taken will contribute to raise the quality of the data provided by the enterprises and that these initiatives will reduce the number of errors.

Rigsrevisionen is *not satisfied* with the final examination of the sample of 300 items which showed a very high number of errors in the declarations submitted by the enterprises. Furthermore, the error rate of declarations lodged in the fiscal year 2007 continued to be very high.

Audit of SKAT's calculation of VAT receipts

9. The audit of SKAT's calculation of VAT receipts is also performed in a collaboration between Rigsrevisionen and SKAT's internal audit department.

When auditing the VAT receipts, the internal auditors have reconciled the statement with SKAT's book-keeping systems. The reconciliation included control of all relevant accounts and whether they were included in the statement with the correct amounts. Also the correctness of additions, etc. contained in the statement and attached specifications were controlled. Finally, Rigsrevisionen audited the documentation for pro rata calculations related to mixed accounts.

In addition to the audit of the statement, Rigsrevisionen also audited the procedures and internal controls of skattesamarbejderne¹⁾ and Betalingscentret¹⁾, including reconciliations and the quality of book-keeping. 60 VAT vouchers were reviewed in connection with the audit of the book-keeping functions in skattesamarbejderne. The review did not give rise to any comments.

Also relevant IT systems were audited, including the debtor system (DR-system). The audit of the debtor system showed that VAT was processed correctly in the system. Rigsrevisionen also audited the special unit based in Tønder in southern Jutland, which reimburses VAT to enterprises based abroad. According to the internal auditors' assessment, the special unit's processing of cases relating to VAT to enterprises based abroad was satisfactory. Finally, the quality of five tax centres' handling of VAT receipts was audited and on the same occasion, 100 VAT cases were audited. Taken as a whole, the internal auditors considered the quality of the VAT handling satisfactory.

Rigsrevisionen has reviewed the reports prepared by the internal auditors on the audit of the VAT receipts and generally agree with the internal auditor's conclusions. Rigsrevisionen has concluded that it can base its audit on the audit performed by the internal auditors.

The audit showed that taken as a whole, SKAT has calculated the VAT receipts correctly on the basis of the information provided by enterprises liable to duties, levies and tax, and that SKAT has established procedures and internal controls which have ensured this to the widest possible extent.

¹⁾ Denmark's 30 tax centres are organised in five "skattesamarbejder" which are responsible for the daily collection of taxes, levies and duties. SKAT's "Betalingscenter" is responsible for all incoming and outgoing payments of taxes, levies and duties.

c. Audit of grants awarded by the Regional Fund and Social Fund under the National Agency for Enterprise and Construction

10. Grants awarded by the Regional Fund and Social Fund are administered by the Agency under the Ministry of Economic and Business Affairs. The audit comprised grants awarded by the Agency's offices in Silkeborg and Copenhagen.

Regional and Social Fund grants, etc. amounted to DKK 2.2 billion according to the state accounts for 2007. After adjustment of a book-keeping error made by the Agency, grants, etc. amounted to DKK (0.1 billion) in 2007. The adverse amount is the result of cancellation of commitments and reimbursements concerning the programme period 2000-2006, and the fact that disbursements concerning 2007-2013 have been moderate.

Regional Fund grants

Rigsrevisionen's assessment of the audited area

11. The audit showed that the financial reporting in the area of grants was correct and that grant recipients applied the funds in accordance with the basic assumptions. The audit also showed that the Agency's procedures and internal controls helped to ensure that grants were calculated and disbursed correctly, that reliable accounts were presented and that the transactions comprised by the financial reporting complied with appropriations granted, the legislation, other regulations and the provisions laid down by the Commission and the Council. Rigsrevisionen found that the Agency's grant management was satisfactory.

The most significant audit findings

12. The audit showed that the Agency meets with the requirements of Commission regulation no. 438/2001, article 4, according to which the administrative authority is required to perform sample tests of four percent of grant recipients' total eligible costs. Rigsrevisionen went through the Agency's check lists and control reports for control visits. The review of the control cases showed that control visits had been carried out in compliance with the requirements of the regulation. However, Rigsrevisionen recommended the Agency to lay down procedures for the area, as Rigsrevisionen during its visit noted dissimilarities in the case administration and long handling times for some of the cases. The implementation of a fixed dunning procedure when grant recipients have provided inadequate data would speed up completion of the cases and implementation of sanctions against the recipients, if any.

13. Rigsrevisionen also conducted an audit of whether disbursements of funds for regional fund projects implemented by the Agency were calculated and disbursed correctly, whether payment requests were auditor verified, and whether the eligibility conditions had been fulfilled.

The Agency's controller

14. The Agency's Regional Fund controller was hired as a result of Commission regulation no. 438/2001 on provisions implementing Council regulation no. 1260/1999 regarding management and control systems for structural fund interventions.

In 2007, the controller made sample checks of the 2000-2006 programme periods. The sample checks prompted the controller to comment on several minor errors which the controller did not consider to be systematic but isolated errors which did not affect the overall assessment.

The controller concluded that taken as a whole, the management and control systems were effective and provided reasonable assurance that the reporting to the European Commission in 2007 was correct and the underlying transactions legal and regular.

Rigsrevisionen's assessment of materiality and risk relating to the audit of grants provided by the Agency included also the controller's audit findings in the area.

Social Fund grants

Rigsrevisionen's assessment of the audited area

15. The audit showed that the financial reporting in the area of grants was correct and that grant recipients applied the funds according to the basic assumptions. The audit also showed that the Agency's procedures and internal controls helped to ensure that grants were calculated and disbursed correctly, that reliable accounts were presented and that the transactions comprised by the financial reporting complied with appropriations granted, the legislation, other regulations and the provisions laid down by the Commission and the Council. Rigsrevisionen found the Agency's grant management satisfactory.

Scope of audit

16. Rigsrevisionen audited the extent to which the Agency's procedures and internal controls governing grant administration were supported by and documented in descriptions of responsibilities and procedures. The audit showed that the Agency has elaborated a case processing guideline on administration of Social Fund projects. This guideline contains guidance, and in some instances binding guidelines, for the Agency's administration of grants in the following areas; processing of applications, commitments, project visits, disbursements, and checklists for the various assignments.

Rigsrevisionen also reviewed a sample of grant cases to test whether the written procedures were adhered to and the internal controls performed correctly, including whether grants were calculated and disbursed correctly. Rigsrevisionen compared – on a sample test basis – the data contained in the grant administration system OPUS with the data contained in the files pertaining to the subsidy scheme. The purpose was to check whether the correct amounts had been entered for commitments and cancelled commitments, disbursements and reimbursements. The audit showed that the registrations were correct.

Finally, Rigsrevisionen reviewed and assessed the rules and regulations governing the subsidy scheme, including compliance with current acts and regulations regarding the grant recipients' financial reporting.

Audit performed together with the Court

17. The Agency's management and control systems were audited. On the basis of the audit, the Court found that the Agency's administration, procedures, and internal controls, etc. worked satisfactorily, and that the control system was effective. Rigsrevisionen finds this very satisfactory.

The audit included reviews of 12 projects. The Court had no comments to eight of the projects and only isolated comments to four of the projects. Two of the comments concerned minor amounts which were not considered eligible for support. The amounts will be deducted from the eligible project costs. One comment concerned tuition costs calculated according to the value added principles and whether these could be included under eligible costs. The last comment concerned a specific project cost item and whether it was subject to the EU procurement rules. The Agency will submit the question to the attorney to the government.

The Agency's controller

18. The Agency's Social Fund controller was hired as a result of Commission regulation no. 438/2001 on provisions implementing Council regulation no. 1260/1999 regarding management and control systems for structural fund interventions. The controller made sample checks in 2007 of the 2000-2006 programme periods.

The sample checks prompted the controller to comment on a few errors of minor significance. The controller concluded that the errors were not of a systematic character, but isolated incidents which did not affect the overall assessment.

The controller concluded that taken as a whole, the management and control systems worked satisfactorily and provided reasonable assurance that the expenses reported to the Commission in 2007 were correct and the underlying transactions legal and regular.

Rigsrevisionen's assessment of materiality and risk relating to the audit of grants provided by the Social Fund included also the controller's audit findings in the area.

d. Audit of agricultural and fishing subsidies provided under the Directorate for Food, Fisheries and Agri Business

19. The agricultural and fishing subsidies are administered by the Directorate. In 2007, the Directorate provided grants, etc. of DKK 10.0 billion of which DKK 9.5 billion is partly or wholly financed by the EU.

The audit is conducted in a collaboration between Rigsrevisionen and the Directorate's internal audit department.

Rigsrevisionen's assessment of the audited area

20. The internal audit department is of the opinion that taken as a whole, the transactions underlying the 2007 accounts for the EU area are legal and regular. They comply with the provisions laid down by the Commission and the Council, and the accounts give a true and fair view of grants, etc., for the EU area for this financial year and of the financial position at the end of the financial year.

Rigsrevisionen is of the opinion that taken as a whole, the Directorate's administration of EU grants is correct pursuant to the rules in force. This opinion is based on the audit performed by Rigsrevisionen and the internal audit department.

As regards Common Agricultural Policy subsidies, Rigsrevisionen is of the opinion that the Integrated Administration and Control System (IACS) is applied correctly and works as intended in Denmark.

Audit of grants

21. Rigsrevisionen's audit concerned grants provided under the EU Structural Fund "Financial Instrument for Fisheries Guidance" (FIFG). Rigsrevisionen audited ten cases concerning decommissioning, ten cases concerning fishing port development, ten cases concerning collective schemes, and four cases concerning modernisation of fishing vessels.

The audit showed that the Directorate's financial reporting in the grant area was correct, and that the transactions made by the Directorate complied with current provisions, acts, etc. Rigsrevisionen also found that the Directorate supervised that the grant recipients applied the funds for the intended purpose. However, Rigsrevisionen found errors in the grant administration, including three cases with errors on payments. The errors concerned decommissioning. Two of the errors were caused by the fact that the modernisation subsidy had not been set off against the payment of the decommissioning subsidy. The reimbursement of the modernisation subsidy was correctly entered in the grant administration system (BTAS), but had not been set off against the payment of the decommissioning subsidy. Apparently, the error was caused by a systems error. The Directorate has stated that all similar cases have subsequently been reviewed and the errors corrected. The third and last error on a payment was related to a transport declaration which had not been forwarded or registered on time in the Directorate's central registration system (DCE), and consequently the full amount was paid to the recipient. The recipient called attention to the error and repaid the excess amount. Rigsrevisionen is of the opinion that the Directorate should adjust the procedures and the internal controls to ensure that errors on payments can be avoided in the future. In the cases concerning grants for collective measures, Rigsrevisionen identified two cases which had not been verified by an auditor and two cases where the case processing had not been controlled. Furthermore, Rigsrevisionen

found some cases where the case processing could be characterized as less satisfactory. On the basis hereof, Rigsrevisionen concluded that overall the Directorate's grant administration was not entirely satisfactory.

Rigsrevisionen has in a report examined the administration of the FIG programme, including the establishment of a formal management platform and follow up on the implementation and effect of the programme (Rigsrevisionen's report no. 10/2007) to the Public Accounts Committee on grants for Danish fisheries (the FIG programme 2000-2006). Rigsrevisionen found that generally the Ministry of Food's management of the FIG programme was satisfactory, but it was not adequately focused on achievement of the strategic objectives set for the programme. Rigsrevisionen recommended the ministry to focus more on the objectives when managing future programmes.

On-the-spot audit performed together with the Court

22. Together with the Court, Rigsrevisionen performed on-the-spot audits of the ultimate recipients of EU grants concerning 2007. The audit was in particular focused on grants provided under the single area payment scheme and export sugar subsidies.

The audit disclosed an inconsistency in one of the transactions. The inconsistency was related to the single area payment scheme, where measurements showed an overdeclaration of 1,03 ha on areas measured to be around 25 ha. The entire farm, which in the year of application measured 111 ha, was subsequently control measured by the Directorate. This measurement did not result in additional variances, and Rigsrevisionen concluded that the error was insignificant.

23. Together with the Court, Rigsrevisionen performed a substantive audit of the single payment scheme, including IACS controls and inspections. The audit also included case reviews.

The Court had a number of comments to the Danish system. However, the Directorate refuted essentially all the comments made by the Court, and consequently the audit resulted only in a re-calculation of subsidy amounts related to two incidents.