

Auditing the Integrated Administration and Control System (IACS)



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A.I. Germany and the Federal States

- The Federal Republic of Germany has three autonomous political levels
 - the Federation
 - the 16 Länder (Federal States) and
 - the municipalities

- All three political levels
 - have their own responsibilities
 - manage their own finances
 - have the relevant decision-making powers

A.II. The State of Baden-Württemberg

- Baden-Württemberg is located in the centre of Europe
- It borders on France, Switzerland





A.II. The State of Baden-Württemberg

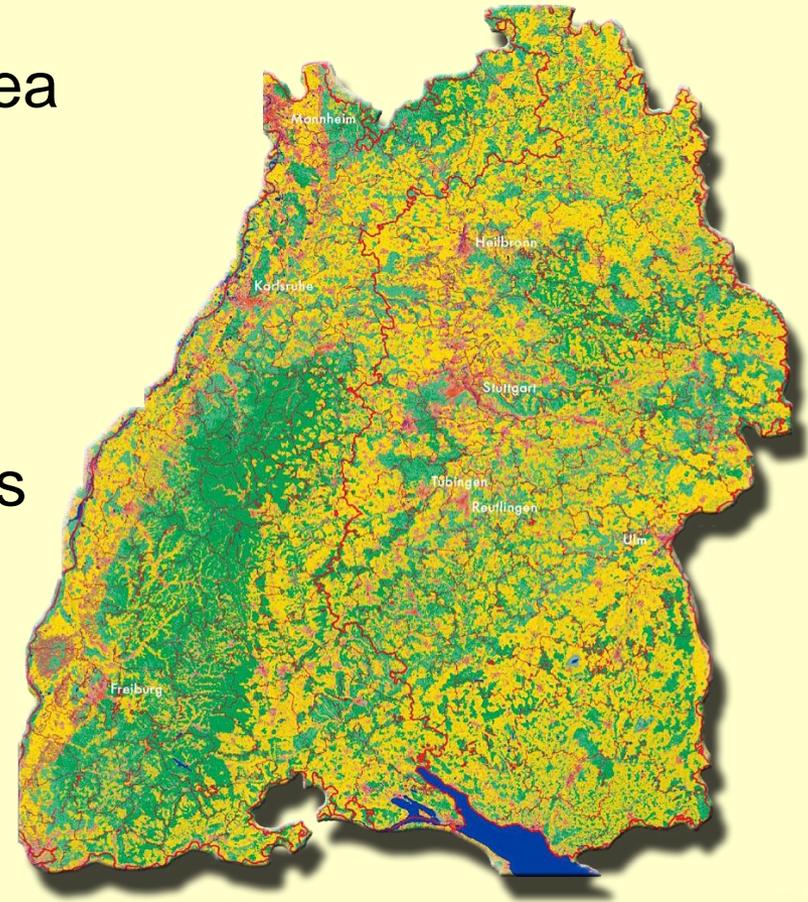
- Population of 10.7 million
- Size: 36,000 square kilometers
- The State is divided into
 - 4 administrative districts (Regierungsbezirke)
 - 35 rural and 9 urban districts



A.II. The State of Baden-Württemberg



- Almost half the surface area is used for agriculture (yellow)
- 40 % for forestry (green)
- 15 % for urban settlements (red)





A.II. The State of Baden-Württemberg

- Baden-Württemberg has about 55,000 farms
- Two thirds of the farmers have a farm as a second source of income
- The farmers have less agricultural land than in other states. This is in part due to the type of landscape and in part due to the inheritance law (all children have equal inheritance rights)



A.III. The Court of Auditors of Baden-Württemberg

- The Court of Auditors of Baden-Württemberg has 7 members (President, Vice-President and 5 Heads of department) and 120 employees.
- They are supported by 4 local audit offices and approximately 130 employees
- Together they form the Financial Control of Baden-Württemberg

B.I.1. IACS in the System of CAP

- Most common market organisations have been subject to the new system of a Single Farm Payment since the CAP was reformed in 2005. This payment has been decoupled from the crops and the number of animals.
- Beneficiaries' entitlements are based either on payments received during a reference period (historical model) or land farmed during the first year of implementation (regional model).
- Requirements of the IACS scheme are laid down by regulation. These include maintaining databases, identifying land and animals and coordinating checks.
- The Member States (in Germany the Länder) are responsible.



B.I.2. IACS in Baden-Württemberg

- It has cost Baden-Württemberg a great deal in terms of personnel and other expenses to set up the IACS
- A large number of different state authorities are involved in the running of the IACS
- Baden-Württemberg chose a combination of the regional and the historical model. It chose the land parcel (Flurstück) as the reference area.
- € 580 million were paid in the form of direct payments and regional aid in 2006



B.I.3. Reasons for the Audit

- This procedure is very costly
- The European Commission demanded repayment of € 4.7 million for the years 2003 to 2005 (less than 0.5 %)
- The European Court of Auditors published a special report on the control of agricultural measures in Baden-Württemberg and other States in 2005



B.II. Auditing Methods and Techniques

- The audit was subdivided into several modules:
 - Application procedure
 - Administration control
 - On-the-spot checks
 - Claw-backs and sanctions
- The investigations were carried out in 2007 on the premises of the authorities involved
- 8 auditors inspected 11 local authorities (out of 35)

B.II.1. Application Procedure and Administration Control



- The auditors checked the application forms
- They observed the consultants while they were talking to the applicants and interviewed them
- Then they analysed how the authorities work with the databases: they watched them working and interviewed them
- They went to the data center to get an overview



B.II.2. On-the-spot Checks

- The auditors observed the preparation for on-the-spot checks
Teams were formed with agents from the agricultural authority and the topographical authority
- They took part in the on-the-spot checks
- They participated in the post-processing on the PC
- The auditors interviewed the on-the-spot teams

B.II.3. Claw-backs and Sanctions

- The auditors observed how the agents of the local authorities dealt with mistakes
- They interviewed the officials in the Ministry of Agriculture and Rural Development
- They exchanged experiences with the head of the certification body („EU finance control“) in the Ministry of Finance



B.III.1. Costs of IACS in Baden-Württemberg

- The IACS in Baden-Württemberg is too costly
- € 580 million were paid in the form of direct payments and regional aid in 2006. The average amount each farmer received was approximately € 10,500.
- It cost € 55 million to administer about 55,000 applications for support (single payment applications). This means each farmers' payment application gave rise to approximately € 1,000 in administration costs.

(The Ministry of Agriculture and Rural Development calculated around € 800 per application)



B.III.2. Identification of Land

Observations

- As the reference area Baden-Württemberg chose the land parcel. If variations were discovered in the area measurements when the checks were carried out, the discrepancies had to be traced at great administrative expense.
- The identification of land had not yet been completed, although it should have been done by the end of 2004



B.III.2. Identification of Land

Recommendations

- Complete identification should be carried out as fast as possible (It was completed in 2009)
- The administrative costs for investigation should be reduced



Observations

- 90 % of the applicants came to the authority in person, only 10 % sent their application form online
- The consultations lasted between 3 and 100 minutes
- The authorities corrected the mistakes heterogeneously
- Some authorities corrected mistakes in the land parcel and traced them back up to 10 years earlier



Recommendations

- The online system should be improved and made more attractive for farmers
- The information technology equipment and software should be upgraded
- The proceedings for correcting mistakes should be harmonised

B.III.4. On-the-spot Checks

Observations

- The costs for the on-the-spot checks amounted to € 8 million per year
- The authorities carried out 50 % on-the-spot checks and 50 % using aerial photographs

Recommendations

- Aerial photographs should be used for up to 80 % of the checks instead of carrying out on-the-spot checks
- The agents should be equipped with tablet computers

B.III.5. Claw-backs and Sanctions

Observations

- Authorities dealt with the cases heterogeneously and were slow

Recommendations

- The proceedings for claw-backs should be harmonised and speeded up
- Work towards making adjustments to European regulation
 - Only discrepancies greater than 0.3 hectare should be traced back
 - It is only when the mistake is above 0.1 hectare that the pecuniary claim should be corrected

B.III.6. Number of Aid Programmes

Observations

- Baden-Württemberg offers more programmes in the second pillar (rural development) than other States.
- Most of them are too complex which makes the procedure highly inefficient

Recommendations

- The number of aid programmes should be reduced
- Work towards making adjustments to European regulation:
Farm premia below an amount of € 500 should not be disbursed

C. Conclusions

- Very small mistakes can cause high claw backs - depending on the relation between the mistake and the amount which was audited
- Efficient information technology can help to avoid a lot of expense
- Adjustments to European regulation could reduce administrative costs
- The Court of Auditors can show costs. The decision is in the hands of the politicians