

ANNEX

1. EAFRD: reasons for top-ups in certain Member States

Please note that the information below includes details on on-going audit procedures which should not be made public before the conclusion of the contradictory procedure between the Commission (the auditor) and the Member State (the auditee).

Czech Republic – adjusted error-rate of 11.05%

The Member State has reported high error-rates for IACS payments. When reporting the control data, the Member State explained that this is due to the introduction of new requirements put in place with the rules applicable in the 2014-2020 period.

Top-ups to the error-rates reported by the Member State were applied based on DG AGRI audits' findings:

- IACS: A 2015 audit found deficiencies related to the pre-notification of on-the-spot controls for measures Natural handicaps (codes 211 and 212 in the old RDP and code 13 in the new RDP), agri-environment and organic farming (code 214 in the old RDP and codes 10 and 11 in the new RDP);
- non-IACS: A 2016 audit found deficiencies related to eligibility of the applicant, eligibility of the investment, quality of on-the-spot checks, quality of ex-post checks for investment and farm and business development measures 'diversification into non-agricultural activities' (code 311), 'support for business creation and development' (code 312) and 'encouragement of tourism activities' (code 313).

Sweden – adjusted error-rate of 13.94%

The Member State has reported high error-rates for some IACS measures (the reported error rate was 4.83%). Moreover, the Swedish authorities have reported only partial control data and therefore, a top-up was applied for absence of timely control data.

Top-ups to the error-rates reported by the Member State were applied based on DG AGRI's audit findings:

- for IACS: A 2016 audit found deficiencies related to the verification of payment claims, quality of on-the-spot checks, the operation of the control system and supervision procedures for the IACS measures agri-environment and climate (code 10), organic farming (code 11), Natura 2000 (code 12), natural handicaps (code 13) and animal welfare (code 14);
- for non-IACS: Audits from 2014 and 2016 found deficiencies related to eligibility of the applicant, selection of projects, reasonableness of costs, public procurement procedures, payment claims for investment measures. The measures affected by these deficiencies were: 'modernisation of agricultural holdings' (code 121), 'adding value to agricultural and forestry products' (code 123), 'non-productive investments' (codes 216 and 227), 'support for business creation and development' (code 312), 'basic services for the economy and rural population' (code 321), 'training and information' (codes 111 and 331).

Slovakia – adjusted error-rate of 6.72%

The Member State has reported high error-rates for IACS payments. When reporting the control data, the Member State explained that this is due to the implementation of the minimum activity rules and of new commitments of the programming period 2014-2020.

DG AGRI and the Certification Body (CB) had findings for both IACS and non-IACS measures. After having checked the overlap between these findings, DG AGRI decided to apply as a top-up, for both IACS and non-IACS expenditure, the amount of the Most Likely Error (MLE) calculated based on the CB findings.

France – adjusted error-rate of 10.80%

- for IACS: DG AGRI audits found that previously identified deficiencies in the checks performed on livestock density had been partially addressed since claim year 2015. However, expenditure of financial year 2016 is still partially affected;
- for non-IACS: DG AGRI audits detected deficiencies in the checks on the reasonableness of costs and on payment claims under investments measures. In the particular case of La Réunion, weaknesses were also detected in the checks performed on public procurement and in-situ visits for non-productive investments. According to the Member State's action plan, deficiencies in in-situ visits were only amended from September 2016. Some deficiencies were also found in the timing of the on-the-spot checks on the setting-up of young farmers. In 2016, DG AGRI also detected serious deficiencies in the system of checks performed on Leader and technical assistance which affected several key and ancillary controls;
- Certification Body's assessment was also considered in making the adjustments to the error rate reported by the Member State. Based on the extrapolated financial errors for both IACS and non-IACS populations, the calculated most likely error and known errors were taken into account.

2. Addressing causes of errors in market measures

The Commission is aware that market measures are risk-prone and substantial efforts are deployed to address the situation going beyond the implementation of action plans.

The Commission Staff Working Document SWD (2014) 176 published in May 2014 identified the root causes of errors in this spending area and listed actions to be taken to address these causes. These actions include clarification and simplification of rules, providing guidance to Paying Agencies and fostering capacity building and encouraging Member States to clarify the design of the support measures to ensure greater controllability.

Progress on all the actions is presented in the 2016 Annual Activity Report of DG AGRI, on pages 114-120 of the annexes.