



2014

Annual Activity Report

Final report

**Directorate
General for
Agriculture and
Rural
Development**

Annexes

Table of Contents

ANNEX 1:	STATEMENT OF THE INTERNAL CONTROL COORDINATOR	3
ANNEX 2:	HUMAN AND FINANCIAL RESOURCES	4
ANNEX 3:	DRAFT ANNUAL ACCOUNTS AND FINANCIAL REPORTS	6
ANNEX 4:	MATERIALITY CRITERIA	65
ANNEX 5:	INTERNAL CONTROL TEMPLATE FOR BUDGET IMPLEMENTATION (ICT).....	74
ANNEX 6:	IMPLEMENTATION THROUGH NATIONAL OR INTERNATIONAL PUBLIC-SECTOR BODIES AND BODIES GOVERNED BY PRIVATE LAW WITH A PUBLIC SECTOR MISSION (NOT APPLICABLE)	80
ANNEX 7:	EAMR OF THE UNION DELEGATIONS (DG DEVCO ONLY)	80
ANNEX 8:	DECENTRALISED AGENCY	81
ANNEX 9:	PERFORMANCE INFORMATION INCLUDED IN EVALUATIONS.....	82
ANNEX 10:	SPECIFIC ANNEXES RELATED TO "MANAGEMENT OF RESOURCES" (PART 2)	86
ANNEX 11:	SPECIFIC ANNEX RELATED TO "ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS" (PART 3).....	199
ANNEX 12:	AWBM 01 ADMINISTRATIVE SUPPORT	200
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 1	200
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 2	201
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 3	202
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 4	203
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 5	205
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 6	210
AWBM 01	ADMINISTRATIVE SUPPORT – SPECIFIC OBJECTIVE 7	211
ANNEX 13	ABBREVIATIONS	212

ANNEX 1: Statement of the Internal Control Coordinator

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission¹, I have reported my advice and recommendations to the Director-General/Executive Director on the overall state of internal control in the DG/Executive Agency.

I hereby certify that the information provided in Parts 2 and 3 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.

(signed)

Rudolf MÖGELE
Internal Control coordinator

¹ SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and Financial resources

DG	Activity		Establishment Plan posts	External Personnel	Total
AGRI	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	138	9	147
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	79	7	86
	05 04	Rural development	224	40	264
	05 05	Instrument for Pre-Accession Assistance — Agriculture and Rural Development	9	5	14
	05 06	International aspects of the 'Agriculture and rural development' policy area	68	10	78
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	116	16	132
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	246	25	271
	05 09	Horizon 2020 — Research and innovation related to agriculture	13	2	15
	05 AWBL-01	Administrative support for the Directorate-General for agriculture and rural development	111	14	125
AGRI		Total	1004	128	1132

General remark: the above data rely on the snapshot of Commission personnel actually employed in each DG/ service as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.

Implementation of decentralised administrative authorised operations (payments and revenues) of the Global envelope as of 31 December 2013 (budget lines: XX 01 02 11 00 01 to XX 01 02 11 00 06)

	Crédits	Engagement	Paiement	% EXECUTION
05.010211.00	115.847			
05.010211.00.01.10	2.178.01	2.178.016	1.906.206	
05.010211.00.01.30	10.000	10.000	3.380	
05.010211.00.02.20	1.800.000	1.800.000	1.187.483	
05.010211.00.02.40	131.027	131.027	125.149	
05.010211.00.03	2.250.000	2.250.000	1.380.560	
05.010211.00.04	209.825	209.825		
05.010211.00.05	19.933	19.933		
05.010211.00.06	312.685	312.685	175.307	
05 Total	7.027.334	6.911.487	4.778.085	98,35%

ANNEX 3: Draft annual accounts and financial reports

1. FINANCIAL REPORTS

1.1 Commitments and payments (tables 1 and 2)

Expenditure	Commitments			Payments		
	Crédits	Exécution		Crédits	Exécution	
Direct expenses	86.205.244,25	79.603.755,10	92,34%	88.753.973,58	64.510.545,67	72,68%
FEAGA	45.457.117.073,97	44.247.498.686,51	97,34%	45.457.117.073,97	44.247.498.686,51	97,34%
shared Mgt						
Rural Development	14.304.591.516,31	3.294.715.185,03	23,03%	11.292.218.328,28	11.178.984.181,60	99,00%
shared Mgt						
Preadhesion	121.729.256,26	0,00	0,00%	158.726.294,26	158.726.294,26	100,00%
shared / decentr Mgt						
TOTAL	59.969.643.090,79	47.621.817.626,64	79,41%	56.996.815.670,09	55.649.719.708,04	97,64%

Overall, in 2014, execution rate of commitments appropriations of DG AGRI has decreased from 98,28% in 2013 to 79,41% in 2014, while execution rate of payments appropriations has globally remained unchanged (97,64% in 2014 compared to 98,51% in 2013). The total amount **committed** in 2014 amounts **EUR 47.621,8** million and the total amount **paid** in 2014 amounts **EUR 55.649,7** million.

With regard to « shared management expenditure » for rural development, the amount committed in 2014 was EUR 3.294,7 million (14.788,9 in 2013), representing only 23% of the available appropriations. The amount paid in 2014 was EUR 11.178,9 million (13.146,3 in 2013), representing 99% of the available appropriations.

For pre-accession aid for rural development, there was no amount committed in 2014 (compared to the EUR 234 million in 2013). EUR 158,7 million was paid in 2014 (compared to 47,6 in 2013), representing 100% of the available appropriations.

With regard to « shared management expenditure » for EAGF, the amount committed and paid in 2014 was EUR 44.247,5 million (44.961,9 in 2013), i.e. 97,34% of the available appropriations.

With regard to « direct management expenditure », the amount committed in 2014 was EUR 79,6 million (68.3 in 2013). The amount paid was 64,5 million EUR (71,2 in 2013), i.e. 72,66% of the available appropriations.

1.2 Unused balance of Commitments (table 3)

Circuits	RAL
Direct expenses	65.555.708,90
FEAGA	0,00
shared Mgt	
Rural Development	16.539.268.968,56
shared Mgt	
Preadhesion	645.678.198,75
shared / decentr Mgt	
TOTAL	17.250.502.876,21

The unused balance on commitments, commonly known as budgetary RAL (Reste à liquider), was **EUR 17.250,5 million** at the end of 2014 (25.348,5 million in 2013), of which EUR 16.539,3 million relates to rural development, EUR 645,7 million to pre-accession aid and EUR 65,6 million to direct management expenditure.

1.3 Payment time limits (table 6a/b)

As far as payment time limits are concerned, there was a consolidation of the progress of last years:

For «direct management expenditure » (see table 6a), the average delay remains stable at 13 days (12 days in 2013 and 13 days in 2012). 24 payments were made beyond the allowed payment time limit (16 payments in 2013 and 2012, which represents 2,7% of the total number of payments (1,6% in 2013, 1,5% in 2012, 1,3% in 2011; 0,7% in 2010).

For « rural development » (see table 6b), the level of payment delays remains at a high level in 2014. 177 payments were made beyond the allowed payment time limit (234 in 2013, 104 in 2012 vs. only 4 in 2011; none in 2010). The average delay remained stable at 42 days (43 days in 2013, 31 days in 2012 after 3 successive years of reduction, from 24 days in 2009 to 20,5 days in 2011. There is no information available on suspensions.

1.4 Revenue and income

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014								
Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		7=3-6
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	496.266,39	15.642,38	511.908,77	496.266,39	15.642,38	511.908,77	0,00
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	6.013.563,12	4.659.319,52	10.672.882,64	0,00	0,00	0,00	10.672.882,64
65	FINANCIAL CORRECTIONS	42.513.787,61	12.995.456,66	55.509.244,27	41.923.616,65	1.700.203,57	43.623.820,22	11.885.424,05
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	1.087.405.906,41	1.413.080,78	1.088.818.987,19	1.082.179.104,41	1.413.080,78	1.083.592.185,19	5.226.802,00
70	INTEREST ON LATE PAYMENTS	2.157,12	0,00	2.157,12	2.157,12	0,00	2.157,12	0,00
Total DG AGRI		1.136.431.680,65	19.083.499,34	1.155.515.179,99	1.124.601.144,57	3.128.926,73	1.127.730.071,30	27.785.108,69

The total income recognised in 2014 for DG AGRI corresponds to **EUR 1.155,5 million** 1.117,1 in 2013, while the amount cashed is EUR 1.127,7 million. At the end of 2014, EUR 27,8 million is therefore still owed to DG AGRI (EUR 131 mios in 2013).

The revenue in 2014 concerning the EAGF and EAFRD funds amounts EUR 1.088,8 million, of which EUR 1.018,3 million for EAGF and EUR 70,6 million for EAFRD.

The budgetary regularised income for EAGF corresponds to a total amount of EUR 1.014,2 million in 2014 (EUR 829 mios in 2013) of assigned revenue under EAGF linked to milk levies, irregularities, conformity clearance². An additional amount of EUR 4,1 mios still have to be recovered at year-end.

With regard to the « ageing balance of recovery orders » at 31.12.2014, no significant movement was registered for old recovery orders issued between 1998 and 2004 (-1,2% in 2014, -0,2% in 2013; -3% in 2012; -5% in 2011).

2. DRAFT ANNUAL ACCOUNTS

2.1 Accounting principles and methods

The annual accounts of DG AGRI have been prepared in accordance with the generally accepted accounting principles. Estimates have been made, where necessary, in accordance with the methodology agreed upon with the services of the Accountant of the European Commission.

It should be noted that the balance sheet and economic outturn account of Directorate General, presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear.

Other items not included are:

the intangible assets (IT software bought externally) or the tangible fixed assets (hardware, technical equipment, office furniture, buildings) declared/recorded by DG DIGIT and by OIB respectively;

personnel and management expenses which are managed centrally;

the appropriation of the net result of the year and of prior years, except for the opening

² This amount includes EUR 815,6 million for income line 6701 (clearance), EUR 150,3 million for income line 6702 (irregularities), EUR 48,3 million for income line 6703 (milk).

balance in 2005. As the accumulated result of the Commission is not split amongst the various Directorates-General, the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

2.2 Acronyms

EAGF: European Agricultural Guarantee Fund;

EAFRD: European Agriculture Fund for Rural Development;

EAGGF : European Agricultural Guarantee and Guidance Fund;

2.3 Balance Sheet

TABLE 4 : BALANCE SHEET		
BALANCE SHEET	2014	2013
A.I. NON CURRENT ASSETS	2.139.363.878,37	6.456.399.075,94
A.I.1. Intangible Assets	5.191.357,03	3.602.848,81
A.I.5. LT Receivables	1.157.867.910,07	477.826.476,00
A.I.6. Non-Current Pre-Financing	976.304.611,27	
A.I.7. OLD LT Pre-Financing	0,00	5.974.969.751,13
A.II. CURRENT ASSETS	7.618.556.102,89	3.444.198.168,83
A.II.2. Current Pre-Financing	5.647.192.228,36	2.136.543.563,28
A.II.4. Exchange Receivables	15.954.572,61	16.150.200,61
A.II.5. Non-Exchange Receivables	1.955.409.301,92	1.291.504.404,94
ASSETS	9.757.919.981,26	9.900.597.244,77
P.II. NON CURRENT LIABILITIES	-64.577.448,80	-156.506.859,52
P.II.2. Long-term provisions	-64.577.448,80	-156.506.859,52
P.III. CURRENT LIABILITIES	-58.283.155.925,51	-57.219.827.667,07
P.III.4. Accounts Payable	-11.373.276.163,82	-11.267.489.107,66
P.III.5. Accrued charges and deferred income	-46.909.879.761,69	-45.952.338.559,41
LIABILITIES	-58.347.733.374,31	-57.376.334.526,59
NET ASSETS (ASSETS less LIABILITIES)	-48.589.813.393,05	-47.475.737.281,82

Assets

Non-current assets

Long term pre-financing: it concerns shared management expenditure exclusively and it

relates to the pre-financing paid in 2014 to Member States for the financing period 2014-2020 (EAFRD). The period of settlement exceeds one year. The decrease of about 5 billion vs 2013 is due to expected clearing or use of prefinancings in all EAFRD programmes for financing period 2007-2013.

Long-term receivables: it concerns not yet executed clearance decisions under shared management (EAGF and EAFRD). The period of settlement exceeds one year.

Current assets

Short-term pre-financing: the big increase of 164% compared to 2013 (+9% in 2012; +51% in 2011) is due to the expected clearing or use in 2015 of all prefinancing before the expiring of the eligibility period at 31/12/2015. More than 99 % of the amount in this item relates to shared management and decentralised management expenditure. Concerning the closure of the rural development and pre-accession programmes under the EAGGF Guidance section (2000-2006 programming period), the period of settlement does, in principle, not exceed one year.

Short-term receivables: EUR 1 971,36 million are owed to DG AGRI by Member States (99%) and by private organisations (1%). The amount owed by Member States (EUR 1.955,4 mios) concerns non-exchange transactions; it includes mostly amounts to be recovered under EAGF, EAFRD and EAGGF Guidance section, TRDI and Sapard (financing period 2000-2006) for irregularities committed by final beneficiaries and detected by the Member States (for EUR 1 501,7 mios); a value reduction of EUR -839,7 million has been applied to these receivables. It also includes the short term amount of the not yet executed clearance decisions under EAGF and EAFRD of EUR 861.2 mio € and the Agricultural levies for Milk of EUR 406.5 mio € declared by Member States but not yet collected by the Commission.

Liabilities

Non-current liabilities

Long-term provisions: this amount mainly relates to the estimate of potential future expenses resulting from court cases awaiting judgement.

Current liabilities

Accounts payable: this item concerns amounts payable to private firms and to Members States. 99% of accounts payable relates to amounts payable to Member States under EAGF, EAGGF Guidance section (2000-2006) and EAFRD. It includes amounts already requested by Member States but not yet paid as well as an estimate of the amounts which Member States and beneficiaries are entitled to claim (accrued charges). The total short-term liabilities remain quite stable compared to 2013.

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2014	2013
II.1 REVENUES	-2.692.273.238,50	-1.546.937.282,93
II.1.1. NON-EXCHANGE REVENUES	-2.689.508.812,79	-1.448.256.142,10
II.1.1.5. RECOVERY OF EXPENSES	-2.190.681.126,81	-1.349.583.349,30
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-498.827.685,98	-98.672.792,80
II.1.2. EXCHANGE REVENUES	-2.764.425,71	-98.681.140,83
II.1.2.1. FINANCIAL INCOME	-2.687.708,59	-1.994.385,92
II.1.2.2. OTHER EXCHANGE REVENUE	-76.717,12	-96.686.754,91
II.2. EXPENSES	58.199.562.465,94	59.067.580.473,03
II.2. EXPENSES	58.199.562.465,94	59.067.580.473,03
11.2.10. OTHER EXPENSES	21.173.990,87	95.011.618,35
II.2.1. EXP IMPLM BY MEMBER STATES (SHARED)	57.763.767.437,89	58.652.033.921,93
II.2.1.b REIMB. RECOVERY OF EXPENSES	48.392.584,77	
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	30.879.244,57	29.015.911,44
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	315.827.878,24	187.076.111,51
II.2.6. STAFF AND PENSION COSTS	-1.028.179,94	-906.910,08
II.2.8. ALLOWANCE FOR DOUBTFULL ACCOUNTS	20.549.509,54	105.349.819,88
STATEMENT OF FINANCIAL PERFORMANCE	55.507.289.227,44	57.520.643.190,10

Surplus/Deficit from activitiesExchange and Non-Exchange Revenue

99,9% of the revenue result from non-exchange transactions, which amounts to EUR 2.689,5 million; it corresponds to the revenue generated by agricultural milk levies (EUR 498,8 mios) and EUR 2.190,7 million recovered due to - irregularities (EUR 259,9 mios) or - financial and conformity clearance decisions (EUR 1.930,7 mios).

Expenses:

99,3% of the expenses relate to shared management expenditure comprising EAGF, EAFRD, EAGGF Guidance section, SAPARD and IPARD. The EAGF amount corresponds to EUR 43.717,9 million and the amount for SAPARD-EAGGF Guidance section 2000-2006 and EAFRD under shared management corresponds to EUR 14.045,8 million.

Reimbursements included in financial and conformity clearance decisions amount EUR 48,4 million, while EUR 20,5 million corresponds to the net write-down and –back in 2014 related to receivables from Member-States due to irregularities.

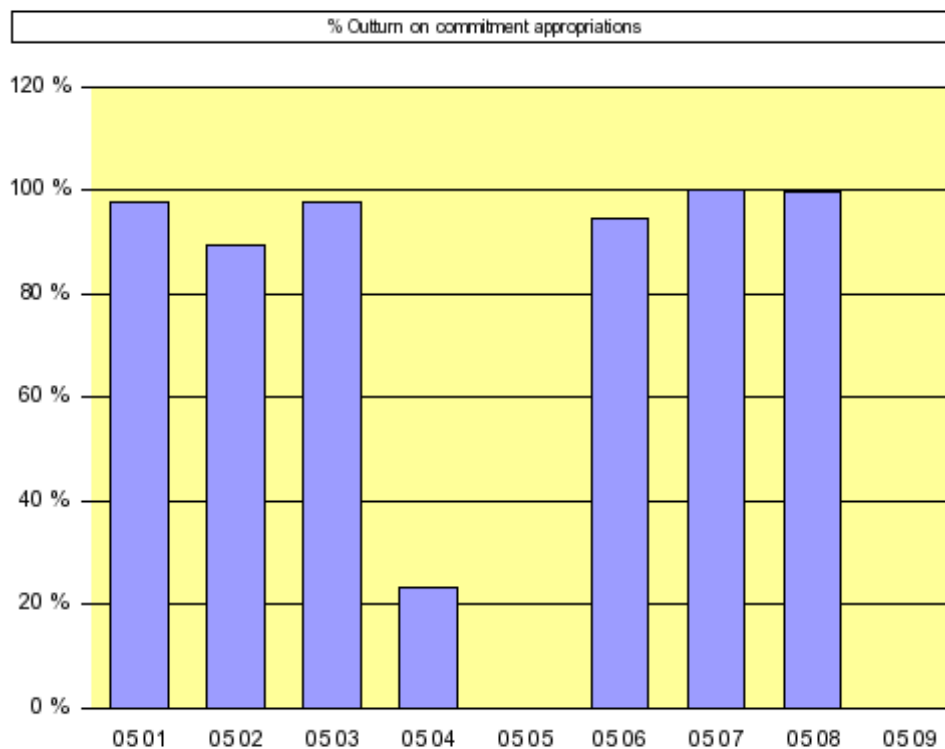
IPARD under decentralised management amounts to EUR 315,8 million.

3. TABLES

- Table 1a & 1b: Commitments
- Table 2a & 2b: Payments
- Table 1/2: Financial circuits (commitments – payments-RAL)
- Table 3a & 3b: Commitments to be settled (RAL)
- Table 4: Balance sheet
- Table 5: Economic Outturn Account
- Table 6a & 6b: Average Payment Time Limits (Rural development and Direct expenses)
- Table 7: Income
- Table 8: Recovery context
- Table 9: Ageing balance of Recovery Orders
- Table 10: Waivers of Recovery Orders
- Table 11: Negotiated Procedures
- Table 12: Summary of Contracts
- Table 13: Building Contracts
- Table 14: Secret Contracts
- Table 15: Allocation of financial resources according to ABB activity

TABLE 1a: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2014 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 05 – Agriculture and rural development					
05	05 01	Administrative expenditure of the `Agriculture and rural development- policy area	20,95862517	20,44346863	97,54 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.770,26786709	2.478,67484921	89,47 %
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.577,55820688	41.659,67943360	97,84 %
	05 04	Rural development	14.319,82972216	3.305,18683069	23,08 %
	05 05	Instrument for Pre-Accession Assistance - Agriculture and Rural Development	121,72925626	0,00000000	0,00 %
	05 06	International aspects of the `Agriculture and rural development- policy area	1,91250900	1,80602554	94,43 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	118,84572763	118,83724632	99,99 %
	05 08	Policy strategy and coordination of the `Agriculture and rural development- policy area	37,37336000	37,18977265	99,51 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	1,16781660	0,00000000	0,00 %
Total Title 05			59.969,64309079	47.621,81762664	79,41%
Total DG AGRI			59.969,64309079	47.621,81762664	79,41 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).



Annex 3

Table 1b – Commitments by circuit

Item	Heading	Commitment Appropriations				Outturn of Commitment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
Title 05: Agriculture and rural development											
Chapter 05 01: Administrative expenditure of the 'Agriculture and rural development' policy area											
05 01 02 01	External personnel	0,00	57.770,00	0,00	57.770,00	57.770,00	0,00	57.770,00	100,00 %	0,00	0,00
05 01 02 11	Other management expenditure	0,00	7.028.852,27	0,00	7.028.852,27	6.911.486,51	1.507,72	6.912.994,23	98,35 %	10,55	115.847,49
05 01 04 01	Support expenditure for European Agriculture Guarantee Fund (EAGF) ¿ Non-operational technical assistance	7.931.000,00	0,00	0,00	7.931.000,00	7.899.090,00	0,00	7.899.090,00	99,60 %	0,00	31.910,00
05 01 04 02	Support expenditure for European Globalisation Adjustment Fund (EGF)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 01 04 03	Support expenditure for Pre-accession assistance in the field of agriculture and rural development (IPA)	0,00	236.500,00	0,00	236.500,00	109.114,98	0,00	109.114,98	46,14 %	0,00	127.385,02
05 01 04 04	Support expenditure for European Agricultural Fund for Rural Development (EAFRD) — Non-operational technical assistance	0,00	3.735.000,00	0,00	3.735.000,00	3.543.914,68	0,00	3.543.914,68	94,88 %	0,00	191.085,32
05 01 05 01	Expenditure related to officials and temporary staff implementing Research and Innovation programmes ¿ Horizon 2020	1.238.086,00	31.813,64	0,00	1.269.899,64	1.258.542,94	0,00	1.258.542,94	99,11 %	0,00	11.356,70
05 01 05 02	External personnel implementing Research and Innovation programmes – Horizon 2020	420.000,00	-164.829,66	0,00	255.170,34	255.170,34	0,00	255.170,34	100,00 %	0,00	0,00
05 01 05 03	Other management expenditure for Research and Innovation programmes – Horizon 2020	713.154,00	-268.721,08	0,00	444.432,92	335.733,46	71.138,00	406.871,46	91,55 %	263,90	37.297,56
Total Chapter 05 01		10.302.240,00	10.656.385,17	0,00	20.958.625,17	20.370.822,91	72.645,72	20.443.468,63	97,54 %	274,45	514.882,09

Annex 3

Item	Heading	Commitment Appropriations				Outturn of Commitment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
Chapter 05 02: Improving the competitiveness of the agricultural sector through interventions in agricultural markets											
05 02 01 01	Export refunds for cereals	0,00	2.458.400,00	0,00	2.458.400,00	2.458.299,88	0,00	2.458.299,88	100,00 %	0,00	100,12
05 02 01 02	Intervention storage of cereals	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 01 99	Other measures (cereals)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 02 01	Export refunds for rice	0,00	6.500,00	0,00	6.500,00	6.484,18	0,00	6.484,18	99,76 %	0,00	15,82
05 02 02 02	Intervention storage of rice	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 02 99	Other measures (rice)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 03	Refunds on non-Annex 1 products	4.000.000,00	-3.871.000,00	0,00	129.000,00	128.875,26	0,00	128.875,26	99,90 %	0,00	124,74
05 02 04 99	Other measures (food programmes)	0,00	-7.238.700,00	0,00	-7.238.700,00	-7.238.759,71	0,00	-7.238.759,71	100,00 %	0,00	59,71
05 02 05 01	Export refunds for sugar and isoglucose	0,00	264.400,00	0,00	264.400,00	264.399,37	0,00	264.399,37	100,00 %	0,00	0,63
05 02 05 03	Production refunds for sugar used in the chemical industry	0,00	195.000,00	0,00	195.000,00	194.999,22	0,00	194.999,22	100,00 %	0,00	0,78
05 02 05 08	Storage measures for sugar	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 05 99	Other measures (sugar)	0,00	-2.060,00	0,00	-2.060,00	-2.064,15	0,00	-2.064,15	100,20 %	0,00	4,15

Annex 3

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		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
05 02 06 03	Storage measures for olive oil	0,00	-49.700,00	0,00	-49.700,00	-49.750,00	0,00	-49.750,00	100,10 %	0,00	50,00
05 02 06 05	Quality improvement measures	45.000.000,00	-2.034.800,00	0,00	42.965.200,00	42.965.160,37	0,00	42.965.160,37	100,00 %	0,00	39,63
05 02 06 99	Other measures (olive oil)	300.000,00	-184.700,00	0,00	115.300,00	115.269,00	0,00	115.269,00	99,97 %	0,00	31,00
05 02 07 02	Storage measures for flax fibre	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 07 03	Cotton & National restructuring programmes	6.100.000,00	34.000,00	0,00	6.134.000,00	6.134.000,00	0,00	6.134.000,00	100,00 %	0,00	0,00
05 02 07 99	Other measures (textile plants)	100.000,00	40.000,00	0,00	140.000,00	139.976,29	0,00	139.976,29	99,98 %	0,00	23,71
05 02 08 03	Operational funds for producer organisations	285.000.000,00	439.444.727,09	0,00	724.444.727,09	421.772.992,80	302.671.667,09	724.444.659,89	100,00 %	0,00	67,20
05 02 08 11	Aid to producer groups for preliminary recognition	269.000.000,00	-56.692.500,00	0,00	212.307.500,00	212.307.497,24	0,00	212.307.497,24	100,00 %	0,00	2,76
05 02 08 12	School fruit scheme	122.000.000,00	-48.297.300,00	0,00	73.702.700,00	73.702.631,59	0,00	73.702.631,59	100,00 %	0,00	68,41
05 02 08 99	Other measures (fruit and vegetables)	700.000,00	290.960.200,00	0,00	291.660.200,00	72.957,42	0,00	72.957,42	0,03 %	291.587.200,00	42,58
05 02 09 08	National support programmes for the wine sector	1.083.000.000,00	-63.516.500,00	0,00	1.019.483.500,00	1.019.483.384,85	0,00	1.019.483.384,85	100,00 %	0,00	115,15
05 02 09 99	Other measures (wine-growing sector)	2.000.000,00	907.000,00	0,00	2.907.000,00	2.906.936,16	0,00	2.906.936,16	100,00 %	0,00	63,84
05 02 10 01	Promotion measures – Payments by Member States	60.000.000,00	-6.804.500,00	0,00	53.195.500,00	53.195.490,42	0,00	53.195.490,42	100,00 %	0,00	9,58

Annex 3

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		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
05 02 10 02	Promotion measures – Direct payments by the Union	1.500.000,00	0,00	0,00	1.500.000,00	1.495.798,32	0,00	1.495.798,32	99,72 %	0,00	4.201,68
05 02 10 99	Other measures (promotion)	0,00	38.500,00	0,00	38.500,00	38.462,13	0,00	38.462,13	99,90 %	0,00	37,87
05 02 11 03	Hops – Aid to producer organisations	2.300.000,00	-23.000,00	0,00	2.277.000,00	2.277.000,00	0,00	2.277.000,00	100,00 %	0,00	0,00
05 02 11 04	POSEI (excluding direct aids)	238.000.000,00	478.000,00	0,00	238.478.000,00	238.477.941,40	0,00	238.477.941,40	100,00 %	0,00	58,60
05 02 11 99	Other measures (other plant products/measures)	100.000,00	-100.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 12 01	Refunds for milk and milk products	0,00	17.000,00	0,00	17.000,00	16.963,36	0,00	16.963,36	99,78 %	0,00	36,64
05 02 12 02	Intervention storage of skimmed-milk powder	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 12 03	Aid for disposal of skimmed milk	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 12 04	Intervention storage of butter and cream	6.000.000,00	-1.857.200,00	0,00	4.142.800,00	4.142.775,56	0,00	4.142.775,56	100,00 %	0,00	24,44
05 02 12 08	School milk	75.000.000,00	-7.373.400,00	0,00	67.626.600,00	67.626.501,91	0,00	67.626.501,91	100,00 %	0,00	98,09
05 02 12 99	Other measures (milk and milk products)	100.000,00	-96.800,00	0,00	3.200,00	3.134,51	0,00	3.134,51	97,95 %	0,00	65,49
05 02 13 01	Refunds for beef and veal	1.000.000,00	-830.500,00	0,00	169.500,00	169.451,37	0,00	169.451,37	99,97 %	0,00	48,63
05 02 13 02	Intervention storage of beef and veal	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

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		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
05 02 13 04	Refunds for live animals	0,00	274.800,00	0,00	274.800,00	274.727,61	0,00	274.727,61	99,97 %	0,00	72,39
05 02 13 99	Other measures (beef and veal)	100.000,00	-100.000,00	0,00	0,00	-35,86	0,00	-35,86	%	0,00	35,86
05 02 14 01	Intervention storage of sheepmeat and goatmeat	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 14 99	Other measures (sheepmeat and goatmeat)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 15 01	Refunds for pigmeat	100.000,00	114.600,00	0,00	214.600,00	214.519,63	0,00	214.519,63	99,96 %	0,00	80,37
05 02 15 02	Intervention storage of pigmeat	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 15 04	Refunds for eggs	0,00	18.900,00	0,00	18.900,00	18.837,57	0,00	18.837,57	99,67 %	0,00	62,43
05 02 15 05	Refunds for poultrymeat	1.000.000,00	-75.900,00	0,00	924.100,00	924.088,13	0,00	924.088,13	100,00 %	0,00	11,87
05 02 15 06	Specific aid for bee-keeping	31.000.000,00	-51.300,00	0,00	30.948.700,00	30.948.596,79	0,00	30.948.596,79	100,00 %	0,00	103,21
05 02 15 99	Other measures (pigmeat, poultry, eggs, bee-keeping, other animal products)	0,00	815.700,00	0,00	815.700,00	815.639,50	0,00	815.639,50	99,99 %	0,00	60,50
Total Chapter 05 02		2.233.400.000,00	536.867.867,09	0,00	2.770.267.867,09	2.176.003.182,12	302.671.667,09	2.478.674.849,21	89,47 %	291.587.200,00	5.817,88

Annex 3

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		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
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Chapter 05 03: Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives											
05 03 01 01	SPS (single payment scheme)	30.083.000.000,00	751.240.250,22	0,00	30.834.240.250,22	29.753.789.931,24	1.080.450.318,98	30.834.240.250,22	100,00 %	0,00	0,00
05 03 01 02	SAPS (single area payment scheme)	7.382.000.000,00	-15.563.460,24	0,00	7.366.436.539,76	7.366.436.539,76	0,00	7.366.436.539,76	100,00 %	0,00	0,00
05 03 01 03	Separate sugar payment	277.000.000,00	-2.506.800,00	0,00	274.493.200,00	274.493.125,89	0,00	274.493.125,89	100,00 %	0,00	74,11
05 03 01 04	Separate fruit and vegetables payment	12.000.000,00	-58.200,00	0,00	11.941.800,00	11.941.769,01	0,00	11.941.769,01	100,00 %	0,00	30,99
05 03 01 05	Specific support (Article 68) � Decoupled direct aids	487.000.000,00	-29.584.100,00	0,00	457.415.900,00	457.415.813,45	0,00	457.415.813,45	100,00 %	0,00	86,55
05 03 01 06	Separate soft fruit payment	11.000.000,00	370.800,00	0,00	11.370.800,00	11.370.747,27	0,00	11.370.747,27	100,00 %	0,00	52,73
05 03 01 99	Other (decoupled direct aids)	0,00	45.839.447,90	0,00	45.839.447,90	-3.842.836,10	0,00	-3.842.836,10	-8,38 %	49.682.247,90	36,10
05 03 02 06	Suckler-cow premium	902.000.000,00	-2.982.600,00	0,00	899.017.400,00	899.017.357,07	0,00	899.017.357,07	100,00 %	0,00	42,93
05 03 02 07	Additional suckler-cow premium	49.000.000,00	-1.630.900,00	0,00	47.369.100,00	47.369.012,96	0,00	47.369.012,96	100,00 %	0,00	87,04
05 03 02 13	Sheep and goat premium	23.000.000,00	-1.133.300,00	0,00	21.866.700,00	21.866.696,36	0,00	21.866.696,36	100,00 %	0,00	3,64
05 03 02 14	Sheep and goat supplementary premium	7.000.000,00	-215.700,00	0,00	6.784.300,00	6.784.232,34	0,00	6.784.232,34	100,00 %	0,00	67,66
05 03 02 28	Aid for silkworms	500.000,00	-102.100,00	0,00	397.900,00	397.885,54	0,00	397.885,54	100,00 %	0,00	14,46

Annex 3

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05 03 02 36	Payments for specific types of farming and quality production	2.000.000,00	-1.918.600,00	0,00	81.400,00	81.382,51	0,00	81.382,51	99,98 %	0,00	17,49
05 03 02 39	Additional amount for sugar beet and cane producers	21.000.000,00	-2.486.800,00	0,00	18.513.200,00	18.513.165,45	0,00	18.513.165,45	100,00 %	0,00	34,55
05 03 02 40	Area aid for cotton	239.000.000,00	-7.195.000,00	0,00	231.805.000,00	231.804.961,36	0,00	231.804.961,36	100,00 %	0,00	38,64
05 03 02 42	Transitional fruit and vegetables payment — Other products than tomatoes	3.000.000,00	-2.982.000,00	0,00	18.000,00	17.945,68	0,00	17.945,68	99,70 %	0,00	54,32
05 03 02 44	Specific support (Article 68) – Coupled direct aids	1.089.000.000,00	-26.637.100,00	0,00	1.062.362.900,00	1.062.362.818,28	0,00	1.062.362.818,28	100,00 %	0,00	81,72
05 03 02 50	POSEI – European Union support programmes	407.000.000,00	2.731.800,00	0,00	409.731.800,00	409.731.714,10	0,00	409.731.714,10	100,00 %	0,00	85,90
05 03 02 52	POSEI – Aegean islands	18.000.000,00	-1.683.700,00	0,00	16.316.300,00	16.316.285,75	0,00	16.316.285,75	100,00 %	0,00	14,25
05 03 02 99	Other (direct aids)	9.675.640,00	-16.348.000,00	0,00	-6.672.360,00	-6.672.376,06	0,00	-6.672.376,06	100,00 %	0,00	16,06
05 03 03	Additional amounts of aid	600.000,00	-567.000,00	0,00	33.000,00	32.942,76	0,00	32.942,76	99,83 %	0,00	57,24
05 03 09	Reimbursement of direct aids in relation to financial discipline	0,00	868.195.629,00	0,00	868.195.629,00	0,00	0,00	0,00	%	868.195.629,00	0,00
05 03 10	Reserve for crises in the agricultural sector	424.500.000,00	-424.500.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 03		41.447.275.640,00	1.130.282.566,88	0,00	42.577.558.206,88	40.579.229.114,62	1.080.450.318,98	41.659.679.433,60	97,84 %	917.877.876,90	896,38

Annex 3

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Chapter 05 04: Rural development											
05 04 01 14	Completion of Rural development financed by the EAGGF Guarantee Section – Programming period 2000 to 2006	0,00	-1.254.727,63	0,00	-1.254.727,63	-1.397.376,72	0,00	-1.397.376,72	111,37 %	0,00	142.649,09
05 04 02 01	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section – Objective 1 regions (2000 to 2006)	0,00	13.592.165,02	0,00	13.592.165,02	0,00	0,00	0,00	%	13.592.165,02	0,00
05 04 02 02	Completion of the special programme for peace and reconciliation in Northern Ireland and the border counties of Ireland (2000 to 2006)	0,00	87.488,03	0,00	87.488,03	0,00	87.488,03	87.488,03	100,00 %	0,00	0,00
05 04 02 03	Completion of earlier programmes in Objectives 1 and 6 regions (prior to 2000)	0,00	514.670,03	0,00	514.670,03	0,00	0,00	0,00	%	514.670,03	0,00
05 04 02 04	Completion of earlier programmes in Objective 5b regions (prior to 2000)	0,00	1.590.226,47	0,00	1.590.226,47	0,00	0,00	0,00	%	1.590.226,47	0,00
05 04 02 05	Completion of earlier programmes outside Objective 1 regions (prior to 2000)	0,00	621.180,29	0,00	621.180,29	0,00	0,00	0,00	%	621.180,29	0,00
05 04 02 06	Completion of Leader (2000 to 2006)	0,00	538.766,76	0,00	538.766,76	0,00	0,00	0,00	%	538.766,76	0,00
05 04 02 07	Completion of earlier Community initiatives (prior to 2000)	0,00	168.538,00	0,00	168.538,00	0,00	0,00	0,00	%	168.538,00	0,00
05 04 02 08	Completion of earlier innovative measures (prior to 2000)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 02 09	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section – Operational technical assistance (2000 to 2006)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 03 02	Plant and animal genetic resources – Completion of earlier measures	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 04	Transitional instrument for the financing of rural development by the EAGGF Guarantee Section for the new Member States – Completion of programmes (2004 to 2006)	0,00	35.824.356,55	0,00	35.824.356,55	0,00	0,00	0,00	%	35.824.356,55	0,00

Annex 3

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05 04 05 01	Rural development programmes	0,00	281.605.066,16	0,00	281.605.066,16	0,00	0,00	0,00	%	281.605.066,16	0,00
05 04 05 02	Operational technical assistance	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 60 01	Promoting sustainable rural development, more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	13.970.049.059,00	0,00	0,00	13.970.049.059,00	3.294.627.697,00	0,00	3.294.627.697,00	23,58 %	1.970.095.304,00	8.705.326.058,00
05 04 60 02	Operational technical assistance	17.222.000,00	-729.066,52	0,00	16.492.933,48	11.869.022,38	0,00	11.869.022,38	71,96 %	933,48	4.622.977,62
05 04 60 03	Operational technical assistance managed by the Commission at the request of a Member State	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 04		13.987.271.059,00	332.558.663,16	0,00	14.319.829.722,16	3.305.099.342,66	87.488,03	3.305.186.830,69	23,08 %	2.304.551.206,76	8.710.091.684,71
Chapter 05 05: Instrument for Pre-Accession Assistance - Agriculture and Rural Development											
05 05 01 01	The Sapard pre-accession instrument — Completion of the programme (2000 to 2006)	0,00	38.237.267,49	0,00	38.237.267,49	0,00	0,00	0,00	%	38.237.267,49	0,00
05 05 01 02	The Sapard pre-accession instrument — Completion of the pre-accession assistance related to eight applicant countries	0,00	9.491.988,77	0,00	9.491.988,77	0,00	0,00	0,00	%	9.491.988,77	0,00
05 05 02	Instrument for Pre-accession Assistance for Rural Development (IPARD) — Completion of the programme (2007 to 2013)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 03 01	Support for political reforms and progressive alignment with and adoption, implementation and enforcement of the 'acquis communautaire'	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 03 02	Support for economic, social and territorial development	20.000.000,00	-15.000.000,00	0,00	5.000.000,00	0,00	0,00	0,00	%	5.000.000,00	0,00
05 05 04 01	Support for political reforms and progressive alignment with and adoption, implementation and enforcement of the 'acquis communautaire'	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

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05 05 04 02	Support for economic, social and territorial development	70.000.000,00	-1.000.000,00	0,00	69.000.000,00	0,00	0,00	0,00	%	69.000.000,00	0,00
Total Chapter 05 05		90.000.000,00	31.729.256,26	0,00	121.729.256,26	0,00	0,00	0,00	%	121.729.256,26	0,00
Chapter 05 06: International aspects of the 'Agriculture and rural development' policy area											
05 06 01	International agricultural agreements	6.696.000,00	-4.783.491,00	0,00	1.912.509,00	1.806.025,54	0,00	1.806.025,54	94,43 %	0,00	106.483,46
Total Chapter 05 06		6.696.000,00	-4.783.491,00	0,00	1.912.509,00	1.806.025,54	0,00	1.806.025,54	94,43 %	0,00	106.483,46
Chapter 05 07: Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)											
05 07 01 02	Monitoring and preventive measures – Direct payments by the Union	6.800.000,00	0,00	0,00	6.800.000,00	6.799.667,58	0,00	6.799.667,58	100,00 %	0,00	332,42
05 07 01 06	Expenditure for financial corrections in favour of Member States following decisions on accounting clearance of previous years – accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF	0,00	19.210.727,63	0,00	19.210.727,63	19.204.745,65	0,00	19.204.745,65	99,97 %	0,00	5.981,98
05 07 01 07	Expenditure for financial corrections in favour of Member States following decisions on conformity clearance of previous years – accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF	0,00	506.000,00	0,00	506.000,00	505.183,59	0,00	505.183,59	99,84 %	0,00	816,41
05 07 02	Settlement of disputes	53.400.000,00	38.929.000,00	0,00	92.329.000,00	92.327.649,50	0,00	92.327.649,50	100,00 %	0,00	1.350,50
Total Chapter 05 07		60.200.000,00	58.645.727,63	0,00	118.845.727,63	118.837.246,32	0,00	118.837.246,32	99,99 %	0,00	8.481,31
Chapter 05 08: Policy strategy and coordination of the 'Agriculture and rural development' policy area											
05 08 01	Farm Accountancy Data Network (FADN)	14.619.600,00	0,00	0,00	14.619.600,00	14.516.206,40	0,00	14.516.206,40	99,29 %	0,00	103.393,60
05 08 02	Surveys on the structure of agricultural holdings	250.000,00	0,00	0,00	250.000,00	249.073,94	0,00	249.073,94	99,63 %	0,00	926,06

Annex 3

Item	Heading	Commitment Appropriations				Outturn of Commitment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
05 08 03	Restructuring of systems for agricultural surveys	1.753.760,00	0,00	0,00	1.753.760,00	1.751.497,50	0,00	1.751.497,50	99,87 %	0,00	2.262,50
05 08 06	Enhancing public awareness of the common agricultural policy	11.000.000,00	-3.150.000,00	0,00	7.850.000,00	7.773.022,80	0,00	7.773.022,80	99,02 %	0,00	76.977,20
05 08 09	European Agricultural Guarantee Fund (EAGF) – Operational technical assistance	1.670.000,00	0,00	0,00	1.670.000,00	1.669.972,01	0,00	1.669.972,01	100,00 %	0,00	27,99
05 08 77 01	Pilot project – Assessing end-user costs of compliance with Union legislation in the fields of environment, animal welfare and food safety	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 02	Pilot project – Exchanging best practice for cross compliance simplification	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 03	Pilot project – Support for farmers' cooperatives	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 04	Pilot project – European farm prices and margins observatory	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 05	Pilot project – Support for farmers' and consumers' initiatives for low carbon emission, low energy consumption and locally marketed food production	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 07	Pilot project – Measures to combat speculation in agricultural commodities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 08	Pilot project – Exchange programme for young farmers	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 09	Preparatory action – Union plant and animal genetic resources	1.000.000,00	0,00	0,00	1.000.000,00	1.000.000,00	0,00	1.000.000,00	100,00 %	0,00	0,00
05 08 77 10	Pilot project – Agropol – Development of a European cross-border Agribusiness Model Region	1.200.000,00	0,00	0,00	1.200.000,00	1.200.000,00	0,00	1.200.000,00	100,00 %	0,00	0,00
05 08 77 11	Pilot project – Towards an integrated European agroforestry sector	1.000.000,00	0,00	0,00	1.000.000,00	1.000.000,00	0,00	1.000.000,00	100,00 %	0,00	0,00

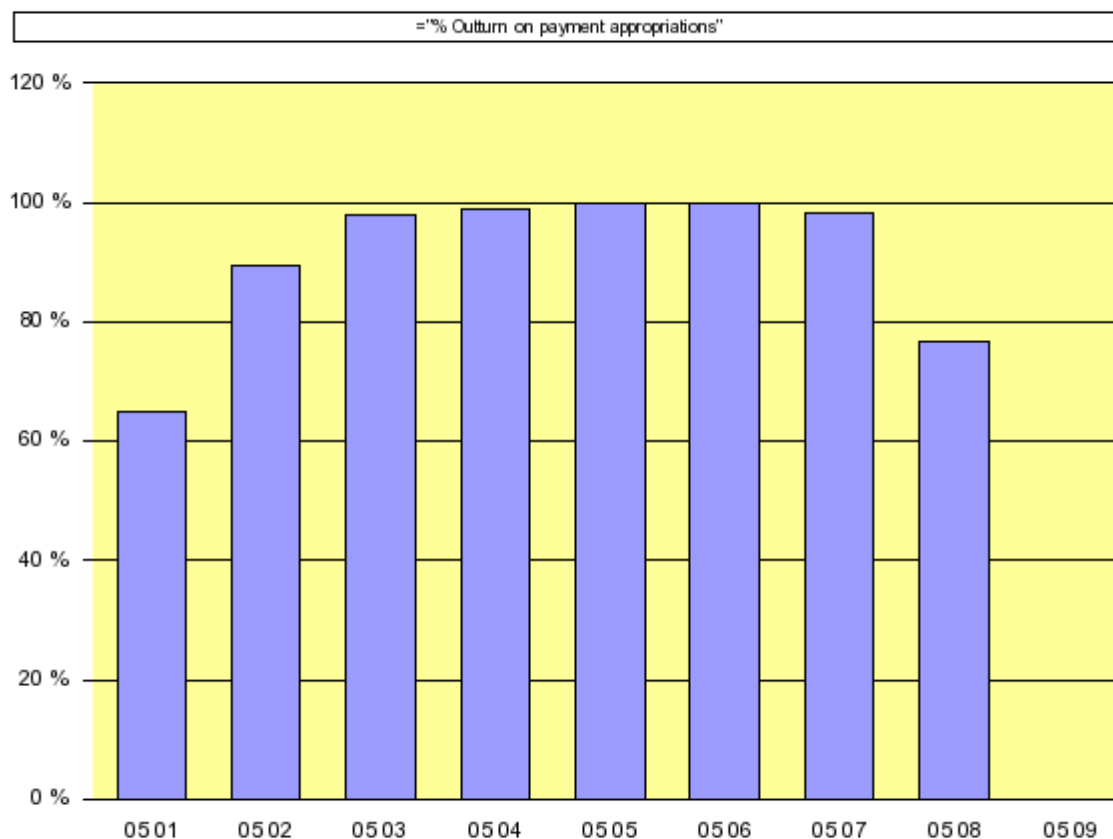
Annex 3

Item	Heading	Commitment Appropriations				Outturn of Commitment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Additional appropriations and carried from 2013	Total	%		
		1	2	3	4 = 1+2+3	5	6	7=5+6	8=7/4		
05 08 80	Union participation at the World Exposition 2015 'Feeding the Planet – Energy for Life' in Milan	7.300.000,00	730.000,00	0,00	8.030.000,00	8.030.000,00	0,00	8.030.000,00	100,00 %	0,00	0,00
Total Chapter 05 08		39.793.360,00	-2.420.000,00	0,00	37.373.360,00	37.189.772,65	0,00	37.189.772,65	99,51 %	0,00	183.587,35
Chapter 05 09: Horizon 2020 – Research and innovation related to agriculture											
05 09 03 01	Securing sufficient supplies of safe and high quality food and other bio-based products	52.163.000,00	-52.163.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 09 50 01	Appropriations accruing from contributions from (non-European Economic Area) third parties to research and technological development (2014 to 2020)	0,00	1.167.816,60	0,00	1.167.816,60	0,00	0,00	0,00	%	1.167.816,60	0,00
Total Chapter 05 09		52.163.000,00	-50.995.183,40	0,00	1.167.816,60	0,00	0,00	0,00	%	1.167.816,60	0,00
Chapter 05 10: European Globalisation Adjustment Fund (EGF)											
05 10 01	Including farmers in the scope of the European Globalisation Adjustment Fund (EGF)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 10		0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Title 05		57.927.101.299,00	2.042.541.791,79	0,00	59.969.643.090,79	46.238.535.506,82	1.383.282.119,82	47.621.817.626,64	79,41 %	3.636.913.630,97	8.710.911.833,18
Total DG AGRI		57.927.101.299,00	2.042.541.791,79	0,00	59.969.643.090,79	46.238.535.506,82	1.383.282.119,82	47.621.817.626,64	79,41 %	3.636.913.630,97	8.710.911.833,18

TABLE 2a: OUTTURN ON PAYMENT APPROPRIATIONS IN 2014 (in Mio €)

Chapter		Payment appropriations authorised *	Payments made	%	
		1	2	3=2/1	
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the `Agriculture and rural development- policy area	31,244370730	20,307196180	64,99 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.769,809838090	2.478,172776190	89,47 %
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.577,558206880	41.659,679433600	97,84 %
	05 04	Rural development	11.300,946990130	11.185,998301100	98,98 %
	05 05	Instrument for Pre-Accession Assistance - Agriculture and Rural Development	158,726294260	158,726294260	100,00 %
	05 06	International aspects of the `Agriculture and rural development- policy area	1,806026000	1,806025540	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	119,564577350	117,424000250	98,21 %
	05 08	Policy strategy and coordination of the `Agriculture and rural development- policy area	35,991550050	27,605680920	76,70 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	1,167816600	0,000000000	0,00 %
	05 10		0,000000000	0,000000000	
Total Title 05			56.996,815670090	55.649,719708040	97,64%
Total DG AGRI			56.996,815670090	55.649,719708040	97,64 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).



Annex 3

Table 2b: Outturn on payment appropriations on 31.12.2014

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
Title 05: Agriculture and rural development											
Chapter 05 01: Administrative expenditure of the 'Agriculture and rural development' policy area											
05 01 02 01	External personnel	0,00	57.770,00	71.800,00	129.570,00	0,00	39.004,00	39.004,00	30,10 %	57.770,00	32.796,00
05 01 02 11	Other management expenditure	0,00	7.028.852,27	2.593.953,73	9.622.806,00	4.779.587,69	2.067.284,53	6.846.872,22	71,15 %	2.133.417,09	642.516,69
05 01 04 01	Support expenditure for European Agriculture Guarantee Fund (EAGF) – Non-operational technical assistance	7.931.000,00	0,00	5.598.074,94	13.529.074,94	2.189.163,74	5.482.841,72	7.672.005,46	56,71 %	5.709.926,26	147.143,22
05 01 04 02	Support expenditure for European Globalisation Adjustment Fund (EGF)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 01 04 03	Support expenditure for Pre-accession assistance in the field of agriculture and rural development (IPA)	0,00	236.500,00	0,00	236.500,00	109.114,98	0,00	109.114,98	46,14 %	0,00	127.385,02
05 01 04 04	Support expenditure for European Agricultural Fund for Rural Development (EAFRD) — Non-operational technical assistance	0,00	3.735.000,00	2.021.916,89	5.756.916,89	2.141.471,19	1.888.144,38	4.029.615,57	70,00 %	1.402.443,49	324.857,83
05 01 05 01	Expenditure related to officials and temporary staff implementing Research and Innovation programmes – Horizon 2020	1.238.086,00	31.813,64	0,00	1.269.899,64	1.258.542,94	0,00	1.258.542,94	99,11 %	0,00	11.356,70
05 01 05 02	External personnel implementing Research and Innovation programmes – Horizon 2020	420.000,00	-164.829,66	0,00	255.170,34	255.170,34	0,00	255.170,34	100,00 %	0,00	0,00
05 01 05 03	Other management expenditure for Research and Innovation programmes – Horizon 2020	713.154,00	-268.721,08	0,00	444.432,92	96.870,67	0,00	96.870,67	21,80 %	310.264,69	37.297,56
Total Chapter 05 01		10.302.240,00	10.656.385,17	10.285.745,56	31.244.370,73	10.829.921,55	9.477.274,63	20.307.196,18	64,99 %	9.613.821,53	1.323.353,02
Chapter 05 02: Improving the competitiveness of the agricultural sector through interventions in agricultural markets											
05 02 01 01	Export refunds for cereals	0,00	2.458.400,00	0,00	2.458.400,00	2.458.299,88	0,00	2.458.299,88	100,00 %	0,00	100,12
05 02 01 02	Intervention storage of cereals	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 02 01 99	Other measures (cereals)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 02 01	Export refunds for rice	0,00	6.500,00	0,00	6.500,00	6.484,18	0,00	6.484,18	99,76 %	0,00	15,82
05 02 02 02	Intervention storage of rice	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 02 99	Other measures (rice)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 03	Refunds on non-Annex 1 products	4.000.000,00	-3.871.000,00	0,00	129.000,00	128.875,26	0,00	128.875,26	99,90 %	0,00	124,74
05 02 04 99	Other measures (food programmes)	0,00	-7.238.700,00	0,00	-7.238.700,00	-7.238.759,71	0,00	-7.238.759,71	100,00 %	0,00	59,71
05 02 05 01	Export refunds for sugar and isoglucose	0,00	264.400,00	0,00	264.400,00	264.399,37	0,00	264.399,37	100,00 %	0,00	0,63
05 02 05 03	Production refunds for sugar used in the chemical industry	0,00	195.000,00	0,00	195.000,00	194.999,22	0,00	194.999,22	100,00 %	0,00	0,78
05 02 05 08	Storage measures for sugar	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 05 99	Other measures (sugar)	0,00	-2.060,00	0,00	-2.060,00	-2.064,15	0,00	-2.064,15	100,20 %	0,00	4,15
05 02 06 03	Storage measures for olive oil	0,00	-49.700,00	0,00	-49.700,00	-49.750,00	0,00	-49.750,00	100,10 %	0,00	50,00
05 02 06 05	Quality improvement measures	45.000.000,00	-2.034.800,00	0,00	42.965.200,00	42.965.160,37	0,00	42.965.160,37	100,00 %	0,00	39,63
05 02 06 99	Other measures (olive oil)	300.000,00	-184.700,00	0,00	115.300,00	115.269,00	0,00	115.269,00	99,97 %	0,00	31,00
05 02 07 02	Storage measures for flax fibre	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 02 07 03	Cotton – National restructuring programmes	6.100.000,00	34.000,00	0,00	6.134.000,00	6.134.000,00	0,00	6.134.000,00	100,00 %	0,00	0,00
05 02 07 99	Other measures (textile plants)	100.000,00	40.000,00	0,00	140.000,00	139.976,29	0,00	139.976,29	99,98 %	0,00	23,71
05 02 08 03	Operational funds for producer organisations	285.000.000,00	439.444.727,09	0,00	724.444.727,09	724.444.659,89	0,00	724.444.659,89	100,00 %	0,00	67,20
05 02 08 11	Aid to producer groups for preliminary recognition	269.000.000,00	-56.692.500,00	0,00	212.307.500,00	212.307.497,24	0,00	212.307.497,24	100,00 %	0,00	2,76
05 02 08 12	School fruit scheme	122.000.000,00	-48.297.300,00	0,00	73.702.700,00	73.702.631,59	0,00	73.702.631,59	100,00 %	0,00	68,41
05 02 08 99	Other measures (fruit and vegetables)	700.000,00	290.960.200,00	0,00	291.660.200,00	72.957,42	0,00	72.957,42	0,03 %	291.587.200,00	42,58
05 02 09 08	National support programmes for the wine sector	1.083.000.000,00	-63.516.500,00	0,00	1.019.483.500,00	1.019.483.384,85	0,00	1.019.483.384,85	100,00 %	0,00	115,15
05 02 09 99	Other measures (wine-growing sector)	2.000.000,00	907.000,00	0,00	2.907.000,00	2.906.936,16	0,00	2.906.936,16	100,00 %	0,00	63,84
05 02 10 01	Promotion measures – Payments by Member States	60.000.000,00	-6.804.500,00	0,00	53.195.500,00	53.195.490,42	0,00	53.195.490,42	100,00 %	0,00	9,58
05 02 10 02	Promotion measures – Direct payments by the Union	1.350.000,00	-308.029,00	0,00	1.041.971,00	993.725,30	0,00	993.725,30	95,37 %	0,00	48.245,70
05 02 10 99	Other measures (promotion)	0,00	38.500,00	0,00	38.500,00	38.462,13	0,00	38.462,13	99,90 %	0,00	37,87
05 02 11 03	Hops – Aid to producer organisations	2.300.000,00	-23.000,00	0,00	2.277.000,00	2.277.000,00	0,00	2.277.000,00	100,00 %	0,00	0,00
05 02 11 04	POSEI (excluding direct aids)	238.000.000,00	478.000,00	0,00	238.478.000,00	238.477.941,40	0,00	238.477.941,40	100,00 %	0,00	58,60
05 02 11 99	Other measures (other plant products/measures)	100.000,00	-100.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 02 12 01	Refunds for milk and milk products	0,00	17.000,00	0,00	17.000,00	16.963,36	0,00	16.963,36	99,78 %	0,00	36,64
05 02 12 02	Intervention storage of skimmed-milk powder	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 12 03	Aid for disposal of skimmed milk	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 12 04	Intervention storage of butter and cream	6.000.000,00	-1.857.200,00	0,00	4.142.800,00	4.142.775,56	0,00	4.142.775,56	100,00 %	0,00	24,44
05 02 12 08	School milk	75.000.000,00	-7.373.400,00	0,00	67.626.600,00	67.626.501,91	0,00	67.626.501,91	100,00 %	0,00	98,09
05 02 12 99	Other measures (milk and milk products)	100.000,00	-96.800,00	0,00	3.200,00	3.134,51	0,00	3.134,51	97,95 %	0,00	65,49
05 02 13 01	Refunds for beef and veal	1.000.000,00	-830.500,00	0,00	169.500,00	169.451,37	0,00	169.451,37	99,97 %	0,00	48,63
05 02 13 02	Intervention storage of beef and veal	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 13 04	Refunds for live animals	0,00	274.800,00	0,00	274.800,00	274.727,61	0,00	274.727,61	99,97 %	0,00	72,39
05 02 13 99	Other measures (beef and veal)	100.000,00	-100.000,00	0,00	0,00	-35,86	0,00	-35,86	%	0,00	35,86
05 02 14 01	Intervention storage of sheepmeat and goatmeat	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 14 99	Other measures (sheepmeat and goatmeat)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 02 15 01	Refunds for pigmeat	100.000,00	114.600,00	0,00	214.600,00	214.519,63	0,00	214.519,63	99,96 %	0,00	80,37
05 02 15 02	Intervention storage of pigmeat	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 02 15 04	Refunds for eggs	0,00	18.900,00	0,00	18.900,00	18.837,57	0,00	18.837,57	99,67 %	0,00	62,43
05 02 15 05	Refunds for poultrymeat	1.000.000,00	-75.900,00	0,00	924.100,00	924.088,13	0,00	924.088,13	100,00 %	0,00	11,87
05 02 15 06	Specific aid for bee-keeping	31.000.000,00	-51.300,00	0,00	30.948.700,00	30.948.596,79	0,00	30.948.596,79	100,00 %	0,00	103,21
05 02 15 99	Other measures (pigmeat, poultry, eggs, bee-keeping, other animal products)	0,00	815.700,00	0,00	815.700,00	815.639,50	0,00	815.639,50	99,99 %	0,00	60,50
Total Chapter 05 02		2.233.250.000,00	536.559.838,09	0,00	2.769.809.838,09	2.478.172.776,19	0,00	2.478.172.776,19	89,47 %	291.587.200,00	49.861,90
Chapter 05 03: Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives											
05 03 01 01	SPS (single payment scheme)	30.083.000.000,00	751.240.250,22	0,00	30.834.240.250,22	30.834.240.250,22	0,00	30.834.240.250,22	100,00 %	0,00	0,00
05 03 01 02	SAPS (single area payment scheme)	7.382.000.000,00	-15.563.460,24	0,00	7.366.436.539,76	7.366.436.539,76	0,00	7.366.436.539,76	100,00 %	0,00	0,00
05 03 01 03	Separate sugar payment	277.000.000,00	-2.506.800,00	0,00	274.493.200,00	274.493.125,89	0,00	274.493.125,89	100,00 %	0,00	74,11
05 03 01 04	Separate fruit and vegetables payment	12.000.000,00	-58.200,00	0,00	11.941.800,00	11.941.769,01	0,00	11.941.769,01	100,00 %	0,00	30,99
05 03 01 05	Specific support (Article 68) – Decoupled direct aids	487.000.000,00	-29.584.100,00	0,00	457.415.900,00	457.415.813,45	0,00	457.415.813,45	100,00 %	0,00	86,55
05 03 01 06	Separate soft fruit payment	11.000.000,00	370.800,00	0,00	11.370.800,00	11.370.747,27	0,00	11.370.747,27	100,00 %	0,00	52,73
05 03 01 99	Other (decoupled direct aids)	0,00	45.839.447,90	0,00	45.839.447,90	-3.842.836,10	0,00	-3.842.836,10	-8,38 %	49.682.247,90	36,10
05 03 02 06	Suckler-cow premium	902.000.000,00	-2.982.600,00	0,00	899.017.400,00	899.017.357,07	0,00	899.017.357,07	100,00 %	0,00	42,93
05 03 02 07	Additional suckler-cow premium	49.000.000,00	-1.630.900,00	0,00	47.369.100,00	47.369.012,96	0,00	47.369.012,96	100,00 %	0,00	87,04

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 03 02 13	Sheep and goat premium	23.000.000,00	-1.133.300,00	0,00	21.866.700,00	21.866.696,36	0,00	21.866.696,36	100,00 %	0,00	3,64
05 03 02 14	Sheep and goat supplementary premium	7.000.000,00	-215.700,00	0,00	6.784.300,00	6.784.232,34	0,00	6.784.232,34	100,00 %	0,00	67,66
05 03 02 28	Aid for silkworms	500.000,00	-102.100,00	0,00	397.900,00	397.885,54	0,00	397.885,54	100,00 %	0,00	14,46
05 03 02 36	Payments for specific types of farming and quality production	2.000.000,00	-1.918.600,00	0,00	81.400,00	81.382,51	0,00	81.382,51	99,98 %	0,00	17,49
05 03 02 39	Additional amount for sugar beet and cane producers	21.000.000,00	-2.486.800,00	0,00	18.513.200,00	18.513.165,45	0,00	18.513.165,45	100,00 %	0,00	34,55
05 03 02 40	Area aid for cotton	239.000.000,00	-7.195.000,00	0,00	231.805.000,00	231.804.961,36	0,00	231.804.961,36	100,00 %	0,00	38,64
05 03 02 42	Transitional fruit and vegetables payment — Other products than tomatoes	3.000.000,00	-2.982.000,00	0,00	18.000,00	17.945,68	0,00	17.945,68	99,70 %	0,00	54,32
05 03 02 44	Specific support (Article 68) — Coupled direct aids	1.089.000.000,00	-26.637.100,00	0,00	1.062.362.900,00	1.062.362.818,28	0,00	1.062.362.818,28	100,00 %	0,00	81,72
05 03 02 50	POSEI — European Union support programmes	407.000.000,00	2.731.800,00	0,00	409.731.800,00	409.731.714,10	0,00	409.731.714,10	100,00 %	0,00	85,90
05 03 02 52	POSEI — Aegean islands	18.000.000,00	-1.683.700,00	0,00	16.316.300,00	16.316.285,75	0,00	16.316.285,75	100,00 %	0,00	14,25
05 03 02 99	Other (direct aids)	9.675.640,00	-16.348.000,00	0,00	-6.672.360,00	-6.672.376,06	0,00	-6.672.376,06	100,00 %	0,00	16,06
05 03 03	Additional amounts of aid	600.000,00	-567.000,00	0,00	33.000,00	32.942,76	0,00	32.942,76	99,83 %	0,00	57,24
05 03 09	Reimbursement of direct aids in relation to financial discipline	0,00	868.195.629,00	0,00	868.195.629,00	0,00	0,00	0,00	%	868.195.629,00	0,00
05 03 10	Reserve for crises in the agricultural sector	424.500.000,00	-424.500.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 03		41.447.275.640,00	1.130.282.566,88	0,00	42.577.558.206,88	41.659.679.433,60	0,00	41.659.679.433,60	97,84 %	917.877.876,90	896,38

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
Chapter 05 04: Rural development											
05 04 01 14	Completion of Rural development financed by the EAGGF Guarantee Section – Programming period 2000 to 2006	0,00	-1.254.727,63	0,00	-1.254.727,63	-1.397.376,72	0,00	-1.397.376,72	111,37 %	0,00	142.649,09
05 04 02 01	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section – Objective 1 regions (2000 to 2006)	0,00	12.573.772,22	0,00	12.573.772,22	6.556.494,14	0,00	6.556.494,14	52,14 %	6.017.278,08	0,00
05 04 02 02	Completion of the special programme for peace and reconciliation in Northern Ireland and the border counties of Ireland (2000 to 2006)	0,00	87.488,03	0,00	87.488,03	87.488,03	0,00	87.488,03	100,00 %	0,00	0,00
05 04 02 03	Completion of earlier programmes in Objectives 1 and 6 regions (prior to 2000)	0,00	105.282,12	0,00	105.282,12	0,00	0,00	0,00	%	105.282,12	0,00
05 04 02 04	Completion of earlier programmes in Objective 5b regions (prior to 2000)	0,00	1.590.226,47	0,00	1.590.226,47	0,00	0,00	0,00	%	1.590.226,47	0,00
05 04 02 05	Completion of earlier programmes outside Objective 1 regions (prior to 2000)	0,00	621.180,29	0,00	621.180,29	0,00	0,00	0,00	%	621.180,29	0,00
05 04 02 06	Completion of Leader (2000 to 2006)	0,00	68.362,45	0,00	68.362,45	0,00	0,00	0,00	%	68.362,45	0,00
05 04 02 07	Completion of earlier Community initiatives (prior to 2000)	0,00	158.165,00	0,00	158.165,00	0,00	0,00	0,00	%	158.165,00	0,00
05 04 02 08	Completion of earlier innovative measures (prior to 2000)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 02 09	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section – Operational technical assistance (2000 to 2006)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 03 02	Plant and animal genetic resources & Completion of earlier measures	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 04 04	Transitional instrument for the financing of rural development by the EAGGF Guarantee Section for the new Member States – Completion of programmes (2004 to 2006)	0,00	35.824.356,55	0,00	35.824.356,55	0,00	0,00	0,00	%	35.824.356,55	0,00
05 04 05 01	Rural development programmes	10.329.896.149,00	686.297.946,15	0,00	11.016.194.095,15	10.947.350.313,60	0,00	10.947.350.313,60	99,38 %	68.843.781,55	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 04 05 02	Operational technical assistance	6.433.956,00	-800.000,00	0,00	5.633.956,00	5.076.009,58	0,00	5.076.009,58	90,10 %	158.546,00	399.400,42
05 04 60 01	Promoting sustainable rural development, more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	1.267.275.423,00	-1.042.280.023,00	0,00	224.995.400,00	224.989.885,83	0,00	224.989.885,83	100,00 %	0,00	5.514,17
05 04 60 02	Operational technical assistance	7.748.500,00	-3.399.066,52	0,00	4.349.433,48	3.335.486,64	0,00	3.335.486,64	76,69 %	933,48	1.013.013,36
05 04 60 03	Operational technical assistance managed by the Commission at the request of a Member State	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 04		11.611.354.028,00	-310.407.037,87	0,00	11.300.946.990,13	11.185.998.301,10	0,00	11.185.998.301,10	98,98 %	113.388.111,99	1.560.577,04
Chapter 05 05: Instrument for Pre-Accession Assistance - Agriculture and Rural Development											
05 05 01 01	The Sapard pre-accession instrument — Completion of the programme (2000 to 2006)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 01 02	The Sapard pre-accession instrument — Completion of the pre-accession assistance related to eight applicant countries	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 02	Instrument for Pre-accession Assistance for Rural Development (IPARD) — Completion of the programme (2007 to 2013)	93.043.400,00	65.682.894,26	0,00	158.726.294,26	158.726.294,26	0,00	158.726.294,26	100,00 %	0,00	0,00
05 05 03 01	Support for political reforms and progressive alignment with and adoption, implementation and enforcement of the 'acquis communautaire'	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 03 02	Support for economic, social and territorial development	4.200.000,00	-4.200.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 04 01	Support for political reforms and progressive alignment with and adoption, implementation and enforcement of the 'acquis communautaire'	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 05 04 02	Support for economic, social and territorial development	13.753.638,00	-13.753.638,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 05		110.997.038,00	47.729.256,26	0,00	158.726.294,26	158.726.294,26	0,00	158.726.294,26	100,00 %	0,00	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
Chapter 05 06: International aspects of the 'Agriculture and rural development' policy area											
05 06 01	International agricultural agreements	5.590.437,00	-3.784.411,00	0,00	1.806.026,00	1.806.025,54	0,00	1.806.025,54	100,00 %	0,00	0,46
Total Chapter 05 06		5.590.437,00	-3.784.411,00	0,00	1.806.026,00	1.806.025,54	0,00	1.806.025,54	100,00 %	0,00	0,46
Chapter 05 07: Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)											
05 07 01 02	Monitoring and preventive measures – Direct payments by the Union	6.800.000,00	0,00	718.849,72	7.518.849,72	4.749.766,74	636.654,77	5.386.421,51	71,64 %	2.049.900,84	82.527,37
05 07 01 06	Expenditure for financial corrections in favour of Member States following decisions on accounting clearance of previous years; accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF	0,00	19.210.727,63	0,00	19.210.727,63	19.204.745,65	0,00	19.204.745,65	99,97 %	0,00	5.981,98
05 07 01 07	Expenditure for financial corrections in favour of Member States following decisions on conformity clearance of previous years; accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF	0,00	506.000,00	0,00	506.000,00	505.183,59	0,00	505.183,59	99,84 %	0,00	816,41
05 07 02	Settlement of disputes	53.400.000,00	38.929.000,00	0,00	92.329.000,00	92.327.649,50	0,00	92.327.649,50	100,00 %	0,00	1.350,50
Total Chapter 05 07		60.200.000,00	58.645.727,63	718.849,72	119.564.577,35	116.787.345,48	636.654,77	117.424.000,25	98,21 %	2.049.900,84	90.676,26
Chapter 05 08: Policy strategy and coordination of the 'Agriculture and rural development' policy area											
05 08 01	Farm Accountancy Data Network (FADN)	13.733.871,00	0,00	0,00	13.733.871,00	13.732.660,66	0,00	13.732.660,66	99,99 %	0,00	1.210,34
05 08 02	Surveys on the structure of agricultural holdings	200.000,00	0,00	0,00	200.000,00	175.242,04	0,00	175.242,04	87,62 %	0,00	24.757,96
05 08 03	Restructuring of systems for agricultural surveys	1.695.892,00	-568.429,00	0,00	1.127.463,00	1.057.709,07	0,00	1.057.709,07	93,81 %	0,00	69.753,93
05 08 06	Enhancing public awareness of the common agricultural policy	11.000.000,00	-3.150.000,00	5.982.210,97	13.832.210,97	1.848.117,65	5.120.877,59	6.968.995,24	50,38 %	5.924.905,15	938.310,58

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 08 09	European Agricultural Guarantee Fund (EAGF) – Operational technical assistance	1.670.000,00	0,00	1.002.645,12	2.672.645,12	458.717,34	963.508,85	1.422.226,19	53,21 %	1.211.254,67	39.164,26
05 08 77 01	Pilot project – Assessing end-user costs of compliance with Union legislation in the fields of environment, animal welfare and food safety	411.089,00	0,00	264.270,96	675.359,96	411.088,16	264.270,96	675.359,12	100,00 %	0,00	0,84
05 08 77 02	Pilot project – Exchanging best practice for cross compliance simplification	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 03	Pilot project – Support for farmers' cooperatives	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 04	Pilot project – European farm prices and margins observatory	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 05	Pilot project – Support for farmers' and consumers' initiatives for low carbon emission, low energy consumption and locally marketed food production	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 07	Pilot project – Measures to combat speculation in agricultural commodities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 08	Pilot project – Exchange programme for young farmers	600.000,00	0,00	0,00	600.000,00	599.936,40	0,00	599.936,40	99,99 %	0,00	63,60
05 08 77 09	Preparatory action – Union plant and animal genetic resources	600.000,00	-600.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 10	Pilot project – Agropol – Development of a European cross-border Agribusiness Model Region	600.000,00	-600.000,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
05 08 77 11	Pilot project – Towards an integrated European agroforestry sector	500.000,00	-350.000,00	0,00	150.000,00	0,00	0,00	0,00	%	0,00	150.000,00
05 08 80	Union participation at the World Exposition 2015 'Feeding the Planet – Energy for Life' in Milan	3.000.000,00	0,00	0,00	3.000.000,00	2.973.552,20	0,00	2.973.552,20	99,12 %	0,00	26.447,80
Total Chapter 05 08		34.010.852,00	-5.268.429,00	7.249.127,05	35.991.550,05	21.257.023,52	6.348.657,40	27.605.680,92	76,70 %	7.136.159,82	1.249.709,31
Chapter 05 09: Horizon 2020 - Research and innovation related to agriculture											
05 09 03 01	Securing sufficient supplies of safe and high quality food and other bio-based products	2.290.968,00	-2.290.968,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00

Annex 3

Budget Item	Heading	Payment Appropriations				Outturn of Payment Appropriations				Appropriations carried to 2015	Appropriations lapsing
		Appropriations from Budget 2014	Budget changes and other appropriations 2014	Appropriations carried from 2013	Total	Budget 2014	Appropriations carried from 2013	Total	%		
		1	2	3	4=1+2+3	5	6	7=5+6	8=7/4		
05 09 50 01	Appropriations accruing from contributions from (non-European Economic Area) third parties to research and technological development (2014 to 2020)	0,00	1.167.816,60	0,00	1.167.816,60	0,00	0,00	0,00	%	1.167.816,60	0,00
Total Chapter 05 09		2.290.968,00	-1.123.151,40	0,00	1.167.816,60	0,00	0,00	0,00	0,00 %	1.167.816,60	0,00
Chapter 05 10: European Globalisation Adjustment Fund (EGF)											
05 10 01	Including farmers in the scope of the European Globalisation Adjustment Fund (EGF)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	%	0,00	0,00
Total Chapter 05 10		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00 %	0,00	0,00
Total Title 05		55.515.271.203,00	1.463.290.744,76	18.253.722,33	56.996.815.670,09	55.633.257.121,24	16.462.586,80	55.649.719.708,04	97,64 %	1.342.820.887,68	4.275.074,37
Total DG AGRI		55.515.271.203,00	1.463.290.744,76	18.253.722,33	56.996.815.670,09	55.633.257.121,24	16.462.586,80	55.649.719.708,04	97,64 %	1.342.820.887,68	4.275.074,37

Annex 3

Table 1-2: Execution 2014

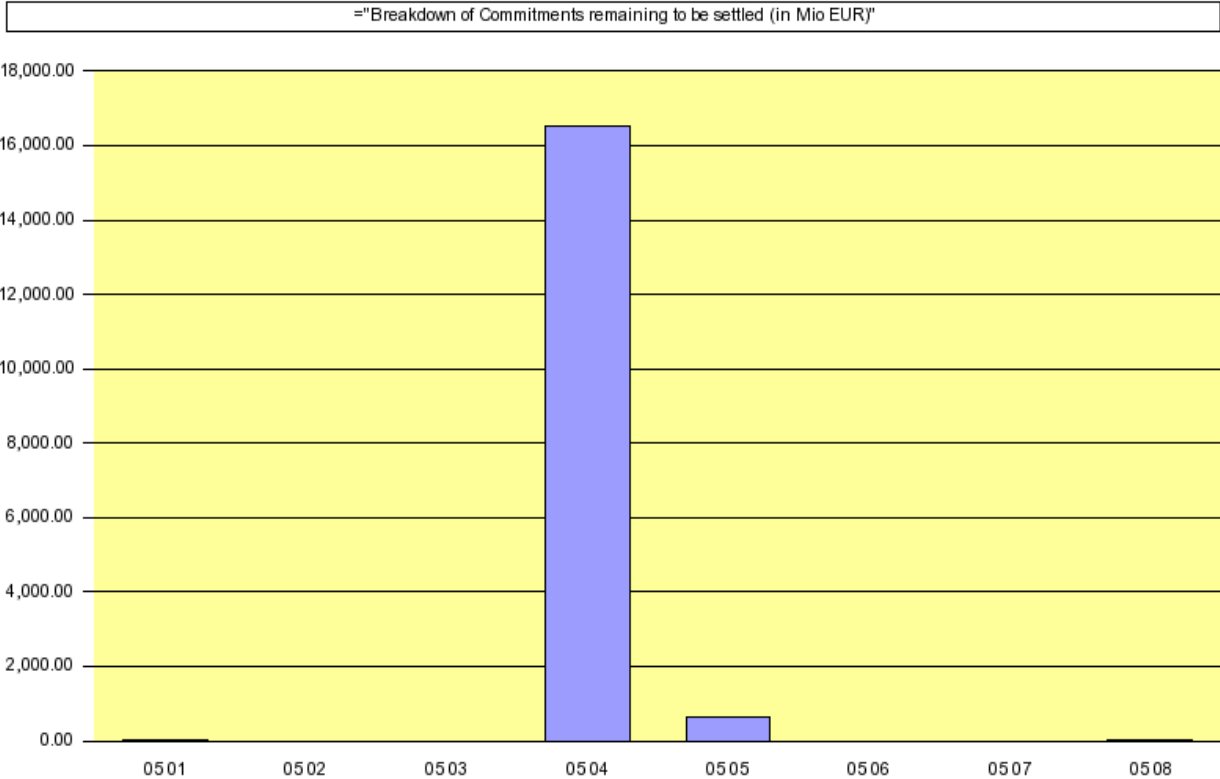
Expenditure							
Circuits	Commitments			Payments			RAL
	<i>Crédits</i>	<i>Exécution</i>		<i>Crédits</i>	<i>Exécution</i>		
Direct expenses	86.205.244,25	79.603.755,10	92,34%	88.753.973,58	64.510.545,67	72,68%	65.555.708,90
FEAGA	45.457.117.073,97	44.247.498.686,51	97,34%	45.457.117.073,97	44.247.498.686,51	97,34%	0,00
shared Mgt							
Rural Development	14.304.591.516,31	3.294.715.185,03	23,03%	11.292.218.328,28	11.178.984.181,60	99,00%	16.539.268.968,56
shared Mgt							
Preadhesion	121.729.256,26	0,00	0,00%	158.726.294,26	158.726.294,26	100,00%	645.678.198,75
shared / decentr Mgt							
TOTAL	59.969.643.090,79	47.621.817.626,64	79,41%	56.996.815.670,09	55.649.719.708,04	97,64%	17.250.502.876,21

En SAP le montant des crédits de paiements correspond à 59.995,650,779,48 et non 59.996.815.670,09 comme dans le rapport BO.

La différence de **1.164.890,61** correspond aux montants decommitted C8 des crédits non-dissociés.

Annex 3

TABLE 3: BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2014 (in Mio €)									
Chapter			2014 Commitments to be settled				Commitments to be settled from financial years previous to 2014	Total of commitments to be settled at end of financial year 2014(incl corrections)	Total of commitments to be settled at end of financial year 2013(incl. corrections)
			Commitments 2014	Payments 2014	RAL 2014	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 05 : Agriculture and rural development									
05	05 01	Administrative expenditure of the `Agriculture and rural development- policy area	20,42188569	10,83	9,59196414	46,97 %	0,00	9,59	10,29
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.536,97019540	2.535,64	1,32904751	0,05 %	0,00	1,33	1,14
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	44.483,81619902	44.483,82	0,00000000	0,00 %	0,00	0,00	0,00
	05 04	Rural development	3.306,58420741	228,41	3.078,17134691	93,09 %	13.470,07	16.548,24	24476,44
	05 05	Instrument for Pre-Accession Assistance - Agriculture and Rural Development	0,00000000	0,00	0,00000000	#DIV/0	645,68	645,68	823,87
	05 06	International aspects of the `Agriculture and rural development- policy area	1,80602554	1,81	0,00000000	0,00 %	0,00	0,00	0,00
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	119,03321136	116,98	2,04990084	1,72 %	0,00	2,05	0,72
	05 08	Policy strategy and coordination of the `Agriculture and rural development- policy area	37,18977265	12,34	24,85023536	66,82 %	18,77	43,62	36,04
Total Title 05			50.505,821497	47.389,829002	3.115,992495	0,061696	14.134,510381	17.250,502876	25.348,503361
Total DG AGRI			50.505,821497	47.389,829002	3.115,992495	0,061696	14.134,510381	17.250,502876	25.348,503361



Annex 3

Table 4: Situation of Commitments to be settled on 31.12.2014 - DG AGRI

Budget Item		Commitments contracted during financial year 2014	Payments made during financial year 2014	Automatic Cancellation of unreportable commitments (non dissociated credits)	Commitments from financial year 2014 still to be settled	Commitments to be settled from financial years previous to 2014	Decommitments/ exchange rate adjustments	Payments made	Cancellation of unsettled commitments (non dissociated credits)	Final Situation of commitments to be settled from previous financial years	Rate of commitments settled	Total of Commitments to be settled at end of financial year 2014
		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
Title 05												
Chapter 05 01												
05 01 02 01	External personnel	57.770,00			57.770,00	71.800,00	-32.796,00	39.004,00			-100,00 %	57.770,00
05 01 02 11	Other management expenditure	6.912.994,23	4.779.587,69		2.133.406,54	2.593.953,73	-42.405,74	2.067.284,53	484.263,46		-100,00 %	2.133.406,54
05 01 04 01	Support expenditure for European Agriculture Guarantee Fund (EAGF) – Non-operational technical assistance	7.899.090,00	2.189.163,74		5.709.926,26	5.598.074,94	-115.233,22	5.482.841,72			-100,00 %	5.709.926,26
05 01 04 02	Support expenditure for European Globalisation Adjustment Fund (EGF)										%	
05 01 04 03	Support expenditure for Pre-accession assistance in the field of agriculture and rural development (IPA)	109.114,98	109.114,98								%	
05 01 04 04	Support expenditure for European Agricultural Fund for Rural Development (EAFRD) — Non-operational technical assistance	3.543.914,68	2.141.471,19	21.582,94	1.380.860,55	2.021.916,89	-73.986,00	1.888.144,38	59.786,51		-100,00 %	1.380.860,55
05 01 05 01	Expenditure related to officials and temporary staff implementing Research and Innovation programmes – Horizon 2020	1.258.542,94	1.258.542,94								%	
05 01 05 02	External personnel implementing Research and Innovation programmes – Horizon 2020	255.170,34	255.170,34								%	
05 01 05 03	Other management expenditure for Research and Innovation programmes – Horizon 2020	406.871,46	96.870,67		310.000,79						%	310.000,79
Total Chapter 05 01		20.443.468,63	10.829.921,55	21.582,94	9.591.964,14	10.285.745,56	-264.420,96	9.477.274,63	544.049,97	0,00	-100,00 %	9.591.964,14

Annex 3

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	1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
Chapter 05 02											
05 02 01 01	Export refunds for cereals	2.458.299,88	2.458.299,88							%	
05 02 01 02	Intervention storage of cereals									%	
05 02 01 99	Other measures (cereals)									%	
05 02 02 01	Export refunds for rice	6.484,18	6.484,18							%	
05 02 02 02	Intervention storage of rice									%	
05 02 02 99	Other measures (rice)									%	
05 02 03	Refunds on non-Annex 1 products	128.875,26	128.875,26							%	
05 02 04 99	Other measures (food programmes)	-7.238.759,71	-7.238.759,71							%	
05 02 05 01	Export refunds for sugar and isoglucose	264.399,37	264.399,37							%	
05 02 05 03	Production refunds for sugar used in the chemical industry	194.999,22	194.999,22							%	
05 02 05 08	Storage measures for sugar									%	

Annex 3

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	1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 02 05 99	Other measures (sugar)	-2.064,15	-2.064,15							%	
05 02 06 03	Storage measures for olive oil	-49.750,00	-49.750,00							%	
05 02 06 05	Quality improvement measures	42.965.160,37	42.965.160,37							%	
05 02 06 99	Other measures (olive oil)	115.269,00	115.269,00							%	
05 02 07 02	Storage measures for flax fibre									%	
05 02 07 03	Cotton – National restructuring programmes	6.134.000,00	6.134.000,00							%	
05 02 07 99	Other measures (textile plants)	139.976,29	139.976,29							%	
05 02 08 03	Operational funds for producer organisations	724.444.659,89	724.444.659,89							%	
05 02 08 11	Aid to producer groups for preliminary recognition	212.307.497,24	212.307.497,24							%	
05 02 08 12	School fruit scheme	73.702.631,59	73.702.631,59							%	
05 02 08 99	Other measures (fruit and vegetables)	72.957,42	72.957,42							%	
05 02 09 08	National support programmes for the wine sector	1.019.483.384,85	1.019.483.384,85							%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 02 09 99	Other measures (wine-growing sector)	2.906.936,16	2.906.936,16								%	
05 02 10 01	Promotion measures – Payments by Member States	53.195.490,42	53.195.490,42								%	
05 02 10 02	Promotion measures – Direct payments by the Union	1.495.798,32	166.750,81		1.329.047,51	1.143.687,35	-316.712,86	826.974,49			-100,00 %	1.329.047,51
05 02 10 99	Other measures (promotion)	38.462,13	38.462,13								%	
05 02 11 03	Hops $\dot{\iota}$ Aid to producer organisations	2.277.000,00	2.277.000,00								%	
05 02 11 04	POSEI (excluding direct aids)	238.477.941,40	238.477.941,40								%	
05 02 11 99	Other measures (other plant products/measures)										%	
05 02 12 01	Refunds for milk and milk products	16.963,36	16.963,36								%	
05 02 12 02	Intervention storage of skimmed-milk powder										%	
05 02 12 03	Aid for disposal of skimmed milk										%	
05 02 12 04	Intervention storage of butter and cream	4.142.775,56	4.142.775,56								%	
05 02 12 08	School milk	67.626.501,91	67.626.501,91								%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 02 12 99	Other measures (milk and milk products)	3.134,51	3.134,51								%	
05 02 13 01	Refunds for beef and veal	169.451,37	169.451,37								%	
05 02 13 02	Intervention storage of beef and veal										%	
05 02 13 04	Refunds for live animals	274.727,61	274.727,61								%	
05 02 13 99	Other measures (beef and veal)	-35,86	-35,86								%	
05 02 14 01	Intervention storage of sheepmeat and goatmeat										%	
05 02 14 99	Other measures (sheepmeat and goatmeat)										%	
05 02 15 01	Refunds for pigmeat	214.519,63	214.519,63								%	
05 02 15 02	Intervention storage of pigmeat										%	
05 02 15 04	Refunds for eggs	18.837,57	18.837,57								%	
05 02 15 05	Refunds for poultrymeat	924.088,13	924.088,13								%	
05 02 15 06	Specific aid for bee-keeping	30.948.596,79	30.948.596,79								%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 02 15 99	Other measures (pigmeat, poultry, eggs, bee-keeping, other animal products)	815.639,50	815.639,50								%	
Total Chapter 05 02		2.478.674.849,21	2.477.345.801,70	0,00	1.329.047,51	1.143.687,35	-316.712,86	826.974,49	0,00	0,00	-100,00 %	1.329.047,51
Chapter 05 03												
05 03 01 01	SPS (single payment scheme)	30.834.240.250,22	30.834.240.250,22								%	
05 03 01 02	SAPS (single area payment scheme)	7.366.436.539,76	7.366.436.539,76								%	
05 03 01 03	Separate sugar payment	274.493.125,89	274.493.125,89								%	
05 03 01 04	Separate fruit and vegetables payment	11.941.769,01	11.941.769,01								%	
05 03 01 05	Specific support (Article 68) ¿ Decoupled direct aids	457.415.813,45	457.415.813,45								%	
05 03 01 06	Separate soft fruit payment	11.370.747,27	11.370.747,27								%	
05 03 01 99	Other (decoupled direct aids)	-3.842.836,10	-3.842.836,10								%	
05 03 02 06	Suckler-cow premium	899.017.357,07	899.017.357,07								%	
05 03 02 07	Additional suckler-cow premium	47.369.012,96	47.369.012,96								%	
05 03 02 13	Sheep and goat premium	21.866.696,36	21.866.696,36								%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 03 02 14	Sheep and goat supplementary premium	6.784.232,34	6.784.232,34								%	
05 03 02 28	Aid for silkworms	397.885,54	397.885,54								%	
05 03 02 36	Payments for specific types of farming and quality production	81.382,51	81.382,51								%	
05 03 02 39	Additional amount for sugar beet and cane producers	18.513.165,45	18.513.165,45								%	
05 03 02 40	Area aid for cotton	231.804.961,36	231.804.961,36								%	
05 03 02 42	Transitional fruit and vegetables payment — Other products than tomatoes	17.945,68	17.945,68								%	
05 03 02 44	Specific support (Article 68) – Coupled direct aids	1.062.362.818,28	1.062.362.818,28								%	
05 03 02 50	POSEI – European Union support programmes	409.731.714,10	409.731.714,10								%	
05 03 02 52	POSEI – Aegean islands	16.316.285,75	16.316.285,75								%	
05 03 02 99	Other (direct aids)	-6.672.376,06	-6.672.376,06								%	
05 03 03	Additional amounts of aid	32.942,76	32.942,76								%	
05 03 09	Reimbursement of direct aids in relation to financial discipline										%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 03 10	Reserve for crises in the agricultural sector										%	
Total Chapter 05 03		41.659.679.433,60	41.659.679.433,60	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00 %	
Chapter 05 04												
05 04 01 14	Completion of Rural development financed by the EAGGF Guarantee Section – Programming period 2000 to 2006	-1.397.376,72	-1.397.376,72								%	
05 04 02 01	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section – Objective 1 regions (2000 to 2006)					193.631.549,42	-37.437.075,28	6.556.494,14		149.637.980,00	-22,72 %	149.637.980,00
05 04 02 02	Completion of the special programme for peace and reconciliation in Northern Ireland and the border counties of Ireland (2000 to 2006)	87.488,03	87.488,03								%	
05 04 02 03	Completion of earlier programmes in Objectives 1 and 6 regions (prior to 2000)					34.015,09	-34.015,09				-100,00 %	
05 04 02 04	Completion of earlier programmes in Objective 5b regions (prior to 2000)										%	
05 04 02 05	Completion of earlier programmes outside Objective 1 regions (prior to 2000)					209.371,63				209.371,63	%	209.371,63
05 04 02 06	Completion of Leader (2000 to 2006)					1.524.637,12	-1.524.637,12				-100,00 %	
05 04 02 07	Completion of earlier Community initiatives (prior to 2000)					273.325,29				273.325,29	%	273.325,29
05 04 02 08	Completion of earlier innovative measures (prior to 2000)										%	
05 04 02 09	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section – Operational technical assistance (2000 to 2006)										%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 04 03 02	Plant and animal genetic resources – Completion of earlier measures										%	
05 04 04	Transitional instrument for the financing of rural development by the EAGGF Guarantee Section for the new Member States – Completion of programmes (2004 to 2006)										%	
05 04 05 01	Rural development programmes					24.274.003.348,51	-7.142.554,44	10.947.350.313,60		13.319.510.480,47	-45,13 %	13.319.510.480,47
05 04 05 02	Operational technical assistance					6.764.547,47	-1.253.545,43	5.076.009,58		434.992,46	-93,57 %	434.992,46
05 04 60 01	Promoting sustainable rural development, more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	3.294.627.697,00	224.989.885,83		3.069.637.811,17						%	3.069.637.811,17
05 04 60 02	Operational technical assistance	11.869.022,38	3.335.486,64		8.533.535,74						%	8.533.535,74
05 04 60 03	Operational technical assistance managed by the Commission at the request of a Member State										%	
Total Chapter 05 04		3.305.186.830,69	227.015.483,78	0,00	3.078.171.346,91	24.476.440.794,53	-47.391.827,36	10.958.982.817,32	0,00	13.470.066.149,85	-44,97 %	16.548.237.496,76
Chapter 05 05												
05 05 01 01	The Sapard pre-accession instrument — Completion of the programme (2000 to 2006)										%	
05 05 01 02	The Sapard pre-accession instrument — Completion of the pre-accession assistance related to eight applicant countries										%	
05 05 02	Instrument for Pre-accession Assistance for Rural Development (IPARD) — Completion of the programme (2007 to 2013)					823.870.612,19	-19.466.119,18	158.726.294,26		645.678.198,75	-21,63 %	645.678.198,75

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 05 03 01	Support for political reforms and progressive alignment with and adoption, implementation and enforcement of the 'acquis communautaire'										%	
05 05 03 02	Support for economic, social and territorial development										%	
05 05 04 01	Support for political reforms and progressive alignment with and adoption, implementation and enforcement of the 'acquis communautaire'										%	
05 05 04 02	Support for economic, social and territorial development										%	
Total Chapter 05 05				0,00	0,00	823.870.612,19	-19.466.119,18	158.726.294,26	0,00	645.678.198,75	-21,63 %	645.678.198,75
Chapter 05 06												
05 06 01	International agricultural agreements	1.806.025,54	1.806.025,54								%	
Total Chapter 05 06		1.806.025,54	1.806.025,54	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00 %	
Chapter 05 07												
05 07 01 02	Monitoring and preventive measures ζ Direct payments by the Union	6.799.667,58	4.749.766,74		2.049.900,84	718.849,72		636.654,77	82.194,95		-100,00 %	2.049.900,84
05 07 01 06	Expenditure for financial corrections in favour of Member States following decisions on accounting clearance of previous years accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF	19.204.745,65	19.204.745,65								%	
05 07 01 07	Expenditure for financial corrections in favour of Member States following decisions on conformity clearance of previous years ζ accounts with regard to shared management declared under the EAGGF-Guarantee Section (previous measures) and under the EAGF	505.183,59	505.183,59								%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 07 02	Settlement of disputes	92.327.649,50	92.327.649,50								%	
Total Chapter 05 07		118.837.246,32	116.787.345,48	0,00	2.049.900,84	718.849,72	0,00	636.654,77	82.194,95	0,00	-100,00 %	2.049.900,84
Chapter 05 08												
05 08 01	Farm Accountancy Data Network (FADN)	14.516.206,40	6.952.400,00		7.563.806,40	14.470.891,16	-591.040,00	6.780.260,66		7.099.590,50	-50,94 %	14.663.396,90
05 08 02	Surveys on the structure of agricultural holdings	249.073,94			249.073,94	9.960.599,29	-508.286,84	175.242,04		9.277.070,41	-6,86 %	9.526.144,35
05 08 03	Restructuring of systems for agricultural surveys	1.751.497,50	106.750,10		1.644.747,40	951.966,31		950.958,97		1.007,34	-99,89 %	1.645.754,74
05 08 06	Enhancing public awareness of the common agricultural policy	7.773.022,80	1.848.117,65		5.924.905,15	5.982.210,97	-861.333,38	5.120.877,59			-100,00 %	5.924.905,15
05 08 09	European Agricultural Guarantee Fund (EAGF) – Operational technical assistance	1.669.972,01	458.717,34		1.211.254,67	1.002.645,12	-39.136,27	963.508,85			-100,00 %	1.211.254,67
05 08 77 01	Pilot project „ Assessing end-user costs of compliance with Union legislation in the fields of environment, animal welfare and food safety					675.359,12		675.359,12			-100,00 %	
05 08 77 02	Pilot project – Exchanging best practice for cross compliance simplification										%	
05 08 77 03	Pilot project – Support for farmers' cooperatives										%	
05 08 77 04	Pilot project – European farm prices and margins observatory										%	
05 08 77 05	Pilot project – Support for farmers' and consumers' initiatives for low carbon emission, low energy consumption and locally marketed food production										%	

Annex 3

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		1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
05 08 77 07	Pilot project – Measures to combat speculation in agricultural commodities										%	
05 08 77 08	Pilot project – Exchange programme for young farmers					1.500.000,00	-159,00	599.936,40		899.904,60	-40,01 %	899.904,60
05 08 77 09	Preparatory action – Union plant and animal genetic resources	1.000.000,00			1.000.000,00	1.500.000,00	-11.540,00			1.488.460,00	-0,77 %	2.488.460,00
05 08 77 10	Pilot project – Agropol – Development of a European cross-border Agribusiness Model Region	1.200.000,00			1.200.000,00						%	1.200.000,00
05 08 77 11	Pilot project – Towards an integrated European agroforestry sector	1.000.000,00			1.000.000,00						%	1.000.000,00
05 08 80	Union participation at the World Exposition 2015 'Feeding the Planet – Energy for Life' in Milan	8.030.000,00	2.973.552,20		5.056.447,80						%	5.056.447,80
Total Chapter 05 08		37.189.772,65	12.339.537,29	0,00	24.850.235,36	36.043.671,97	-2.011.495,49	15.266.143,63	0,00	18.766.032,85	-47,94 %	43.616.268,21
Chapter 05 09												
05 09 03 01	Securing sufficient supplies of safe and high quality food and other bio-based products										%	
05 09 50 01	Appropriations accruing from contributions from (non-European Economic Area) third parties to research and technological development (2014 to 2020)										%	
Total Chapter 05 09				0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00 %	
Chapter 05 10												
05 10 01	Including farmers in the scope of the European Globalisation Adjustment Fund (EGF)										%	
Total Chapter 05 10				0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00 %	

Annex 3

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	1	2	3	4=1-2-3	5	6	7	8	9=5-6-7-8	10=-(9-5)/5	11=4+9
Total Title 05	47.621.817.626,64	44.505.803.548,94	21.582,94	3.115.992.494,76	25.348.503.361,32	-69.450.575,85	11.143.916.159,10	626.244,92	14.134.510.381,45	-44,24 %	17.250.502.876,21
	47.621.817.626,64	44.505.803.548,94	21.582,94	3.115.992.494,76	25.348.503.361,32	-69.450.575,85	11.143.916.159,10	626.244,92	14.134.510.381,45	-44,24 %	17.250.502.876,21
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <p>11.143.916.159,10</p> <p>47.621.817.626,64 55.649.719.708,04</p> <p>COM PAY</p> </div> <div style="text-align: center; width: 20%;"> </div> <div style="text-align: right;"> <p>17.250.502.876,21</p> <p>RAL</p> </div> </div>											

PS: Le RAL net du tableau "3a. RAL" de la DG BUDG est cohérent avec celui du tableau "3b. RAL par circuit DWH".
 Par contre, les composantes du tableau "3a. RAL" de la BUDG (par exemple payments) ne sont pas réconciliables (entre autres, ils ne tiennent pas compte des montants négatifs)

TABLE 4 : BALANCE SHEET		
BALANCE SHEET	2014	2013
A.I. NON CURRENT ASSETS	2.139.363.878,37	6.456.399.075,94
A.I.1. Intangible Assets	5.191.357,03	3.602.848,81
A.I.5. LT Receivables	1.157.867.910,07	477.826.476,00
A.I.6. Non-Current Pre-Financing	976.304.611,27	
A.I.7. OLD LT Pre-Financing	0,00	5.974.969.751,13
A.II. CURRENT ASSETS	7.618.556.102,89	3.444.198.168,83
A.II.2. Current Pre-Financing	5.647.192.228,36	2.136.543.563,28
A.II.4. Exchange Receivables	15.954.572,61	16.150.200,61
A.II.5. Non-Exchange Receivables	1.955.409.301,92	1.291.504.404,94
ASSETS	9.757.919.981,26	9.900.597.244,77
P.II. NON CURRENT LIABILITIES	-64.577.448,80	-156.506.859,52
P.II.2. Long-term provisions	-64.577.448,80	-156.506.859,52
P.III. CURRENT LIABILITIES	-58.283.155.925,51	-57.219.827.667,07
P.III.4. Accounts Payable	-11.373.276.163,82	-11.267.489.107,66
P.III.5. Accrued charges and deferred income	-46.909.879.761,69	-45.952.338.559,41
LIABILITIES	-58.347.733.374,31	-57.376.334.526,59
NET ASSETS (ASSETS less LIABILITIES)	-48.589.813.393,05	-47.475.737.281,82
P.I.2. Accumulated Surplus / Deficit	57.532.172.886,62	11.529.696,52
Non-allocated central (surplus)/deficit*	-8.942.359.493,57	47.464.207.585,30
TOTAL	0,00	0,00

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2014	2013
II.1 REVENUES	-2.692.273.238,50	-1.546.937.282,93
II.1.1. NON-EXCHANGE REVENUES	-2.689.508.812,79	-1.448.256.142,10
II.1.1.5. RECOVERY OF EXPENSES	-2.190.681.126,81	-1.349.583.349,30
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-498.827.685,98	-98.672.792,80
II.1.2. EXCHANGE REVENUES	-2.764.425,71	-98.681.140,83
II.1.2.1. FINANCIAL INCOME	-2.687.708,59	-1.994.385,92
II.1.2.2. OTHER EXCHANGE REVENUE	-76.717,12	-96.686.754,91
II.2. EXPENSES	58.199.562.465,94	59.067.580.473,03
II.2. EXPENSES	58.199.562.465,94	59.067.580.473,03
11.2.10. OTHER EXPENSES	21.173.990,87	95.011.618,35
II.2.1. EXP IMPLM BY MEMBER STATES (SHARED)	57.763.767.437,89	58.652.033.921,93
II.2.1.b REIMB. RECOVERY OF EXPENSES	48.392.584,77	
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	30.879.244,57	29.015.911,44
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	315.827.878,24	187.076.111,51
II.2.6. STAFF AND PENSION COSTS	-1.028.179,94	-906.910,08
II.2.8. ALLOWANCE FOR DOUBTFULL ACCOUNTS	20.549.509,54	105.349.819,88
STATEMENT OF FINANCIAL PERFORMANCE	55.507.289.227,44	57.520.643.190,10

It should be noted that the balance sheet and economic outturn account presented in Annex 3 to this Annual Activity Report, represent only the (contingent) assets, (contingent) liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

Table 6a: Average Payment Time Limits – Direct expenses

Exercice 2014					
Délais de paiement au 31/12/2014					
Ligne budgétaire	Libellé	NB paiements	Délai moyen	Trans. clôture. > délai autorisé	
				Nombre transactions > délai autorisé	% sur total transactions
05.021002	Promotion measures - Direct payments by the Union	1	13		
05.010401	Support expenditure for European Agriculture Guarantee Fund (EAGF) - Non-operational technical assistance	317	87	8	2,5 %
05.010503	Other management expenditure for Research and Innovation programmes - Horizon 2020	1	10		
05.021002	Promotion measures - Direct payments by the Union	13	13		
05.040502	Operational technical assistance	73	85	1	1,4 %
05.046002	Operational technical assistance	55	48		
05.060100	International agricultural agreements	3	62	2	66,7 %
05.080100	Farm Accountancy Data Network (FADN)	75	20	1	1,3 %
05.080600	Enhancing public awareness of the common agricultural policy	62	87	6	9,7 %
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	68	8		
05.087701	Pilot project - Assessing end-user costs of compliance with Union legislation in the fields of environment, animal welfare and food safety	6	21		
05.087708	Pilot project - Exchange programme for young farmers	2	51		
16.016000	Purchase of information	7	23	2	28,6 %
05.010201.00.02.20	Assistance technique	5	12		
05.010211.00.01.30	Réceptions	16	9		
05.010211.00.02.40	Conférences	22	25	1	
05.010211.00.04	Studies and consultations	2	54		
05.010211.00.05	Information and management systems	5	7		
05.010211.00.06	Further training and management training	121	22	3	2,5 %
05.010404.11	autres cr.adm.siege	42	35		
DG AGRI - direct		896	13	24	2,7 %

Table 6b: Average Payment Time Limits – Rural Development

Exercice 2014							
Délais de paiement et suspensions au 31/12/2014							
Ligne budgétaire	Libellé	NB paiements	Délai moyen	Trans.clôtur.>délai autorisé (45 jours)		Suspensions délai de paiement	
				Nombre trans. > délai autorisé	% sut total trans.	Nombre trans. suspendues	Total jours suspendus
05.040201	FEOGA-Orientation: Objectif 1 2000-2006			0	n/a		
05.040202	FEOGA-Orientation: Peace 2000-2006			n/a	n/a		
05.040206 (10)	FEOGA-Orientation: Leader+ 2000-2006			0	n/a		
05.0404	IFDR: Programmes 2004-2006			n/a	n/a		
05.050101 / 02	SAPARD: Programmes 2000-2006			n/a	n/a		
<i>Total système local GFO (1)</i>		<i>0</i>	<i>0</i>	<i>0</i>	<i>n/a</i>		
05.040501	FEADER: Programmes 2007-2013	555	41,6	168 (avec plus de 45)	30,3%		
05.0502	IPARD: Programmes 2007-2013	17	54,7	9 (avec plus de 45)	52,9%		
<i>Total système local RDS (2)</i>		<i>572</i>	<i>42,0</i>	<i>177 (avec plus de 45)</i>	<i>30,9%</i>		
05.04 / 05.05	Total Développement rural	572	42,0	177	30,9%		

(1) Système local GFO: concerne la clôture des programmes FEOGA - Orientation 2000-2006. En 2014, 1 programme a été clôturé par ordre de recouvrement, pour récupérer un solde final négatif; auxquels s'ajoutent 4 paiements complémentaires pour des programmes clôturés en 2012 et 2013.

(2) Système local FEADER: concerne la programmation FEADER 2007-2013. En 2014 ils ont été payés 384 "Cost claim", dont 365 concernaient aux demandes de paiement présentées par les EM et 19 à des "Cost claim techniques" créés par le système pour régler les apurements positifs de FY 2013.

A noter que les 555 paiements FEADER correspondents à des cost claims 2014 payés en plusieurs tranches, en fonction des fonds disponibles.

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2014								
Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	7=3-6
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	496.266,39	15.642,38	511.908,77	496.266,39	15.642,38	511.908,77	0,00
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	6.013.563,12	4.659.319,52	10.672.882,64	0,00	0,00	0,00	10.672.882,64
65	FINANCIAL CORRECTIONS	42.513.787,61	12.995.456,66	55.509.244,27	41.923.616,65	1.700.203,57	43.623.820,22	11.885.424,05
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	1.087.405.906,41	1.413.080,78	1.088.818.987,19	1.082.179.104,41	1.413.080,78	1.083.592.185,19	5.226.802,00
70	INTEREST ON LATE PAYMENTS	2.157,12	0,00	2.157,12	2.157,12	0,00	2.157,12	0,00
Total DG AGRI		1.136.431.680,65	19.083.499,34	1.155.515.179,99	1.124.601.144,57	3.128.926,73	1.127.730.071,30	27.785.108,69

PS: Les montants du tableau Income de la DG BUDG ont été modifiés pour y inclure la balance des recevables ouverts pour le FEAGA (4.086.936,33€ sur la ligne 67): cette table n'inclut jamais la situation réelle du FEAGA, mais montre uniquement les montants régularisés qui sont, par définition, toujours recouverts à la fin de l'exercice.

**TABLE 8 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014	Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
Year of Origin (commitment)										
2006							1	6.013.563,12		
No Link	85	112.546.064,35	1	400.041,87	86,00	112.946.106,22	87	113.067.464,11	98,85%	99,89%
Sub-Total	85	112.546.064,35	1	400.041,87	86,00	112.946.106,22	88	119.081.027,23	97,73%	94,85%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									2	74.560,00		
NON ELIGIBLE IN COST CLAIMS			13	82.485,91			13	82.485,91	78	80.274.776,27	16,67%	0,10%
CREDIT NOTES	11	32.633,96	14	27.513,66			25	60.147,62	36	79.564,13	69,44%	75,60%
Sub-Total	11	32.633,96	27	109.999,57			38	142.633,53	116	80.428.900,40	32,76%	0,18%
GRAND TOTAL	11	32.633,96	112	112.656.063,92	1	400.041,87	124	113.088.739,75	204	199.509.927,63	60,78%	0,07%

TABLE 8 : RECOVERY OF UNDUE PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)
(circuit des dépenses en gestion directe)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2014 Year of Origin (commitment)	Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
Sub-Total										

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		TOTAL Qualified		TOTAL RC (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									2	74.560,00		
NON ELIGIBLE IN COST CLAIMS			13	82.485,91			13	82.485,91	13	82.485,91		
CREDIT NOTES	11	32.633,96	14	27.513,66			25	60.147,62	36	79.564,13		
Sub-Total	11	32.633,96	27	109.999,57			38	142.633,53	51	236.610,04		

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2014 FOR AGRI

	Number at 01/01/2014	Number at 31/12/2014	Evolution	Open Amount (Eur) at 01/01/2014	Open Amount (Eur) at 31/12/2014	Evolution
1998	1	1	0,00 %	88.118,31	84.690,31	-3,89 %
1999	10	10	0,00 %	7.244.527,00	7.244.527,00	0,00 %
2000	1	1	0,00 %	2.367.032,59	2.174.832,59	-8,12 %
2001	2	2	0,00 %	1.791.203,19	1.791.203,19	0,00 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2004	1	1	0,00 %	984.454,00	984.454,00	0,00 %
2013	24		-100,00 %	114.863.397,64		-100,00 %
2014		17			11.830.536,08	
	40	33	-17,50 %	131.013.598,25	27.785.108,69	-78,79 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2014 >= EUR 100.000

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

Total DG	
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Number of RO waivers	
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TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG AGRI - 2014

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Total		

No data to be reported

TABLE 12 : SUMMARY OF PROCEDURES OF DG AGRI EXCLUDING BUILDING CONTRACTS

Internal Procedures > € 60,000		
Procedure Type	Count	Amount (€)
Open Procedure (Art. 127.2 RAP)	10	56.004.285,00
TOTAL	10	56.004.285,00

TABLE 13 : BUILDING CONTRACTS

Total number of contracts:	
Total amount:	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts:	
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)

No data to be reported

Annex 3

Table 15: Implementation of the global envelope

BUDGET LINES CONCERNED: XX 01 02 11 00 01 TO XX 01 02 11 00 06 (based on information received from BUDG services following the Budget circular)

(IN EUROS)		APPROPRIATIONS 2014 (C1)			APPROPRIATIONS carried over (C8)	
BUDGET LINE*	BUDGET LINE DESCRIPTION	Available Appropriations	COMMITMENTS	PAYMENTS 2014	Amounts of appropriations carried over	% Implementation on appropriations carried over from 2013
		2014	2014			
XX.010211.00		7.027.334,00				
XX.010211.00.01.10	Mission expenses		2.178.016,00	1.906.205,50	113.241,02	5,20%
XX.010211.00.01.30	Representation expenses		10.000,00	3.379,93	783,27	7,83%
XX.010211.00.02.20	Meeting costs		1.800.000,00	1.187.482,75	545.359,15	30,30%
XX.010211.00.02.40	Conference costs		131.027,22	125.149,07	71.607,92	54,65%
XX.010211.00.03	Meetings of committees		2.250.000,00	1.380.560,01	651.629,06	28,96%
XX.010211.00.04	Studies and consultations		209.825,00		529.868,80	252,53%
XX.010211.00.05	Development of management and information systems		19.933,16		92.844,57	465,78%
XX.010211.00.06	Further training and management training		312.685,13	175.307,49	61.950,74	19,81%
	TOTAL	7.027.334,00	6.911.486,51	4.778.084,75	2.067.284,53	29,91%

Annex 3

(IN EUROS)		APPROPRIATIONS 2014 (C4)			APPROPRIATIONS 2014 (C5)		
BUDGET LINE*	BUDGET LINE DESCRIPTION	Available Appropriations	COMMITMENTS	PAYMENTS 2014	Amounts of appropriations carried over	COMMITMENTS	PAYMENTS 2014
		2014	2014			2014	
XX.010211.00							
XX.010211.00.01.10	Mission expenses	1.518,27	1.507,72	1.502,94			
XX.010211.00.01.30	Representation expenses						
XX.010211.00.02.20	Meeting costs						
XX.010211.00.02.40	Conference costs						
XX.010211.00.03	Meetings of committees						
XX.010211.00.04	Studies and consultations						
XX.010211.00.05	Development of management and information systems						
XX.010211.00.06	Further training and management training						
	TOTAL	1.518,27	1.507,72	1.502,94	0,00	0,00	0,00

ANNEX 4: Materiality criteria

General Principle

Reasonable assurance is the judgement of the Authorising Officer by Delegation (hereafter referred to as the Director General). For this purpose, he/she is required to assess all relevant information at his/her disposal available to support the declaration of assurance. Under shared management, implementation tasks including controls and payments are delegated to the Member States in accordance with the criteria and procedures laid down in the Financial Regulation and in sector-specific rules. For EAGF and EAFRD the provision of assurance has therefore to be based on the assessment of the information and indicators resulting from the management reporting and supervision arrangements in place and of the functioning of the internal control systems operated by the Member States' implementing bodies. This assessment allows the Director General to form an opinion as to the effectiveness of the management and control systems operated at the level of the Member States' implementing bodies.

Assurance model for CAP expenditure

The EAGF and EAFRD are implemented through a management and control system based on four levels. Taken together, these four levels and the results they produce are the basis for the Director General to obtain reasonable assurance as to the effectiveness of management and control systems and the legality and regularity of the expenditure.

Levels of assurance from the Member State' control systems	<p>Administrative structure set up at Member States level: management, control and payment of the expenditure is entrusted to accredited Paying Agencies. Compliance with strict accreditation criteria (which are laid down in Commission Implementing Regulation (EU) No 908/2014 and in Commission Delegated Regulation (EU) No 907/2014) is subject to a detailed review by an independent external audit body designated at national level (Certification Body) as well as to constant supervision by the competent national authority (at Ministerial level). The Paying Agencies are required to provide an annual Management Declaration which includes a declaration that the system in place provides reasonable assurance on the legality and regularity of the underlying transactions. These Management Declarations are verified by the above-mentioned Certification Bodies, which are required to provide an annual opinion thereon.</p>
	<p>Ex-ante administrative controls and on-the-spot checks (prior to payment): for each support scheme financed by the EAGF or EAFRD, the Paying Agencies apply a system of exhaustive ex-ante administrative controls (100% of aid applications must be checked) and on-the-spot checks (at least 5% in the case of most schemes) prior to any payment. These controls are made in accordance with precise rules set out in the sector specific legislation (e.g., the Integrated Administration and Control System – IACS, including a Land Parcel Identification System – LPIS). For the majority of these aid schemes Member States are required to send statistical information on the checks carried out and their results on a yearly basis to the Commission (control statistics).</p>
	<p>Ex-post controls carried out by the MS/PA/CB (after payment): all aid measures other than direct payments covered by the IACS are subject to ex-post controls, either by a specific control body (in the case of the EAGF) or by the Paying Agency itself (in the case of the EAFRD). In addition the Certification Bodies verify and certify, on an ex-post basis, the Paying Agencies' annual accounts and the functioning of their internal control procedures. They also give an opinion on the accuracy of the control statistics and on the quality of the on-the-spot checks.</p>
Assurance from the Commission' s checks	<p>DG AGRI audits: The audits carried out by DG AGRI serve a number of purposes: In the first place, they protect the EU budget from irregular payment by recovering amounts unduly spent by the MS as a result of deficiencies detected in their management and control systems. This is done via a clearance of accounts procedure consisting of both an annual financial clearance (limited to the Paying Agencies' annual accounts) and a multi-annual conformity clearance, whose aim is to exclude the expenditure not compliant through net financial corrections which return to the EU budget as assigned revenue.</p> <p>Secondly, by revealing deficiencies to be remedied and by leading to financial corrections up to the moment those deficiencies have been corrected, they have a remedial and preventive role.</p> <p>Thirdly, DG AGRI's audits are also used to provide assurance to the Director General on the Member States' management and control systems.</p>

Assessment of management and control systems in the Member States

The Director General carries out an assessment on the extent to which he/she can draw assurance from the four levels of the management and control systems described. This assessment is based on three elements as follows:

The first element is the **assessment of the functioning of management and control systems in the paying agencies. This is carried out by DG AGRI's audit directorate and includes**

- Checking compliance of the paying agencies with the accreditation criteria. This is carried out by the certification bodies with, where appropriate, the placing under probation of those Paying Agencies with serious deficiencies in their application of the accreditation criteria by the Competent authority
- The performance by DG AGRI, on the basis of a detailed risk analysis, of accreditation audits in order to check by itself the respect by Paying Agencies of accreditation criteria as well as audits on the proper functioning and operation of the Certification Bodies.
- The qualitative analysis of the Management Declarations issued by the directors of the Paying Agencies whereby they are required to declare whether they have put in place systems which provide reasonable assurance on the legality and regularity of the underlying transactions.
- The qualitative analysis of the opinions from the Certification Bodies on these Management Declarations.
- An annual financial clearance exercise carried out by DG AGRI examining the completeness, accuracy and veracity of the accounts declared by the Paying Agencies and resulting in the adoption of a clearance of accounts decision without prejudice to the conformity procedure with regard to the legality and regularity of the expenditure.

The second element assessed is the **result of the controls carried out by the Member States on the final beneficiaries.**

- For most of the agriculture budget, each year Member States are required to send statistical information to the Commission in relation to the more than 900 000 on-the-spots-checks carried out. For the large part³, these results relate to the financial year covered by the AAR in question. These statistics provide data on the errors discovered in the course of administrative and/or on-the-spot checks and enable DG AGRI to determine the reported **error rate** per paying agency or aid scheme.

³ This is presently not the case for statistics for Rural Development Axis 1, 3 and 4 for which there is a limited overlap between reporting period and financial year.

- The certification bodies are required to give an opinion on the quality both of the on-the-spot checks carried out by the PAs as well as on the accuracy of the control statistics.

The third assurance element is comprised of **the Commission's own conformity audits on** Member States management and control systems. DG AGRI's conformity clearance procedure can exclude from EU financing expenditure made in the 24 months prior to the notification to the Member States of a deficiency. Around 120 such audits are opened each year on the basis of a detailed risk analysis and enable the Commission to obtain direct assurance as to the effectiveness of the paying agencies' management and control systems.

Materiality criteria

DG AGRI estimates the error rate on the basis of control statistics for each Paying Agency (or measure for market measures, ABB 02) and for each ABB activity and also takes into account all available information and audit results, including on-the-spot missions; this information is used as the best estimate of the possible risk for expenditure in the reporting year. In the event that the error rates reported by Member States are not accurate or found not to be reliable or are not available, the audit directorate either re-calculates them when it has sufficient information to do so or, alternatively, adjusts them upwards by flat rates in line with the results of the assessment of the functioning of the management and control systems. This results in **an error rate at Paying Agency level validated and adjusted by the management of DG AGRI (adjusted error rate)**.

Further steps in the process determine when a reservation shall be made by the Director General, what elements are included in the amount at risk and how he can demonstrate the overall remaining financial risk to the EU budget when all corrective measures have been taken into account.

As regards "corrective measures", the net financial correction imposed by the Commission and the recoveries operated by the Member States themselves are ex-post exercises and multi-annual in nature. It is extremely rare that financial corrections and recoveries are executed in the same financial year as that of the expenditure concerned. However, the performance of the ex-post corrective system can be estimated from its results in the most recent years. Consequently, DG AGRI reports on a corrective capacity that is estimated as the annual average of the implemented net financial corrections imposed by the Commission and recoveries of undue payments declared by the Member States for the last 3 years (2012 to 2014).

The residual error rate that results from the deduction of the corrective capacity from the adjusted error rate gives a solid indication of the remaining financial risk to the EU budget when all corrective actions are taken into account (see last section of this Annex, as well as key performance indicator 5 and Part 4.2 of the body of the AAR).

Step 1: Estimation of an error rate at Paying Agency level = REPORTED ERROR RATE

In the first place, for each ABB, the statistical data sent by the Paying Agencies on the results of the administrative and on-the-spot checks carried out is collected, compiled and checked for consistency and completeness. The error rate per PA used as the basis for the subsequent assessment is the error rate found in the random on-the-spot check sample, and after deduction of the errors found as a result of administrative controls. On that basis, a "**reported error rate**" is calculated, which represents the error rate that remains in the non-controlled population (= the aid application which have not been controlled on-the-spot by the paying agencies). This **reported error rate** is used for calculating a first estimate of the amount at risk. It is noted that the vast majority of this statistical data relates to checks carried out in respect of the financial year which is the subject of the report.

Step 2: Validation and adjustment of the reported error rate by DG AGRI at Paying Agency/Member State and ABB level = ADJUSTED ERROR RATE

All available information is considered in determining to what extent the reported error rate is reliable for each Paying Agency for each ABB activity. Where ex-post audits (by the Commission, Certification Bodies or the ECA) have revealed management and control systems' deficiencies, these are not reflected in the Member States' control statistics and, therefore, those statistics do not reflect the risk resulting from those deficiencies. In order to estimate the level of unreported errors the auditors make adjustments to the reported error rates taking into account the following evidence:

- ✓ DG AGRI's own audits over the previous three years (including conformity audits and accreditation audits) – this includes the auditors' professional judgement on the evolution of the control environment in the paying agency; older reports in cases where available information indicates that no or insufficient remedial actions have been implemented.
- ✓ The opinion which the certification bodies have delivered on the reliability of the control statistics and on the quality of the underlying on-the-spot controls is also examined.
- ✓ ECA systems audit assessments in the previous 3 annual reports are also taken into account; older reports in cases where available information indicates that no or insufficient remedial actions have been implemented. In the event that a DG AGRI audit has taken place more recently than the Court's systems audit, it is possible that the assessment arising from the latter is replaced by the DG AGRI more recent appreciation of the situation.
- ✓ Information furnished by the operational units within the DG regarding the reliability of Member States' statistics or other information obtained pertaining to deficiencies in their management and control systems, or remedial action taken by Member States.
- ✓ Other relevant evidence including elements signalled by
 - the Anti-Fraud Correspondent of DG AGRI;
 - the Director of the Paying Agency in his/her Management Declaration;

In determining the extent of the adjustment to make to the reported error rate, DG AGRI applies the **professional judgement** of its auditors and in particular the criteria for estimating the seriousness and extent of the identified deficiencies established in its "Guidelines for the calculation of financial consequences when preparing the decision regarding the clearance of the accounts"⁴. When using these criteria, the auditors take into account that the methodology for preparing financial corrections aims at covering the risk to the EU budget whereas the top-up to be applied should represent the audit assessment of the extent to which the Paying Agency's reported error rate is understated; for instance, insufficient sanctions represent a risk to the EU budget but shall not be considered as errors to be included in the error rate for the expenditure of the year in question.

- For ABB 03 and ABB 04, the decision making process for the assessment is carried out by the auditors concerned, on a case by case basis, for each paying agency.. Where available, the input of the operational units is integrated to complete the assessment process and enable the calculation of an **adjusted error rate**. The professional judgement of the audit services of the DG is applied particularly when weighing contradictory information or considering abnormal statistical results. This results in an additional error rate top-up to the reported error rate and a corresponding amount at risk.
- For ABB 02, the same approach is followed but per measure instead of per paying agency.
- A coordination is carried out at the level of DG AGRI's audit directorate to ensure that there is a consistency of approach taken as regards the adjustments made to the Member States' error rates.
- For measures about which there is no information on the risk, (no reporting required by the legislation) the average adjusted error rate (for that part of the ABB for which statistics are available) is extrapolated to the expenditure concerned.
- The additional amount at risk resulting from an adjustment or "top-up" is added to the initial amount at risk calculated in Step 1, resulting in an adjusted amount at risk for each paying agency.
- The **adjusted error rate** per paying agency is obtained by dividing the adjusted amount at risk by the total expenditure declared to the Commission for the financial year. **Adjusted error rates** are aggregated at Member State and ABB levels by aggregating the adjusted amounts at risk.

⁴ Document VI/5330/97

Step 3: DG AGRI materiality criteria

Article 66(9) of the Financial Regulation provides that

"The authorising officer by delegation shall report to his or her institution on the performance of his or her duties in the form of an annual activity report containing financial and management information, including the results of controls, declaring that, **except as otherwise specified in any reservation related to defined areas of revenue and expenditure**, he or she has reasonable assurance ..."

The Director General for DG AGRI shall make financial reservations at **paying agency** level (and/ or aid scheme level as regards Market measures within ABB02).

- Paying agencies with an **adjusted error rate** above 5% shall in general be subject to a reservation.
- For paying agencies with an **adjusted error rate** between 2% and 5%, professional judgement shall be applied in assessing whether the risk is sufficiently covered by mitigating factors and thus whether a financial reservation is necessary. The operational units of DG AGRI are integrated into the decision making process for determining the existence of mitigating factors. The mitigating factors are disclosed in all cases where a reservation is deemed to be not necessary. They shall include notably whether the necessary remedial actions have been implemented by the Member State/Paying Agency concerned and whether there is an on-going conformity clearance procedure covering the expenditure for the financial year of the AAR.
- A *de minimis* approach for deciding on reservations be applied. Given the amounts at stake for the CAP with expenditure of around 58 billion EUR, a *de minimis* threshold of 1 million EUR is applied. All cases for which the amount at risk is below that threshold are not subject to a reservation (unless on reputational grounds). Reservations made for 2013 shall not be carried over to 2014 if the amount at risk for 2014 is below the 1 million EUR threshold.
- For market measures a flexible approach may also be taken when deciding on reservations, notably where the **adjusted error rate** is calculated on a purely risk based sample. For most market schemes, the legislation does not require that a random sample is selected for on-the-spot checks. The latter are, rather, risk based. Extrapolating the result of the risk sample therefore to the uncontrolled population would result in overstating the error rate and amount at risk. In such cases it shall be evaluated if there are elements which mitigate against applying a reservation even where the **adjusted error rate** is above 5%.
- If the **adjusted error rate** is below 2%, generally no reservation is made.
- A coordination is carried out between all relevant parts of DG AGRI to ensure that there is a consistency of approach taken as regards the mitigating factors used to consider whether a reservation is necessary.

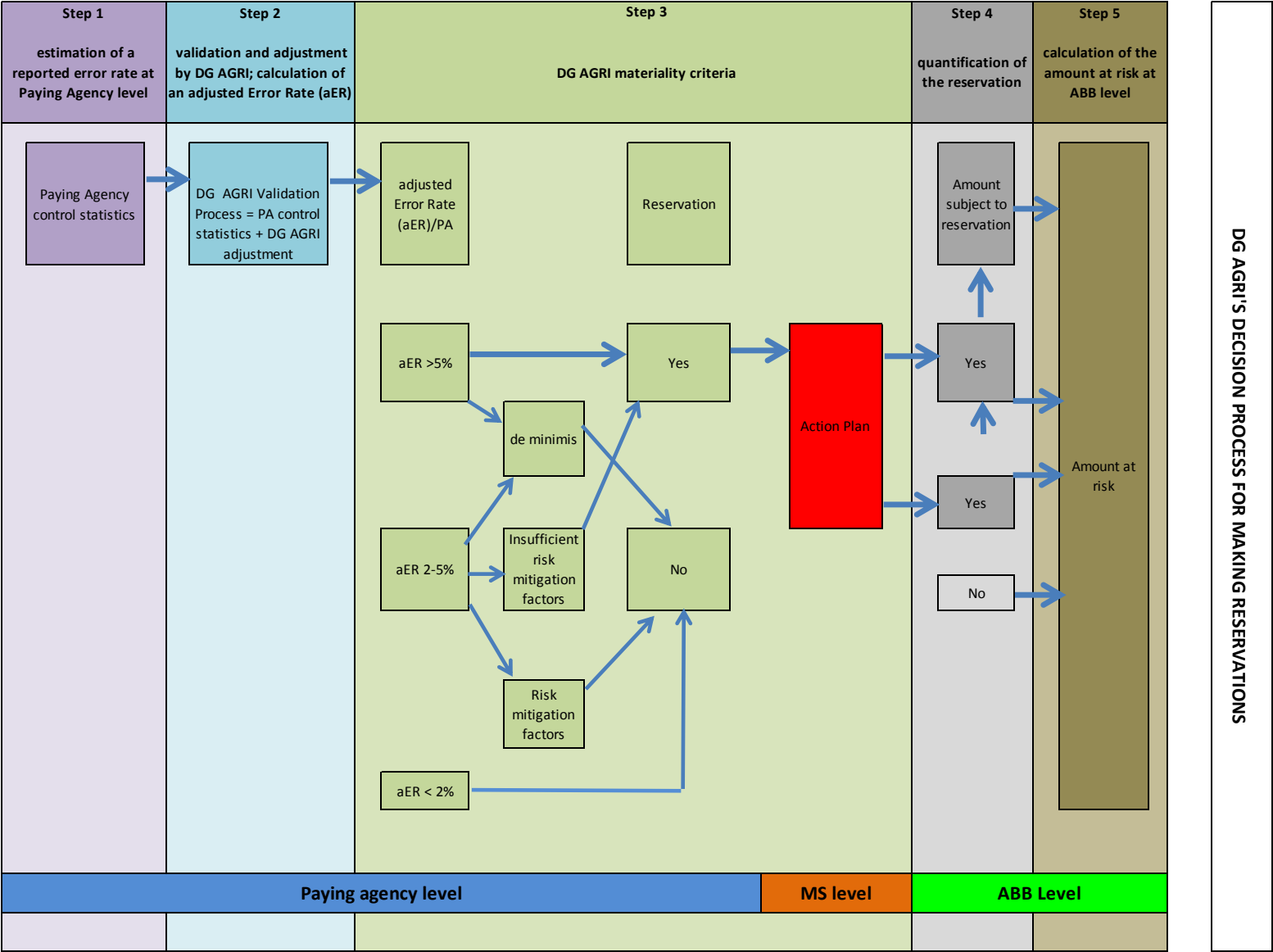
In the framework of shared management, as set out in the Financial Regulation and the rules on the financing of the CAP, it is the Member State, which has to assume the overall responsibility for ensuring that actions financed by the budget are implemented correctly in accordance with the rules. Therefore, while the action plans, accompanying reservations where necessary, should identify the deficiencies and paying agencies concerned, it is the Member State which must ensure that the corresponding remedial actions are precisely defined and actually implemented.

Step 4: Quantification of the reservation

The amount under reservation is the amount at risk for each paying agency (or Member State in respect of ABB02) for which a reservation has been made. It is **aggregated at Member State level**.

Step 5: Calculation of the amount at risk at ABB level

The **amount at risk** is the amount of EU expenditure which risks to have been misspent on the basis of the adjusted error rates; it covers all paying agencies irrespective of whether they are subject to a reservation and is **aggregated at ABB level**.



ANNEX 5: Internal Control Template for budget implementation (ICT)

EXPENDITURE IN SHARED MANAGEMENT⁵

Stage 1 – (Negotiation and) assessment/approval of spending proposals:

Main control objectives: Ensuring that the Commission (COM) adopts the actions that contribute the most towards the achievement of the policy objectives (effectiveness);

Main risks	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The actions financed ⁶ do not adequately reflect the policy objectives or priorities .	Internal consultation, hierarchical validation at DG-level of each action. Inter-service consultation (including all relevant DGs) Adoption by Commission Decision , where foreseen by EU law.	Coverage / Frequency: 100%. Depth: checklist, guidelines and lists of requirements in the relevant regulatory provisions.	Costs: estimation of cost of staff involved in the validation of the spending proposals put forward by the Member States (for 2014-2020). Benefits: adopted actions have a clear intervention logic, allowing the Commission to evaluate their impact [<i>non-quantifiable individually</i>]	Effectiveness: - % of actions adopted/ approved ⁷ - % of financial allocation approved ⁸ Efficiency: - average time to adopt/ approve an action ⁹

⁵ DG AGRI uses the Internal Control Template for shared management covering 99.6 % of its total expenditure and other management modes fall under the 'de minimis' threshold.

⁶ For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural Development pillars (EAGF and EAFRD).

⁷ For the 1st pillar, the indicator refers to legal acts adopted; for the 2nd pillar to legal acts adopted, to the modification of RDP 2007-2013 and to the approval of RDP 2014-2020.

⁸ For the 1st pillar the indicator refers to the execution of financial ceilings, for the 2nd pillar to budget allocation of RDP 2014-2020 approved in 2014.

⁹ For the 1st pillar, the indicator refers to legal acts adopted, for the second pillar to legal acts adopted and to the approval of RDP 2014-2020.

Stage 2 – Implementation of operations (Member States):**A. Setting up of the systems**

Main control objectives: ensuring that the management and control systems are adequately designed

Main risks <i>It may happen (again) that...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The process of designation (and accreditation) of national authorities in the Member States (MS) is not effective and, as a result, the management and control systems are not compliant with the applicable rules.</p>	<p>Supervision by Commission (for 2014-2020):</p> <ul style="list-style-type: none"> - Commission review (and audits) of a sample of national designations/accreditations - submission of MS Audit Strategies to the Commission (on request)* <p>* [For Cohesion policy]</p>	<p>Coverage / Frequency: fixed in sector-specific rules</p> <p>Depth: verification (desk review + audit missions where necessary) of description of management and control systems communicated by MS. Accreditation audits are generally done on-the-spot.</p>	<p>Costs: estimation of cost of COM staff involved in the audits of samples of national designations/accreditations (for 2014-2020)</p> <p>Benefits:(part of) the amounts associated with unreliable systems for which the Commission audit work revealed substantial compliance problems (for 2014-2020) <i>[not quantifiable]</i></p>	<p>For 2014-2020:</p> <p>Effectiveness:</p> <ul style="list-style-type: none"> - % of authorities designated/accredited - number of authorities for which serious system weaknesses were found following accreditation reviews/audits <p>Efficiency:</p> <ul style="list-style-type: none"> - number of authorities for which serious weaknesses found by accreditation reviews/audits (% of total checked)

B. Member states' controls to prevent, detect and correct errors within the declared certified expenditure

Main control objectives: ensuring that the periodic expenditure declarations submitted to the Commission for each action are legal and regular

Main risks <i>It may happen (again) that...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
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<p>Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or non-compliant with EU and/or national eligibility rules and legislation.</p>	<p>Management verifications: first level checks by designated/accredited programme authorities or bodies.¹⁰</p> <p>Certification, audit opinion and annual report by the relevant authorities or bodies designated/accredited.¹¹</p> <p>MS recoveries from final beneficiaries (CAP)</p>	<p>Coverage: fixed in sector-specific rules</p> <p>Depth:</p> <ul style="list-style-type: none"> - <u>management verifications:</u> performance of first-level checks (administrative and on the spot controls). - <u>certification:</u> [limited] additional verification (desk checks and on-the-spot), with where appropriate additional checks. - <u>audit opinion:</u> system audits on the checks already carried out, where necessary with re-performance of on-the-spot checks; where applicable, audits of operations (on a statistical basis) and additional substantive testing on expenditure. 	<p>Costs: real costs for the management and control activities of paying agency</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Amounts of corrected undue payments (prior to reimbursement from the control statistics) - MS recoveries 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Amount and % of corrected undue payments (prior to reimbursement from the control statistics) as reported by MS. - annual certificate opinions of the Member States. - MS recoveries <p>Efficiency:</p> <p>Ratio = (amount of corrected undue payments plus MS recoveries) divided by costs of management and controls</p> <ul style="list-style-type: none"> - time to lift interruption of payments¹²
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Stage 3 – Monitoring and supervision of the execution, including ex-post control

Main control objectives: ensuring that the expenditure reimbursed from the EU budget is eligible and regular

¹⁰ For CAP: Paying Agency (PA)

¹¹ For CAP: Certification Body (CB)

¹² For EAFRD: average time of interruption/suspension.

Main risks <i>It may happen (again) that...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The management verifications and subsequent audits/controls by the Member States have failed to detect and correct ineligible costs or calculation errors.</p> <p>The audit work carried out by the audit/certification authorities is not sufficient to obtain adequate assurance on the submitted declarations.</p> <p>The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it</p>	<p>Commission checks of periodic MS expenditure declarations.</p> <p>Commission assessment of management and control systems in the Member States, in particular of work done and/or reported by the AA¹³/PA/CB, namely:</p> <ul style="list-style-type: none"> - assessment of annual control/audit/certification report - calculation of projected error rate (where applicable) - estimation of a residual error rate (RER) - assessment of systems audits reports from AA/CB 	<p>Coverage: verification of information provided in the annual (audit/control/certification) report and annual audit opinions.</p> <p>Depth: desk checks and/or on-the-spot audits based on risk assessment; <u>verification</u> of the quality and reliability of the information based on Commission's own audit work; <u>'validation' and where necessary adjusting of error rates reported</u> by MS to calculate a cumulative residual error risk (RER);</p> <p><i>[at closure: where applicable scrutiny of closure report and closure opinion, if needed with</i></p>	<p>Costs:</p> <ul style="list-style-type: none"> - cost of Commission financial officers checking MS expenditure (financial circuits) - estimation of cost of Commission staff involved in the assessment of management and control systems in MS, including analysis of AA/CB report, own audit work¹⁴, and drafting of interruption letters <p>Benefits: errors prevented [<i>unquantifiable</i>], errors detected or corrected (amount of financial corrections).</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> - best estimate of residual risk of error per MS - number of programmes/MS/PA with a reported error rate assessed as reliable (and not subject to an adjustment) - Number, amount and % (of expenditure declared in 2014) of interruptions/suspensions of payments - net financial corrections made resulting from Commission audit work <p>Efficiency:</p> <ul style="list-style-type: none"> - cost of control/financial management of the Commission checks and assessment (% of total appropriations) - Ratio = cost of Commission staff involved in the assessment of

¹³ Audit Authority (AA)

¹⁴ Systems audit, re-performance of annual control reports (ACR), follow-up of audit authorities, closure audits, fact finding audits, conformity audits of PA (CAP), etc.

Main risks <i>It may happen (again) that...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
received.	<ul style="list-style-type: none"> - assessment of annual summaries (where applicable) - own Commission audits - technical and bilateral meetings with MS <p>Interruptions and suspensions of payments</p> <p>Financial corrections (implemented by Commission)</p> <p>Annual financial clearance procedure and multi-annual conformity clearance procedure (CAP)</p>	<i>audits on sample of OPS]</i>		<p>management and control systems in MS divided by total amount of net financial corrections adopted by the Commission</p> <ul style="list-style-type: none"> - Time-to-payment / % of Commission payments within delays

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)

ANNEX 7: EAMR of the Union Delegations (DG DEVCO only)

ANNEX 8: Decentralised agency

Research Executive Agency (REA)

Policy concerned	Annual budgetary amount entrusted (DG's subsidy paid)	
	Operating budget	Administrative budget
Horizon 2020 – Framework Programme for Research and Innovation (2014-2020)	1.165.882 €	295.648 €

+ RO: 11,730 €

Executive Agency for Small and Medium-sized Enterprises (EASME)

Policy concerned	Annual budgetary amount entrusted (DG's subsidy paid)	
	Operating budget	Administrative budget
Horizon 2020 – Framework Programme for Research and Innovation (2014-2020)	0 €	47.509 €

ANNEX 9: Performance information included in evaluations

Title of the Evaluation:	Evaluation of the market implications of veal and young cattle meat standards
ABB activity:	02
Type of evaluation:	Regulatory instrument
Summary of performance related findings and recommendations:	<p>The evaluation examined the relevance and effectiveness of the veal and young cattle meat marketing and labelling rules established by Regulation (EC) No 700/2007¹⁵ (hereunder ‘the Regulation’) with respect to achieving the objectives laid down in this regulation¹⁶, as well as its coherence with other relevant measures applied under the CAP. The eight key veal producing Member States were covered.</p> <p>The Regulation established that the terms ‘veal’ and ‘young cattle meat’ (in their national equivalents) can be applied only to the meat of bovine animals aged 12 months or less and it defined two categories of bovine animals aged 12 months or less: 1) Category V: bovine animals aged eight months or less; 2) Category Z: bovine animals aged more than eight months but not more than twelve months. It also provided, for each category, in each Member State, a closed list of the sales descriptions, taking into account different local traditions.</p> <p>The evaluation showed that the main impact of the Regulation was to lead Dutch producers to reduce the fattening cycle from twelve to eight months, for part of the veal calf production. Other market trends remained unchanged: national consumption, internal trade and breeders’ income. Overall, the Regulation led to a clarification of the situation on the market caused by a previous lack of definition of ‘veal’ and improved functioning of the veal market.</p> <p>The evaluation also showed that consumers were little aware of these labelling rules and that the existence of different sales descriptions depending on the country, even when they share the same language, could be confusing.</p> <p>The information available through control systems implemented by National Authorities, under the European Commission supervision, did not allow drawing a judgement on adequacy of the control system. However, the reporting of the Member States to the Commission was considered not sufficient to allow a proper monitoring of the controls.</p> <p>Three recommendations were proposed: seek consistency between sales descriptions from one Member State to another, increase consumer awareness about the standards, and improve the reporting quality of the control system.</p>
Availability of the report on Europa:	http://ec.europa.eu/agriculture/evaluation/market-and-income-reports/veal-marketing-standards-2014_en.htm

¹⁵ Council Regulation (EC) No 700/2007 on the marketing of the meat of bovine animals aged 12 months or less, later integrated into Article 78(a) of Regulation (EU) No 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Annex VII).

¹⁶ The objectives of the regulation are the following:

- improve the functioning of the internal market;
- improve the organisation of the marketing of the meat of bovine animals aged 12 months or less;
- improve information for consumers.

Title of the Evaluation:	Evaluation of CAP measures for the cotton sector
ABB activity:	03 (mainly)
Type of evaluation:	Expenditure programme
Summary of performance related findings and recommendations:	<p>The evaluation covered the cotton-growing EU countries: Spain, Greece and Bulgaria. It examined the effectiveness, efficiency, coherence and relevance of the measures applied to the cotton sector under the CAP</p> <p>In 2004, the coupled support regime for the cotton sector was overhauled to improve its coherence with the 2003 CAP reform: decoupling of 65% of the aid and coupled support of 35% for the planted area (crop-specific aid for the sector). Decoupling led to a relative drop in the profitability of cotton compared to alternative crops. Crop-specific aid remains essential: total decoupling would have reduced the planted areas by nearly 65%. The combined effects of the reform on the planted areas and yields, as well as on the evolution of the market, led to a net reduction in the production volume of ginned cotton. Between 2005 and 2008 production decreased with 49%. The introduction of the obligation to harvest and price increases led to a recovery.</p> <p>Single payment and coupled aid have contributed effectively to maintaining family income for farms specialised in cotton production. The aid represents an essential proportion of producers' income. Nearly 15,000 jobs ("Full-Time Equivalents") in the agricultural and more than 1100 in the industrial sector have been maintained by the CAP measures applied to the cotton sector; these jobs remain heavily dependent on the continuation of EU aid. The efficiency of the support system for the sector has been improved. The partial decoupling in particular reduced the extent of checks and red tape, as the delivery controls linked to price support became redundant.</p> <p>RECOMMENDATIONS</p> <p>The current agricultural policy measures regarding cotton are the result of a compromise between the 2003 CAP, for the improvement of agricultural competitiveness and its orientation by the market, and the commitments made at the time of Greece's accession to 'support cotton production in the European regions where it is important for the agricultural economy' (Protocol 4, the second objective included in Protocol 4, was not sought after, at least in GR. Partial decoupling at 65% combined with aid for cotton growing that includes a requirement for harvest, is an acceptable compromise between the commitments made by the EU in Greece's accession protocol and the objectives of the 2003 CAP. The priority given to 'support cotton production in the European regions where it is important for the agricultural economy' (Protocol 4), makes it possible to maintain agricultural and industrial jobs that would be lost if cotton were to disappear.</p> <p>However, the results in terms of sustainability of mode of production show that significant efforts remain to be made by the cotton value chain to improve coherence with the CAP objectives.</p> <p>Essential issues for a future aid framework should consist of more effective environmental deliveries, enhanced collective action for standardisation and promotion as well as competitiveness.</p>
Availability of the report on Europa:	<p>the evaluation will be published at:</p> <p>http://ec.europa.eu/agriculture/evaluation/market-and-income-reports/index_en.htm</p>

Title of the Evaluation:	Investment support under Rural Development Policy
ABB activity:	04
Type of evaluation:	Expenditure programme (E)
Summary of performance related findings and recommendations:	This evaluation analyses three questions in relation to the evaluation of investment support in Rural Development Programmes (RDP) of the Common Agricultural Policy (CAP). Different evaluation methods are classified according to their appropriateness and suitability to measure efficiency, effectiveness and impact of investment support measures. In order to evaluate the causality between policy interventions and outcomes a number of specific econometric methods or experiments are necessary. Theory-based assessments and qualitative participatory approaches cannot be used to derive quantitative results. In order to obtain such results, economic modelling approaches like input-output analyses or econometric methods must be used. A further element of the analysis is to estimate efficiency, effectiveness and impact of investment support measures in eleven programme areas of the EU. The quantitative results show a wide range of results that depend on structural aspects of the regions under consideration and programme-specific factors. With the data available, a causal statistical link between efficiency and targeting was not found. However, a case study demonstrated that targeting via eligibility criteria is more transparent than selection through ranking while aid intensity differentiation does not always have statistically significant effects on targeting.
Availability of the report on Europa:	http://ec.europa.eu/agriculture/evaluation/rural-development-reports/investment-support-rdp-2014_en.htm

Title of the Evaluation:	Evaluation of Preferential Agricultural Trade Regimes, in particular the Economic partnership Agreements
ABB activity:	06
Type of evaluation:	Other
Summary of performance related findings and recommendations:	<p>The evaluation assessed the impact of the preferential agricultural trade regimes (PTA) on the development of agricultural trade between ACP and EU, among ACP countries and between ACP and other key trading players in the world, covering the period from 1990 until 2012. It concluded that there is evidence that the EU PTAs have been positive and effective at promoting agricultural trade of the ACP countries.</p> <p>The implementation of EU preferential agricultural trade regimes was found to be relevant, coherent and efficient with regards to their objectives:</p> <ul style="list-style-type: none"> • A high level of relevance between PTA objectives and needs and priorities of target countries and beneficiaries, as well as enhancement of supply capacity and achievement of high economic growth was found in all case studies. • In almost all case studies, coherence was judged by respondents as particularly high, primarily in the cases of the enhancement of supply capacity, the increase of competitiveness and poverty reduction, and secondarily in the promotion of investment, and trade creation. • Case study investigations led to the conclusion that preferential market access is regarded as the most efficient and main driving force behind the expansion of exports to both the EU and other international markets and the development of the sectors investigated in this study. <p>Recommendations:</p>

	<p>The Commission, in cooperation with ACP countries, should continue its efforts in communicating the opportunities and benefits of Economic Partnership Agreements (EPA) to relevant stakeholders, especially at the grassroots level.</p> <p>The creation of international country-specific agricultural growth task forces is advocated in order to promote coordination between EU, national and international development assistance programmes.</p> <p>EU development assistance towards alleviating supply-side constraints should continue in existing farm sectors, as well as target new agricultural products so as to encourage diversification.</p> <p>The EU should continue to promote the enhancement of ACP countries' capacity to comply with SPS measures, through the provision of technical assistance and the support of other international organizations initiatives.</p> <p>The Commission is encouraged to continue supporting, with other donors, the design and implementation of credit programmes for smallholders in the agricultural sector.</p>
Availability of the report on Europa:	<p>the evaluation will be published at: http://ec.europa.eu/agriculture/evaluation/market-and-income-reports/index_en.htm</p>

ANNEX 10: Specific annexes related to "Management of Resources" (Part 2)

This annex explains in detail the complex relationship between the Directorate General for Agriculture and Rural Development and the 28 Member States (comprising 81 Paying Agencies).

The two principal funds under the Common Agricultural Policy (the European Agricultural Guarantee Fund - EAGF and the European Agricultural Fund for Rural Development – EAFRD) are implemented under shared management through a comprehensive management and control system based on four levels. This system includes, on the one hand, all the necessary building blocks to guarantee a sound administration at Member States' level and, on the other hand, allows the Commission to audit the proper functioning of their management and control systems and, if need be, to counter the risk of financial losses as a result of any deficiencies in the set-up and operation of those systems through the conformity clearance mechanism. Taken together, these levels and the results that they produce are the basis for DG AGRI to gain reasonable assurance as to the effective management of the risk of error in the legality and regularity of the underlying transactions.

An explanation of these four levels as well as the findings and the indicators which result from them are set out in detail in this annex which is organised as follows:

Part 1: Description of the system for shared management and the various levels of control in place

Level 1: Compulsory administrative structure at the level of Member States

Level 2: Detailed systems for ex-ante controls and dissuasive sanctions

Level 3: Ex-post controls

Level 4: Clearance of accounts

Part 2: Functioning of the Paying Agencies

2.1: Compliance with the accreditation criteria

2.2: Financial clearance exercise

2.3: Management declaration from the Directors of the Paying Agencies and opinions of the Certification Bodies

Part 3: Control results at the level of the final beneficiaries, the assessment thereon by the Certification Bodies and the overall appreciation of the Commission on their reliability taking into account all available information.

Part 3.1: ABB02: Market Measures

Part 3.2: ABB03: Direct Payments

Part 3.3: ABB04: Rural Development

Part 4: Conformity Clearance Procedure and Net Financial corrections

Part 5: Recoveries

Part 6: Cross compliance

Description of the system for shared management

Part 1: Description of the system for shared management and the various levels of control in place

Level 1: Compulsory administrative structure at the level of Member States

Management and control of the expenditure is entrusted to dedicated Paying Agencies, which prior to their operation must be accredited by the Member States on the basis of a comprehensive set of accreditation criteria laid down in EU law. The Paying Agencies' compliance with these criteria is subject to a detailed review by an external audit body as well as to constant supervision by the competent national authority, and clear procedures exist as to how to address and remedy any problems.

Moreover, the Directors of the Paying Agencies are required to provide an annual management declaration which covers the completeness, accuracy and veracity of the accounts as well as a declaration that a system is in place which provides reasonable assurance on the legality and regularity of the underlying transactions. These management declarations are verified by independent Certification Bodies, which are required to provide an opinion thereon. For those Member States with only one Paying Agency, this management declaration from the director of the Paying Agency, together with the certificate and opinion of the Certification Body, constitutes by definition the annual summary referred to in Article 5(b) of the Financial Regulation¹⁷. The Member States which have more than one Paying Agency are further required to produce a synthesis report of all management declarations and of all certificates from the Certification Bodies.

Level 2: Detailed systems for ex-ante controls and dissuasive sanctions

For each aid support scheme financed by the EAGF or EAFRD, there is a system of ex-ante administrative and on-the-spot checks and dissuasive sanctions in case of non-compliance by the beneficiary. These systems are to be applied by the Paying Agencies and contain some common features and special rules tailored to the specificities of each aid regime. The systems generally provide for exhaustive ex-ante administrative controls of 100 % of the aid applications, cross-checks with other databases where this is considered appropriate as well as pre-payment on-the-spot checks of a sample of transactions ranging between 1 % and 100 %, depending on the risk associated with the regime in question. If the on-the-spot checks reveal a high number of irregularities, additional controls must be carried out.

In this context, the by far most important system is the IACS (Integrated Administration and Control System), which in financial year 2014 covered 94.1 % of EAGF expenditure (92.0 % in 2013). To the extent possible, the IACS is also used to manage and control rural development measures relating to parcels or livestock, which in 2014 accounted for 40.2 % of payments under the EAFRD (44.7 % in 2013). For both Funds together, the IACS covered 83.4 % of total expenditure.

A detailed reporting from the Member States to the Commission on the checks carried out by them and on the sanctions applied is provided for in the legislation. The reporting system enables a calculation, for the main aid schemes, of the extent of error found by the Member States at the level of the final beneficiaries. The accuracy of the statistical information reported and the quality of the underlying on-the-spot checks is also verified and validated by the Certification Bodies for direct aids and rural development measures.

Level 3: Ex-post controls

In addition to the ex-ante controls, all aid measures other than direct payments covered by the IACS are subject to ex-post controls under Articles 79 - 88 of Regulation (EU) No 1306/2013¹⁸. Moreover, the Paying Agencies'

¹⁷ Regulation no. 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ. L 298 of 26/10/2012).

¹⁸ Regulation (EU) No. 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy.

Description of the system for shared management

annual accounts and the functioning of their internal control procedures are verified and certified on an ex-post basis by the Certification Bodies. Both types of ex-post controls are carried out in accordance with an annual audit plan established on the basis of a pre-determined audit strategy.

Level 4: Clearance of accounts

Finally, the clearance of accounts system through the Commission consists of both an **annual financial clearance** and a **multi-annual conformity clearance**.

The **financial clearance** covers the completeness, accuracy and veracity of the Paying Agencies' accounts.

Moreover, it includes a mechanism under which 50% of any undue payments which the Member States have not recovered from the beneficiaries within 4 or, in the case of legal proceedings, 8 years will be charged to their respective national budgets (50/50 rule). If the undue payments are the result of administrative errors committed by the national authorities, the entire amount involved is deducted from the annual accounts and, thus, excluded from EU financing. Even after the application of the 50/50 rule, Member States are, however, obliged to pursue their recovery procedures and, if they fail to do so with the necessary diligence, the Commission may decide to charge the entire outstanding amounts to the Member State concerned.

The **conformity clearance**, for its part, relates to the legality and regularity of the underlying transactions. It is designed to exclude expenditure from EU financing which has not been executed in conformity with EU rules, thus shielding the EU budget from expenditure that should not be charged to it (financial corrections). In contrast, it is not a mechanism by which irregular payments to beneficiaries are recovered, which according to the principle of shared management is the sole responsibility of Member States.

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation (usually such calculations are based on additional work carried out by or information supplied by the Member States). Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national control systems in order to reflect the financial risk for the EU. Where undue payments are or can be identified as a result of the conformity clearance procedures, Member States are required to follow them up by recovery actions against the final beneficiaries. However, even where this is not possible because the financial corrections only relate to deficiencies in the Member States' management and control systems, financial corrections are an important means to improve these systems and, thus, to prevent or detect and recover irregular payments to final beneficiaries. The conformity clearance thereby contributes to the legality and regularity of the transactions at the level of the final beneficiaries.

In order to determine which measures and/or Paying Agencies to visit each year, DG AGRI carries out a detailed annual central risk analysis.

What is the Central Risk Analysis?

DG AGRI's Central Risk Analysis (CRA) serves the purpose to apply a common and unique approach for planning its conformity audits. It is based on the latest certified expenditure under the clearance of accounts exercise. It aims to ensure that the work of the entire Directorate is orientated and focussed on the main risks.

For the CRA the following indicators are taken into account: 1) materiality (amounts of declared expenditure), 2) latest audit year (period elapsed since the latest audit of the measure in question), 3) risk inherent to the measure in question, 4) control system risks (risk associated with the control system), 5) Paying Agency risk (risk related to the Paying Agency) and finally 6) the OLAF risk (related to OLAF denunciations and irregularities) and 7) the Court of Auditors risk (related to the findings from the ECA).

The CRA is established at Paying Agency / audit field level (audit field = aid measures with a similar control system) as the audits are addressed to a specific Paying Agency for auditing expenditure spent for aid schemes under one or more specific audit fields.

Description of the system for shared management

From mid-2014, DG AGRI introduced a rolling three-year audit work programme. The CRA is now carried out after the financial clearance exercise in order to use information resulting from the analysis of the opinions of the Certification Bodies and also to include in the audit work programme any audit missions necessary in the context of following up reservations or as a result of findings notified by the Certification Bodies.

Explanatory Box: Annex 10-1.1

With a view to taking a more multi-annual perspective for the new programming period, in 2014 the DG AGRI Audit directorate adopted an audit strategy for the period 2014-2020.

DG AGRI Audit strategy for 2014-2020

The DG AGRI audit strategy aims to formalise the main elements of the clearance of accounts system in terms of background, context, objectives, risks assessment, audit approach and indicators for the audit activities. In particular, it aims to identify the main inherent risks and control risks that will have to be addressed in the coming years, not only taking into account the changes introduced by policy developments and the implementation of the CAP 2014-2020 but also considering previous years' experience and audit findings.

This audit strategy recalls the principle that DG AGRI audits are first and foremost system-based with risk-based audits checking specific components of the Paying Agencies' or Member States' internal control systems. Notwithstanding, it opens the door to defining other ways of addressing specific risks or situations in particular Paying Agencies or Member States.

In addition, it anticipates the impact of the extended role given by the horizontal regulation on the financing, management and monitoring of the CAP (Regulation 1306/2013) to the Certification Bodies. From the beginning of 2016 (in respect of financial year 2015), Certification Bodies will report on the legality and regularity of the expenditure for which reimbursement was requested from the Commission to a much greater extent and detail than has been the case under the previous and current regulatory frameworks. Not only will the information thus gathered have to be evaluated and input to DG AGRI's own risk analysis, but its impact on the focus and scopes of DG AGRI audit activities and, more generally, on assurance building, has to be duly considered.

One direct consequence of finding more synergies between DG AGRI and Certification Bodies' audit activities is the change from 2014 onwards in the time path for DG AGRI audit programmes, designed to allow DG AGRI's risk analysis to fully take into account the latest available information reported by Certification Bodies. This is combined with a strengthening of the multiannual perspective via DG AGRI's 3 years rolling audit programmes, with yearly up-dates.

Explanatory Box: Annex 10-1.2

Index to part 2

- 2.1 Compliance with the accreditation criteria
 - 2.1.1. Status of the Paying Agencies' accreditation
 - 2.1.2 Certification of the functioning of the Paying Agencies' internal control systems
 - 2.1.3 The Commission's accreditation audits and summary of findings
 - 2.1.4 The Certification Bodies' reports for financial year 2014 and summary of findings
- 2.2 Financial clearance exercise for 2014 expenditure
- 2.3 Management Declaration from the Directors of the Paying Agencies and opinions of the Certification Bodies
 - 2.3.1 Management Declaration from the Directors of the Paying Agencies
 - 2.3.2 Opinion from the Certification Bodies on the Management Declaration
 - 2.3.3 Follow-up of reservations included in the Paying Agency Directors' Management Declarations
 - 2.3.4 National Declarations
- 2.4 Assessment of the Paying Agencies' control statistics by the Certification Bodies
 - 2.4.1 Opinion on the quality of the on-the-spot checks
 - 2.4.2 Opinion on the accuracy of the control statistics
 - 2.4.3 Conclusions on the opinions of the Certification Bodies as regards the control statistics
- 2.5 Overview of management declarations, opinions and summaries
- 2.6 Background to accreditation under EAGF/EARFD - summary of finding regarding Paying Agencies under probation or limited accreditation or for which serious deficiencies have been revealed

Functioning of the Paying Agencies

2.1 Compliance with the accreditation criteria

2.1.1 Status of the Paying Agencies' accreditation

At 15 October 2014, the 28 Member states had 81 operating accredited Paying Agencies. This is one less than at the same time in 2013 due to the merger on 1 January 2014 of the two Paying Agencies in The Netherlands (NL01 – Dienst Landelijk Gebied and NL03 – Dienst Regelingen) into one new Paying Agency, NL04 – Ondernemend Nederland – RVO. This new Paying Agency was accredited for both EAGF and EAFRD.

The status of accreditation of the 81 Paying Agencies was as follows in 2014:

77 fully accredited Paying Agencies

- 1 Paying Agency (OPEKEPE in Greece) continued to be under limited accreditation; accreditation continues to be limited to those EAFRD measures for which a proper control system and procedures have been put into place (no further measures have been accredited since April 2011). The Paying Agency is, however, fully accredited for EAGF.
- PAAFRD in the Republic of Croatia, was granted full accreditation for EAGF on 20 December 2013. A decision on the provisional accreditation of the Paying Agency for the utilisation of resources of the EAFRD was adopted on 1 October 2014.
- Andalucía in Spain was placed under probation on 1 July 2014. This followed the recommendation of DG AGRI in the clearance letter related to financial year 2013. The Competent Authority instructed the Paying Agency to elaborate an action plan to remedy the management deficiencies affecting the EAFRD non-IACS measures.
- AGEA in Italy was placed under probation on 25 April 2014. This followed an audit by OLAF that raised serious concerns related to debts and debt management, and certain irregular payments. The competent authority prepared an action plan for the Paying Agency to implement in order to remedy these weaknesses (see also section 2.1.3). The deadline for implementation of this action plan is 25 April 2015.

Status of Paying Agencies' accreditation	At the beginning of financial year 2014	At the end of financial year 2014
Fully accredited	80	77
Limited accreditation	1 ¹⁹	1 ¹
Accreditation under probation or provisional accreditation	1 ²⁰	3 ²¹
Total Member States 28	82	81

Table: Annex 10 -2.1 – status of Paying Agency accreditation

Section 2.6 of this annex provides further information on the development of the accreditation status of the PAs which were not fully accredited during 2014.

¹⁹ OPEKEPE (Greece)

²⁰ PAAFRD (Croatia)

²¹ PAAFRD (Croatia) under provisional accreditation; Andalucía (Spain) and AGEA (Italy) under probation

Functioning of the Paying Agencies

2.1.2 Certification of the functioning of the Paying Agencies' internal control systems

In the context of the financial clearance exercise for financial year 2014, the Certification Bodies are required – besides certifying the accounts of the Paying Agencies - to report on and certify whether the Paying Agencies' internal control systems operated satisfactorily.

Taking into consideration the EAGF / EAFRD split, 150 opinions (70 Paying Agencies dealing with both Funds and 14 Paying Agencies dealing only with one Fund – 11 dealing exclusively with EAGF and 3 exclusively with EAFRD) covering the internal control systems, should be received²².

Eight Paying Agencies requested permission to submit the audit opinions and related reports after the deadline of 15 February 2015²³. With the exception of DE11 – Mecklenburg-Vorpommern, all audit opinions and reports had been received by 01 March 2015. DE11 – Mecklenburg-Vorpommern indicated that it would deliver the audit opinion and related report on 24 April 2015. The accounts for this Paying Agency will consequently be disjoined. By 15 April 2015, 146 audit opinions had been assessed. In all cases, the Certification Body concluded that the internal control system of the Paying Agencies operated at least satisfactorily (ratings of very good, good or adequate). Despite this assessment, in seven cases, the Certification Body qualified its opinion on the accounts due to the presence of material error, either at fund level or at population level. The reasons for qualification are summarised in chapter 2.5 below.

2.1.3 The Commission's accreditation audits and summary of findings

The Commission regularly performs accreditation audits, based on a detailed risk assessment, to check whether the Paying Agencies (continue to) respect the accreditation criteria. The 2013/14 work plan (which runs from mid-2013 to mid-2014) scheduled four full accreditation audit missions all of which took place in 2014.

The four Accreditation missions that took place were:

- ODARC (France) – was selected following the restoration by the Competent Authority during 2013 of full accreditation after a period of probation. The mission concluded that the restoration of full accreditation appeared justified.
- PAAFRD (Croatia) – was selected as it only received provisional accreditation for EAGF in December 2012. Given the fact that Croatia joined the EU as from 1 July 2013, it was necessary to assess the state of play as regards the setting up of the administrative structures of that Paying Agency (including the development of the IACS) as well as the status of the accreditation process. Overall it was concluded that, as far as the EAGF was concerned, the Paying Agency complied with the accreditation criteria, although some minor recommendations were made.
- Andalucía (Spain) was selected on the one hand to assess the rate of implementation of the recommendations made following the accreditation audit mission made in 2012 and on the other, the weaknesses detected by the Certification Body during the clearance exercises for FY2011, 2012, and 2013. It was concluded that the Paying Agency made important progress in implementing the various action plans it had prepared in order to mitigate accreditation weaknesses. The fact that the level of error in the FY2014 clearance exercise was significantly reduced is testament to this progress.
- SJV (Sweden) – was selected following a number of factors identified by the Certification Body that flagged this Paying Agency as potentially risky from the accreditation point of view. The audit concluded that there

²² As PAAFRD (Croatia) did not have any expenditure for EAFRD, this opinion covers only EAGF.

²³ BG01 – State Fund for Agriculture (Bulgaria), DK01 – DAFA (Denmark), DE09 – Hamburg and DE11 – Mecklenberg Vorpommern (Germany), ES01 – Andalucía and ES08 – Castilla y Leon (Spain) , IE01 – DAFM (Ireland),LT01 – NPA (Lithuania)

Functioning of the Paying Agencies

are some weaknesses (particularly insofar as delegation is concerned), which although not significant enough to place the accreditation at risk, require the attention of the authorities.

In addition to the above dedicated missions, following a report of OLAF dealing with the management of debts in the Paying Agency IT01 AGEA, DG AGRI undertook a mission to this Paying Agency. The conclusion is that there are serious weaknesses in the management of debts, in particular pre-2010 debts and that the non-recovery of the debts from FY2009 and earlier is attributable to the negligence on the part of the Italian authorities. It is proposed to impose financial corrections related to debts by recovering immediately the outstanding debts. In addition, there were several weaknesses detected related to the delegation of tasks by AGEA. The Paying Agency elaborated an action plan (which complements the action plan of the competent authority) aimed at mitigating the identified risks (delegation and debts), which is due for completion in 2016.

2.1.4 The Certification Bodies' reports for financial year 2014 and summary of findings

What are the Certification Bodies and what do they do?

According to Article 9(1) of Regulation 1306/2013, Certification Bodies are public or private legal entities which are appointed by the Member State to deliver an opinion, drawn up in accordance with internationally accepted auditing standards, on the completeness, accuracy and veracity of the annual accounts, on the proper functioning of the internal control system and on the legality and regularity of the underlying transactions. Legality and regularity refers to the checks on the eligibility of the expenditure, and more in particular whether expenditure has been determined (validated and authorised) and paid in conformity with the applicable eligibility rules. This is mainly done by checking the quality of the administrative and on-the-spot checks by testing a number of transactions, and the accuracy of the information reported in the control statistics. This is applicable only as from FY2015 (claim year 2014). The Certification Body has to be operationally independent of the Paying Agency.

Explanatory Box: Annex 10 -2.2

In the opinion of the Certification Bodies, and except for DE11 – Mecklenburg-Vorpommern for which the audit opinion has not been assessed²⁴, none of the Paying Agencies has deficiencies that are serious enough to conclude that they no longer comply with the accreditation criteria.

None of the certificates/reports received indicates clear non-respect of any of the accreditation criteria.

2.2 Financial clearance exercise for 2014 expenditure

The rules on the financing of the CAP provide for an annual financial clearance exercise covering the completeness, accuracy and veracity of the Paying Agencies' accounts. By 15 February following the end of the financial year in question, Member States are required to send the annual accounts of their Paying Agencies to the Commission, together with an audit opinion from the Certification Body of each Paying Agency stating whether it has gained reasonable assurance that these accounts are complete, accurate and true and that the agency's internal control procedures have operated satisfactorily. The Commission has until 30 April to review this information and communicate its findings to the Member States. Where the information received is considered acceptable, the Commission has, until 31 May, to adopt a decision clearing the accounts of the concerned Paying Agencies.

By 1 March 2015, the 2014 accounts of 80 Paying Agencies and the related audit reports and opinions from the Certification Bodies had been received. However, the Paying Agency DE11 – Mecklenburg-Vorpommern submitted the required information only on 7/04/2015 – well beyond the deadline. The accounts of this Paying Agency will be disjoined.

²⁴ The CB report for DE11 – Mecklenburg-Vorpommern was received on 07/04/2015 only, which is well after the deadlines of 15 February 2015, and thus, has not been assessed in time for the clearance decision.

Functioning of the Paying Agencies

As in previous financial clearance exercises, the accounts of a limited number of Paying Agencies will probably not be cleared by the 31 May deadline. This is either because the opinions from the Certification Bodies are qualified, thus requiring further work from the Paying Agencies and/or from the Certification Bodies, or the level of error exceeds the materiality threshold for the fund. The accounts of these Paying Agencies will be disjoined from the financial clearance decision due by 31 May 2015 and cleared at a later stage.

2.3 Management Declaration from the Directors of the Paying Agencies and related opinion from the Certification Body and national declarations

2.3.1 Management Declaration from the Directors of the Paying Agencies

In respect of financial year 2014, the directors of all the Paying Agencies (81, including DE11 – Mecklenburg-Vorpommern) submitted to the Commission their management declarations on the completeness, accuracy and veracity of the accounts and the proper functioning of the internal controls systems and on the legality and regularity of the underlying transactions.

80 declarations were without reservations. Only the declaration of the Paying Agency GR01 – OPEKEPE included a reservation related to permanent pastures. The situation is summarised in paragraph 2.5.

2.3.2 Opinion from the Certification Bodies on the Management Declaration

At 15/04/2015 the Certification Body report for DE11 – Mecklenburg-Vorpommern is outstanding. Therefore, with the exception of the DE11 – Mecklenburg-Vorpommern, 80 of the 81 management declarations referred to above were subject to an opinion from the Certification Bodies in accordance with article 9(1) of Regulation 1306/2013. The CB opinion on the management declaration for DE11 – Mecklenburg-Vorpommern will be assessed at a later stage.

All 80 opinions are without reservations, although in most cases there is an emphasis of matter, normally repeating what has been stated in the audit opinion on the accounts.

2.3.3 Follow-up of reservations included in the Paying Agency Directors' Management Declarations

Reservations included in previous years' management declarations have been properly followed-up through remedial actions taken by the Paying Agencies and/or financial corrections resulting from conformity clearance enquiries. All the issues can be considered as closed.

2.3.4 National Declarations

Although there is no legal requirement in EU law for a national declaration by a Member State on the management and control of the funds it receives from the EU, some Member States draw up such a declaration on a voluntary basis.

For financial year 2014 (16 October 2013 – 15 October 2014), the Netherlands provided such a declaration which was made available to the Commission by the Dutch Minister of Finance on 9 March 2015. The declaration states, in respect of the EAGF and the EAFRD, that the Dutch management and control systems provide reasonable assurance on the legality and regularity of expenditure and revenue and the eligibility of the aid applications concerned; that the expenditure and revenue declared and included in the consolidation statement are legal, regular, correct and complete up to the level of the final beneficiaries and that pending claims on behalf of these Funds as included in the consolidation statement are legal, regular, correct and complete.

Functioning of the Paying Agencies

2.4 Assessment of the Paying Agencies' control statistics by the Certification Bodies

2.4.1 Opinion on the quality of the on-the-spot checks

The Certification Bodies are required to give an opinion on the quality of the on-the-spot checks carried out by the Paying Agencies by assessing them against a scale of 1 to 5 for the following 4 populations: EAGF-IACS, EAGF-non-IACS, EAFRD-IACS and EAFRD-non-IACS. In this context, for each population, they should review the plans for the on-the-spot checks, instructions and manuals, human resources, the competencies and training of controllers, the methodology and equipment used, the agreements with delegated bodies, the monitoring and supervision system put in place by the Paying Agency, the adequacy of the inspection reports and the application of reductions and sanctions. Furthermore, for a sample of at least 10 inspections for each population the quality of the on-the-spot checks has to be checked either through re-performance or by accompanied inspections.

An analysis of the audit reports received shows that in all these cases, the Certification Bodies carried out the system review. Regarding the substantive work and evaluation of the quality of the on-the-spot checks as such, the situation is as follows:

Opinion of Certification Bodies on the quality of on-the-spot checks				
Population	Financial year 2014		Financial year 2013	
	Work done *	Positive conclusion**	Work done *	Positive conclusion
EAGF-IACS	97%	100%	100 %	100 %
EAGF-Non-IACS	90%	97%	84 %	97 %
EAFRD-IACS	92%	98%	97 %	98 %
EAFRD-Non-IACS	98%	98%	96 %	97 %

Table: Annex 10 -2.3

* includes only Paying Agencies for which the Certification Body performed the required level of check, i.e. at least 10 re-performance of on-the-spot controls. It also excludes the Paying Agencies that performed the work in the context of the reinforcement of assurance. – see point 2.4.3.

** includes only those Paying Agencies where the Certification Body assessed the internal control as at least adequate, i.e. a score of at least "3"

2.4.2 Opinion on the accuracy of the control statistics

The Certification Bodies are requested to verify and validate the Member States' control statistics for EAGF expenditure covered by the IACS and for EAFRD expenditure. In particular, they should reconcile the information provided by the Paying Agencies to the underlying information in the databases and records as regards the number of aid applications and the total area declared, the number of applications and the total area covered by checks and the results of the checks carried out, including the reductions and exclusions applied. Moreover, in order to test the databases and records, they should reconcile on a sample basis at least 20 field inspection reports to the information entered into the databases and records. An analysis of the certification reports received shows that:

Functioning of the Paying Agencies

Opinion of Certification Bodies on the accuracy of control statistics				
	Financial year 2014		Financial year 2013	
	Work done*	Positive conclusions**	Work done	Positive conclusions
Population				
EAGF-IACS-areas	95%	100%	97 %	98 %
EAFRD	97%	88%	95 %	91 %

Table: Annex 10 -2.4

* includes only Paying Agencies for which the Certification Body performed the required level of checks. It also excludes the Paying Agencies that performed the work in the context of the reinforcement of assurance. –

** includes only Paying Agencies that reconciled on a sample basis 20 field inspection reports to the information entered into the databases and records.

There are 10 Paying Agencies that pay more than EUR 1 billion in EAGF funds and account for 54% of EAGF expenditure as a whole (IACS/Non IACS), i.e.: FR19 (ASP), PL01 (ARMA), IT01 (AGEA), GR01 (OPEKEPE), GB09 (RPA), ES01 (Andalucía), IE01 (DAF), HU01 (ARDA), DE04 (Bayern SMLF), RO02 (PIAA).

For these 10 Paying Agencies, on the basis of the reports received, the Certification Body confirmed the control statistics for EAGF area aids and (where applicable) for EAGF animal premia.

2.4.3 Conclusion on the opinions of the Certification Bodies as regards the control statistics

For the statistical information to be useful, DG AGRI is dependent on the Certification Bodies reporting the results in a timely manner. In this respect it is recalled that for financial year 2014, the EAFRD control statistics of 1 Paying Agency are missing (see point 2.3 above).

From the above tables it can be seen that compared to previous year there is a slight shift in coverage in terms of work done by the Certification Bodies. As regards the opinion of the Certification Bodies on the accuracy of the control statistics, for EAGF there is an increased number of cases where the Certification Body concludes positively on the statistics. For EAFRD, however, the situation has slightly deteriorated.

Functioning of the Paying Agencies

2.5 Overview of management declaration and opinions of the Certification Bodies

MS	Paying Agency	Management Declaration				Opinion of Certification Body		
		Qualified / Unqualified?		No. of reser.	Quant. given?	Qualified / Unqualified?		Reasons for qualification(s)
		EAGF	EAFRD			EAGF	EAFRD	
AT	AMA	Unqualified	Unqualified			Unqualified	Unqualified	
AT	Zollamt Salzburg	Unqualified	N/A			Unqualified	N/A	
BE	BIRB	Unqualified	N/A			Unqualified	N/A	
BE	ALV	Unqualified	Unqualified			Unqualified	Unqualified	
BE	Rég. Wallonne	Unqualified	Unqualified			Unqualified	Qualified	
BG	State Fund Agriculture	Unqualified	Unqualified			Unqualified	Qualified	Limitation of scope and material error in the EAFRD non-IACS population
CY	CAPO	Unqualified	Unqualified			Unqualified	Unqualified	
CZ	SAIF	Unqualified	Unqualified			Unqualified	Unqualified	
DE	BLE	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Hamburg-Jonas	Unqualified	N/A			Unqualified	N/A	
DE	Baden-Württemberg	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Bayern StMLF	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Brandenburg MLUV	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Hamburg	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Mecklenburg-Vorpom.	Unqualified	Unqualified			Not received		
DE	Niedersachsen	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Nordrhein-Westfalen	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Rheinland-Pfalz	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Saarland AAL	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Sachsen	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Sachsen-Anhalt	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Schleswig-Holstein	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Thüringen	Unqualified	Unqualified			Unqualified	Unqualified	
DE	Hessen	Unqualified	Unqualified			Unqualified	Unqualified	
DK	DAFA	Unqualified	Unqualified			Unqualified	Unqualified	
EE	PRIA	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Andalucía	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Aragón	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Asturias	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Islas Baleares	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Islas Canarias	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Cantabria	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Castilla La Mancha	Unqualified	Unqualified			Qualified	Unqualified	Material error in the EAGF non-IACS population
ES	Castilla y León	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Cataluña	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Extremadura	Unqualified	Unqualified			Unqualified	Qualified	Material error in the EAFRD non-IACS population
ES	Galicia	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Madrid	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Murcia	Unqualified	Unqualified			Unqualified	Unqualified	
ES	Navarra	Unqualified	Unqualified			Unqualified	Unqualified	
ES	País Vasco	Unqualified	Unqualified			Unqualified	Unqualified	
ES	La Rioja	Unqualified	Unqualified			Unqualified	Unqualified	
ES	C. Valenciana	Unqualified	Unqualified			Unqualified	Unqualified	
ES	FEGA	Unqualified	Unqualified			Unqualified	Unqualified	
FI	MAVI	Unqualified	Unqualified			Unqualified	Unqualified	

Functioning of the Paying Agencies

MS	Paying Agency	Management Declaration				Opinion of Certification Body		
		Qualified / Unqualified?		No. of reser.	Quant. given?	Qualified / Unqualified?		Reasons for qualification(s)
		EAGF	EAFRD			EAGF	EAFRD	
FR	ODEADOM	Unqualified	N/A			Unqualified	N/A	
FR	ODARC	N/A	Unqualified			N/A	Unqualified	
FR	ASP	Unqualified	Unqualified			Unqualified	Unqualified	
FR	FR20 - FranceAgriMer	Unqualified	N/A			Unqualified	N/A	
GB	DARD	Unqualified	Unqualified			Unqualified	Unqualified	
GB	SGRPID	Unqualified	Unqualified			Unqualified	Unqualified	
GB	WAG	Unqualified	Unqualified			Unqualified	Unqualified	
GB	RPA	Unqualified	Unqualified			Unqualified	Unqualified	
GR	OPEKEPE	Qualified	Qualified	1	EUR 15 m	Qualified	Qualified	Material Error in both funds
HR	PAAFRD	Unqualified	N/A			Unqualified	N/A	
HU	ARDA	Unqualified	Unqualified			Unqualified	Unqualified	
IE	DAFM	Unqualified	Unqualified			Unqualified	Unqualified	
IT	AGEA	Unqualified	Unqualified			Unqualified	Unqualified	
IT	SAISA	Unqualified	N/A			Unqualified	N/A	
IT	ENR	Unqualified	N/A			Unqualified	N/A	
IT	Veneto (AVEPA)	Unqualified	Unqualified			Unqualified	Unqualified	
IT	Toscana (ARTEA)	Unqualified	Unqualified			Unqualified	Unqualified	
IT	Emilia-Rom. (AGREA)	Unqualified	Unqualified			Unqualified	Unqualified	
IT	ARPEA	Unqualified	Unqualified			Unqualified	Unqualified	
IT	OPR Lombardia	Unqualified	Unqualified			Unqualified	Unqualified	
IT	OPPAB	Unqualified	Unqualified			Unqualified	Unqualified	
IT	APPAG	Unqualified	Unqualified			Unqualified	Unqualified	
IT	ARCEA	Unqualified	Unqualified			Unqualified	Unqualified	
LT	NMA	Unqualified	Unqualified			Unqualified	Unqualified	
LU	Min. Agric.	Unqualified	Unqualified			Unqualified	Unqualified	
LV	RSS	Unqualified	Unqualified			Unqualified	Unqualified	
MT	MRRA PA	Unqualified	Unqualified			Unqualified	Unqualified	
NL	DLG	Unqualified	Unqualified			Unqualified	Unqualified	
PL	ARMA	Unqualified	Unqualified			Unqualified	Unqualified	
PL	AMA	Unqualified	N/A			Unqualified	N/A	
PT	IFAP	Unqualified	Unqualified			Unqualified	Unqualified	
RO	PARDF	N/A	Unqualified			N/A	Qualified	Material Error in both populations
RO	PIAA	Unqualified	N/A			Qualified	N/A	Material Error in both populations
SE	SJV	Unqualified	Unqualified			Unqualified	Unqualified	
SI	AAMRD	Unqualified	Unqualified			Unqualified	Unqualified	
SK	APA	Unqualified	Unqualified			Unqualified	Unqualified	

Functioning of the Paying Agencies

2.6 Background to accreditation under EAGF/EARFD - summary of finding regarding Paying Agencies under probation or limited accreditation or for which serious deficiencies have been revealed

2.6.1 OPEKEPE (Greece) – limited accreditation

Problems identified:

Following the audit mission carried out in November 2009, the accreditation for EAFRD was limited to the rural development measures for which a proper structure, control system and procedures had been put in place on 30/11/2009. For EAGF there is full accreditation.

State of play of actions taken:

The decisions by the Greek Competent Authorities dated 03/5/2010, 12/10/2010 and 19/04/2011 added further accredited measures, which still did not cover all measures in the Rural Development Plan. No further measures have been accredited since April 2011.

The accreditation audit mission carried out in November 2011 did not reveal any serious weaknesses as regards already accredited measures. The Greek authorities indicated that they would revise their Rural Development Programme and that they would not accredit/activate further measures.

Areas of concern (serious delays or outstanding deficiencies):

Accreditation of a significant number of measures was not yet granted.

An audit mission to the Paying Agency took place in September 2014 to review the extent of compliance by OPEKEPE with the accreditation criteria. Given the material level of error reported by the Certification Body for FY2013, and the inconsistent application of the reporting guidelines by the Certification Body, the scope of the mission was changed to review the work of the Certification Body and its review of compliance with the accreditation criteria. Overall, the work of the Certification Body can be relied on to vouch for compliance with the accreditation criteria although some recommendations were made to ensure the review was complete.

2.6.2 ODARC (Corsica-France) - Probation

Problems identified:

The certification report for financial year 2011 for the Corsican Paying Agency, ODARC, indicated significant weaknesses in its administrative controls and organization. A significant number of accreditation criteria were considered non-compliant.

One of the main concerns was the insufficient functionalities of the IT systems, OSIRIS and ISIS, the IT systems of ASP (France). As ODARC did not have sufficient access rights, it was unable to perform adequate administrative checks of aid claims. The problems with regard to dependence on external IT tools were already identified in the previous certification exercises and the situation had only worsened, as confirmed by the tests of the Certification Body. The latter therefore recommended that the Paying Agency be provided with the required tools to be able to fulfil its functions. This resulted in the preparation of an action plan by the Competent Authority in late October 2011.

Another issue related to the dependence of ODARC for its daily operational management on the managing authority and local authorities.

Having regard to the above, DG AGRI requested the Competent Authority to put the accreditation of the Paying Agency on probation.

Functioning of the Paying Agencies

State of play of actions taken:

The accreditation of the ODARC was put on probation for 12 months as from 01/06/2012 and a corresponding remedial action plan was drawn up. This is the second time that ODARC has been placed under probation since its accreditation in 2007, (originally on 31/03/2009).

On the basis of the Certification Body report for Financial Year 2013, two points of the action plan remain to be fully implemented. This did not, however, prevent the French Competent Authority from restoring full accreditation to ODARC.

Planning of future actions:

An audit mission to the PA in May 2014 confirmed that the Paying Agency had undertaken the necessary remedial actions to comply with the accreditation criteria. Consequently, the French Competent Authority acted correctly in restoring full accreditation to ODARC.

2.6.3 PAAFRD (Croatia) – Provisional accreditation

Problems identified:

PAAFRD was granted provisional accreditation for a period of 12 months, covering EAGF direct payments on 27/12/2012. On 01/07/2013, accreditation was granted for certain market measures. At the beginning of the financial year (16/10/2013), PAAFRD still only had provisional accreditation for the EAGF. There was no accreditation for the use of EAFRD resources at the beginning of the financial year.

Recent developments:

On 20/12/2013, Croatia granted PAAFRD full accreditation for all EAGF measures. A decision on the provisional accreditation of the Paying Agency for the utilisation of resources of the EAFRD was adopted on 01/10/2014. However, as the EAFRD programme for Croatia had not been adopted by 15/10/2014, no expenditure was declared for this Paying Agency for FY2014.

Planning of future actions:

An audit mission in January 2014 to PAAFRD confirmed compliance with the accreditation criteria insofar as EAGF is concerned. Compliance with the accreditation criteria for the EAFRD will be monitored through the Certification Body reports for financial years 2015 and 2016.

2.6.4 AGEA – (Italy)

Problems identified:

In April 2014, OLAF made available a report, on AGEA dealing with debts and debt management. This report also included a number of allegations related to the irregular claiming of aid for the use of public land and of deceased claimants and raised doubts about the continued accreditation of the Paying Agency. As a consequence of this report, the competent authority placed the Paying Agency under probation on 25 April 2014, pending the conclusion of a remedial plan aimed at rectifying the situation.

Recent developments:

Three missions took place to AGEA. Overall it was concluded that debt management was very poor and that the accumulation of debts was due to negligence on the part of the Italian authorities. Insofar as the allegations concerning the claiming of land related to dead people or unauthorised use of public land, the audit work performed allowed to conclude that the controls in place appear to protect the financial interest of the Union. However, a full-scale review of the computer system, which would allow to identify potential other severe problems has not been performed. The mission also identified a significant accreditation weakness concerning delegated duties.

Functioning of the Paying Agencies

The Italian authorities have been recommended to carry out such a review, In addition, the Paying Agency has developed its own, and more comprehensive action plan to mitigate all the weaknesses and problems identified.

Planning of future actions:

On completion of the action plan, a mission will be planned to review compliance with accreditation.

2.6.5 PIAA and RIFA (Romania)

Problems identified:

The financial clearance exercise for financial year 2013, resulted in accounts of the two Romanian Paying Agencies being disjoined. The reason was, as in previous years, material error in the testing of all populations. As a consequence, DG AGRI recommended that the Romanian authorities place the two Paying Agencies under probation, pending the elaborations and successful implementation of an action plan to remedy all weaknesses that gave rise to this persistent material error.

Recent developments:

The Romanian authorities do not consider it necessary to place the Paying Agencies under probation.

Planning of future actions:

A mission to Romania will be planned to review accreditation in view of the Certification Body's qualified opinion for financial year 2014.

2.6.6 Andalucía (Spain)

Problems identified:

The financial clearance exercise for FY2013, led to the disjoining of the EAFRD accounts of this Paying Agency for the third consecutive year. As it considered that the Paying Agency had not taken sufficient action to improve the situation, DG AGRI recommended the Competent Authority to place the Paying Agency under probation. As a consequence, on 1 July 2014, the Competent Authority placed the Paying Agency under probation insofar as EAFRD is concerned, and instructed it to elaborate an action plan to remedy the management deficiencies affecting the EAFRD non-IACS measures. The implementation of this action plan was to be reviewed and monitored by the Certification Body

Recent developments:

An audit was conducted in this Paying Agency where it was concluded that weaknesses continued to exist in the management of various EAFRD measures. The resulting letter of findings will consider the exclusion from EU funding of (part of) the expenditure for the measures 125, 223, 226, 227, 411, 412, 413, 431.

Planning of future actions:

The implementation of the action plan will be monitored through the review of the annual reports of the Certification Body and the follow up on the three ongoing enquiries.

Control Results and the DG AGRI Assessment thereon

Control results at the level of the final beneficiaries, the assessment thereon by the Certification Bodies and the overall appreciation of the Commission on their reliability taking into account all available information

Annex 10 - part 3 presents DG AGRI's process to calculate an adjusted error rate and the amounts at risk to the EU budget from the starting point of the control data sent by the Member States and taking into account all other available relevant information.

This part of the Annex is split into three separate sections to deal with the three distinct AAB activities:

Part 3.1: ABB02: Market Measures

Part 3.2: ABB03: Direct Payments

Part 3.3: ABB04: Rural Development

Part 3.1 ABB02 – Market Measures

Index for part 3.1 – ABB02: Market Measures

3.1.1	Introduction
3.1.2	ABB02 Expenditure
3.1.3	What assurance does the Director General have regarding the expenditure under ABB02 – Market Measures?
3.1.4	Fruit & Vegetable Sector
3.1.5	Wine sector
3.1.6	Posei & Aegean Islands
3.1.7	Export Refunds
3.1.8	School Milk Scheme
3.1.9	Conclusions for ABB02
3.1.10	Root causes of the error rate in market measures – is DG AGRI doing anything?

3.1.1 Introduction

This ABB activity deals with the traditional CAP, with measures many of which were put in place to provide a safety net for producers and support markets. Since the beginning of the CAP, price support was the main instrument for ensuring market stability and a reasonable income to farmers. Price support or "intervention" was based on institutional prices set for agricultural products which guaranteed a fixed price to farmers for their products. In today's CAP, market instruments are instead used to provide targeted, market safety nets. Intervention prices are set at levels that ensure they are used only in times of real price crisis and when there is a risk of market disruption.

3.1.2 ABB02 Expenditure

Before 1992, more than 90% of all EU agricultural expenditure went to market support including export subsidies; in 2009, that figure was down to 10% of the CAP budget and by the end of 2014 it stood at 4.5% of the CAP budget (down from 5.5% in 2013).

The following chapter sets out the elements which DG AGRI uses in order to give assurance on expenditure reimbursed to Member States in 2014.

The overall expenditure in shared management with the Member States is 2 477 179 051 EUR while a further 933 725 EUR relates to in direct expenditure by DG AGRI for promotion measures.

The total expenditure in 2014 amounts to 2 478 172 776 EUR.

The following table sets out the shared management expenditure reimbursed by DG AGRI in 2014 for the various market sectors:

Market Measures - Control results and the DG AGRI assessment thereon

Budget Item	Sector	EUR
050201	Cereals	2.458.300
050202	Rice	6.484
050203	Non-annex I products	128.875
050204	Food Aid	-7.238.760
050205	Sugar	457.334
050206	Olive Oil	43.030.679
050207	Textile Plants	6.273.976
050208	Fruit and Vegetables	1.010.527.746
050209	Wine	1.022.390.321
050210	Promotion	53.233.953
050211	Other plant products and POSEI	240.754.941
050212	Milk and Milk Products	71.789.375
050213	Beef and Veal	444.143
050215	Pigmeat, eggs, poultry & apiculture	32.921.682
ABB02 shared management		2.477.179.051
ABB02 direct management		993.725
Total ABB02		2.478.172.776

Table Annex 10 - 3.1.1

3.1.3 What assurance does the Director General have regarding the expenditure under ABB02 – Market Measures?

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. ABB02 is characterised by a number of very diverse measures some of which incur very limited expenditure and some of which are applicable in a limited number of Member States only. The various market measures are completely different from each other with their own distinct control systems. In particular, control statistics only exist for around 75% of expenditure. There is not enough data of a sufficiently broad, comprehensive and representative nature to allow the calculation of a meaningful adjusted error rate at individual Paying Agency or Member State level. DG AGRI therefore deviates from the methodology used for ABB03 and ABB04 as set out in its Materiality Criteria at Annex 4 of this report. Where statistics exist, an adjusted error rate has been calculated for the measure concerned. It does intend however to adhere as closely as possible to the principles set out in that Annex and to diverge only where technically necessary.

The approach taken by DG AGRI, therefore, was to examine the situation for the largest spending measures in particular and for any measure for which it had statistical data. A qualitative approach was taken on a measure by measure basis for the main expenditure items (annual spending above 100 m EUR). This approach was differentiated depending on the information available for each scheme.

- (i) Where statistics existed, along with a meaningful extent of other audit opinions (from Certification Bodies, DG AGRI audits, ECA assessment) an adjusted error rate was estimated at scheme level.
- (ii) Where this was not possible the approach taken examined the control environment for each scheme, reported on DG AGRI's audit response over the preceding years as well as any other audit evidence, notably from ECA and from the Certification Bodies. The professional audit judgement of the DG AGRI auditors was sought, on a measure by measure basis, as to the assurance that could be given to the Director General as well as to give an assessment of the maximum amount of the expenditure which might be at risk.
- (iii) For those measures for which there was neither statistical nor audit information available, the average adjusted error rate resulting from the examination at points (i) and (ii) was extrapolated in order to assess the risk. For 2014, this was necessary in respect of around 6% of expenditure for the ABB.

Market Measures - Control results and the DG AGRI assessment thereon

This approach has resulted in a clear conclusion being drawn for each of the measures concerned on the effectiveness of each system in preventing, detecting and correcting errors as well as on the amount of expenditure considered to be at risk at measure level and at ABB level.

For the 0.993 m EUR under direct management (promotion measures), DG AGRI assesses the amount at risk as zero. This is taken into account in the overall assessment for ABB in paragraph 3.1.9 (Conclusions for ABB02)

3.1.4 Fruit and Vegetable Sector

The EU funding for the fruit and vegetable sector is targeted at measures to structure the market. Growers are encouraged to join **producer organisations** (POs) in order to strengthen the position of producers in the market. POs receive support for implementing **operational programmes**, based on a national strategy. They are the principle operators in the fruit and vegetables regime.

The EU fruit and vegetable regime supports operational programmes implemented by recognised **producer organisations** (POs), by making a funding contribution to the programmes' operational funds. National authorities "recognise" groups of producers that meet the requirements of PO status. A recognised PO may set up an operational fund to finance its operational programme (the latter must be approved by the national authorities). This fund is financed by the financial contribution of members (or the producer organisation itself) and the EU financial assistance.

In certain regions, transitional support is also given to encourage producers, who wish to acquire the status of recognised POs, to form **producer groups** (PGs), to cover administration costs and the investments needed to attain recognition as producer *organisations*. This funding may be partially reimbursed by the EU and it ceases once the PG is recognised as a PO.

The **school fruit scheme** is an EU-wide voluntary scheme which provides school children with fruit and vegetables, aiming thus to encourage good eating habits in young people. Besides providing fruit and vegetables to the children the scheme requires participating Member States to set up strategies including educational and awareness-raising initiatives.

Market Measures - Control results and the DG AGRI assessment thereon

Expenditure by Measure in 2014 - Fruit and Vegetables					
Member State	Operational programmes for producer organisations	Pre-recognition of producer groups	School Fruit Scheme	other	Total Fruit & Vegetables
AT	9.737.206		743.268		10.480.474
BE	49.594.617		1.268.835		50.863.452
BG		813.553	2.133.104		2.946.657
CY	836.291	16.416	48.264		900.971
CZ	2.222.968	242.080	4.003.226		6.468.274
DE	43.439.742		9.648.797		53.088.539
DK	4.266.517		1.154.755		5.421.271
EE			421.060		421.060
ES	180.335.209	8.238	2.917.293	17.741	183.278.481
FI	1.437.244				1.437.244
FR	119.786.969	18.341	1.378.235		121.183.545
GB	32.445.890				32.445.890
GR	10.140.732		1.837.700	-2.677	11.975.755
HR			917.677		917.677
HU	4.268.921	10.086.157	4.527.155		18.882.233
IE	4.789.182		367.984		5.157.166
IT	218.993.611		16.433.764	132	235.427.506
LT		169.829	1.600.684		1.770.512
LU			261.904		261.904
LV	492.030	1.734.457	802.449		3.028.935
MT			267.792		267.792
NL	27.342.165		1.825.869	57.547	29.225.581
PL	888.449	193.278.393	13.129.362		207.296.203
PT	7.943.928		1.059.676	213	9.003.817
RO	642.043	5.899.108	4.448.584		10.989.735
SE	4.143.602				4.143.602
SI			625.447		625.447
SK	697.344	40.928	1.879.750		2.618.021
Total	724.444.660	212.307.497	73.702.632	72.957	1.010.527.746

Table: Annex 10 - 3.1.2

3.1.4.1 Operational programmes of producer organisations

In 2014, the expenditure under this measure amounted to 724.44 m EUR.

Article 97(b) of Commission Regulation (EU) No 543/2011 obliges Member States to submit to the Commission by 15 November of each year an annual report on the implementation of financial accounting controls and other checks on producer organisations' operational programmes.

DG AGRI audits on operational programmes of producer organisations carried out between 2012 and 2014 identified both recognition criteria issues and control deficiencies for a number of Member States (AT, DK, ES, IT, PL, PT, RO). The auditors consider that the error rates reported by some of these Member States do not fully reflect the irregular spending and thus it has (in line with the principles set out in step 3 of DG AGRI's materiality criteria – see Annex 4 to this AAR) adjusted the error rates concerned. In the first place it must be noted that this measure is subject to a very high degree of scrutiny by the national authorities. Every producer organisation has to be checked on-the-spot at least once every three years in order to verify respect of recognition criteria as well as the correct implementation of the operational programme.

The statistical reports received concern operational programme expenditure incurred in financial year 2014 in respect of operational year 2013. The level of error detected by the Member States was 2.6% with rates above 2% reported by a number of Member States. However, due to the 100% control coverage in several of these Member States, there is no error remaining in the uncontrolled population for those Member States on the basis of their "reported" error rates.

Market Measures - Control results and the DG AGRI assessment thereon

In order to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available data in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported. This resulted in adjustments being made to the error rates reported for GB, NL, PT and RO as summarised in the following table. A 10% top-up was also made with regard to AT but as the Austrian Certification Body has reported the "known error" for the same elements and this results in a greater amount at risk than the DG AGRI top-up, the latter is retained :

Fruit and Vegetables - Operational Programmes for Producer Organisations								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid for OPs in 2014 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	9.737.206	100,00%	2,4%	1.235.275	0	1.235.275	12,7%	1.235.275
BE	49.594.617	40,44%	0,3%		94.366	0	0,2%	94.366
CY	836.291	100,00%	1,0%		0	0	0,0%	0
CZ	2.222.968	100,00%	0,2%		0	0	0,0%	0
DE	43.439.742	87,70%	0,2%		8.677	0	0,0%	8.677
DK	4.266.517	40,06%	25,8%		658.630	0	15,4%	658.630
ES	180.335.209	52,32%	3,3%		2.875.858	0	1,6%	2.875.858
FI	1.437.244	45,01%	0,1%		637	0	0,0%	637
FR	119.786.969	39,27%	1,3%		932.769	0	0,8%	932.769
GB	32.445.890	100,00%	0,2%	10%	0	3.244.589	10,0%	3.244.589
GR	10.140.732	100,00%	2,3%		0	0	0,0%	0
HU	4.268.921	100,00%	4,5%		0	0	0,0%	0
IE	4.789.182	100,00%	17,6%		0	0	0,0%	0
IT	218.993.611	85,24%	0,4%		129.136	0	0,1%	129.136
LV	492.030	100,00%	1,0%		0	0	0,0%	0
NL	27.342.165	36,10%	1,9%	10%	325.121	2.734.217	11,2%	3.059.338
PL	888.449	100,00%	0,0%		0	0	0,0%	0
PT	7.943.928	36,68%	2,9%	10%	144.894	794.393	11,8%	939.286
RO	642.043	100,00%	7,9%	10%	-0	64.204	10,0%	64.204
SE	4.143.602	77,86%	3,1%		28.315	0	0,7%	28.315
SK	697.344	100,00%	0,0%		0	0	0,0%	0
TOTAL	724.444.660	67,90%	2,6%		5.198.402	8.072.678	1,8%	13.271.080

Table: Annex 10 - 3.1.3

Market Measures - Control results and the DG AGRI assessment thereon

The following summary sets out for all cases for the **Operational Programmes for Producer Organisations** where the adjusted error rate is above 2%, the reasons which led to DG AGRI making top-ups to the reported error rates. In each case it is assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
AT	12.7%	1.235 m €	The Austrian Certification Body has reported "known error" of 1.235 m EUR. This corroborates the DG AGRI audit findings (that the control system was ineffective as regards the assessment of eligibility recognition, checks on value of marketable production and on operational programmes) which led to a top-up of 10%. The error reported by the Certification Body is retained as it results in the greater amount at risk.	Yes	AT is currently implementing an action plan (launched in 2014) to review the recognition of POs. This action plan will be monitored by DG AGRI. All ineligible expenditure will be recovered via the on-going conformity clearance procedure.
DK	15.4%	0.66 m €	DK detected a very high error rate of 25.8% in the control carried out. As 40% of the expenditure was checked the error in the uncontrolled population is calculated at 15.4%. No further top-up was considered necessary by DG AGRI.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied.
GB	10%	3.245 m €	The UK authorities had not taken the necessary action to detect and correct deficiencies as identified by DG AGRI's audit in 2011 and a 10% top-up to the error rate was made in 2013. The UK action plan has not yet been completed and, therefore, the expenditure for 2014 remains at risk of undue expenditure and the top-up of 10% is repeated. It is noted that, as GB checked 100% of payment claims, there is no residual error resulting from their own error rate of 2.4%.	Yes	The reservation is maintained. UK is currently implementing an action plan to review the recognition and to recover undue expenditure. The conformity clearance procedure will ensure that the financial risk to the EU Budget is covered.
NL	11.2%	3.06 m €	In its 2013 AAR, DG AGRI considered the reported error rate did not reflect the full extent of deficiencies as detected in its audits. A top up of 10% was applied, a reservation was made and a remedial action plan required. For 2014, deficiencies remain and therefore a 10% top up is also applied.	Yes	The reservation is maintained. NL is currently implementing an action plan to review the recognition and to recover undue expenditure. The conformity clearance procedure will ensure that the financial risk to the EU Budget is covered.
PT	11.8%	0.94 m €	For Portugal the DG AGRI auditors have topped up the Member State's 2.88% reported error rate by a further 10 % as a 2014 audit found that the checks on recognition performed by the regional offices are deficient.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied. The conformity clearance procedure will ensure that the financial risk to the EU Budget is covered.
RO	10%	0.064 m€	For RO, system control weaknesses have been found during the 2014 DG AGRI audit and a 10% top-up is considered to be sufficient to assess the extent of the undetected errors. It is noted that, as RO checked 100% of payment claims, there is no residual error resulting from their own error rate of 2.4%.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied. The conformity clearance procedure will ensure that the financial risk to the EU Budget is covered.

Market Measures - Control results and the DG AGRI assessment thereon

3.1.4.2 Pre-recognition of producer groups

In 2014 the expenditure under this measure amounted to 212.1 million EUR

Article 97(b) of Commission Regulation (EU) No 543/2011 obliges Member States to submit to the Commission, by 15 November of each year an annual report on the implementation of financial accounting controls and other checks on producer groups' recognition plans in the preceding year.

The overall error rate calculated on the basis of the Member States' statistics was 2.4%, with CY the only Member State reporting a material error rate (4%). However, due to the 100% control rates in CY there is no residual error for this Member State and therefore no need to consider a reservation.

DG AGRI audits on operational programmes of producer groups carried out between 2013 and 2014 identified serious control deficiencies for PL and RO.

Poland is by far the highest spending Member State under this measure and represents 91% of expenditure in 2014. Spending under the measure rose in previous years as producers in Poland applied for and went through the process of being recognised as producer organisations but is now decreasing as Poland completes the recognition process. Romania, is the third highest spending Member State under the measure in 2014 and represents 2.8% of the expenditure.

In order to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available information in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported. This resulted in adjustments being made to the error rates reported as summarised in the following table:

Fruit and Vegetables - Prerecognition of Producer Groups								
Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid Paid EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + (g)
BG	813.553	100,00%	0,51%		0		0,00%	
CY	16.416	100,00%	4,00%		0		0,00%	
CZ	242.080	100,00%	0,00%		0		0,00%	
ES	8.238							
FR	18.341	36,62%	0,42%		49		0,27%	
HU	10.086.157	100,00%	0,67%		0		0,00%	
LT	169.829							
LV	1.734.457	100,00%	0,00%		0		0,00%	
PL	193.278.393	84,98%	1,63%	25%	473.575	48.319.598	25,25%	48.793.173
RO	5.899.108	100,00%	1,82%	25%	0	1.474.777	25,00%	1.474.777
SK	40.928	100,00%	0,00%		0		0,00%	
TOTAL	212.307.497	80,18%	2,40%		473.624	49.794.375	23,68%	50.267.950

Table: Annex 10-3.1.4

It is noted that for ES and LT, there was no aid claimed in 2014 and therefore no controls carried out and control data submitted. However residual amounts from the previous claim year were paid and declared in the annual declaration.

Market Measures - Control results and the DG AGRI assessment thereon

The following summary sets out for the cases for **Pre-recognition of Producer Groups** where the adjusted error rate is above the 2% materiality threshold, the reasons which led to DG AGRI making top-ups to the reported error rates. In each case it is assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
PL	25.25%	48.8 m €	A DG AGRI audit in 2013 revealed structural deficiencies in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However as there were problems with the approval procedure the entitlement to aid is called into question. In its 2013 Annual report, the European Court of Auditors, has concluded on significant structural deficiencies in the approval procedures for recognition plans of producer groups in Poland, leading it to assess the control systems in Poland for this policy area as not effective. DG AGRI's preliminary assessment is that 25% of the expenditure is at stake.	Yes	The 2013 reservation is maintained. Poland is currently implementing an action plan which will be closely monitored by DG AGRI during 2015. The financial risk to the EU Budget is covered via the the conformity clearance procedure which will claw back very substantial amounts of unduly spent EU monies in order to ensure that the EU budget is fully protected.
RO	25%	1.47 m €	A DG AGRI audit in 2014 revealed structural deficiencies in Romania in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However as there were problems with the approval procedure the entitlement to aid is called into question. DG AGRI's preliminary assessment is that 25% of the expenditure is at stake.	Yes	A reservation is entered in respect of 2014 expenditure. RO authorities will be required to draw up and implement a remedial action plan. The financial risk to the EU Budget is covered via the the conformity clearance procedure. The

3.1.4.3 School Fruit scheme

In 2014, the expenditure under this scheme (i.e. for school year 2013/2014) amounted to 73.703 m EUR.

Article 15(1) of Regulation (EC) No 288/2009 requires Member States to report on the School Fruit Scheme. Member States' statistical data show that on-the-spot checks were conducted on 55% of aid distributed for the 2013/2014 school year resulting in errors of 2.88 %. While IT (6,65 %) and NL (30,75 %) reported high error rates, they both also had very high control rates (98% and 99% respectively and thus the remaining risk to the EU budget for the uncontrolled population is negligible. The error resulting from Austrian control statistics was 2.42% with only 4.24% of expenditure checked on the spot²⁵. The resulting error rate in the uncontrolled expenditure is 2.32%.

²⁵ DG AGRI will ask the Austrian authorities to explain the low control rate.

Market Measures - Control results and the DG AGRI assessment thereon

Fruit and Vegetables -School Fruit Scheme Calculation of Adjusted Error Rate and Amount at Risk						
Member State	Aid Paid EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	adjusted error rate
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (f)/(b)
AT	743.268	4,24%	2,42%		17.210	2,32%
BE	1.268.835	6,44%	1,00%		11.877	0,94%
BG	2.133.104	32,34%	0,08%		1.193	0,06%
CY	48.264	18,74%	0,00%		0	0,00%
CZ	4.003.226	95,21%	0,00%		0	0,00%
DE	9.648.797	23,41%	0,10%		7.429	0,08%
DK	1.154.755	8,29%	4,70%		49.742	4,31%
EE	421.060	11,89%	0,74%		2.741	0,65%
ES	2.917.293	85,60%	0,02%		98	0,00%
FI		0,00%	0,00%		0	
FR	1.378.235	35,32%	0,97%		8.658	0,63%
GB		0,00%	0,00%		0	
GR	1.837.700	6,99%	0,00%		0	0,00%
HR	917.677	75,00%	0,00%		0	0,00%
HU	4.527.155	17,88%	0,00%		0	0,00%
IE	367.984	48,81%	0,00%		0	0,00%
IT	16.433.764	98,32%	6,77%		18.713	0,11%
LT	1.600.684	33,43%	0,00%		0	0,00%
LU	261.904	99,81%	0,00%		0	0,00%
LV	802.449	6,77%	0,00%		0	0,00%
MT	267.792	100,00%	0,00%		0	0,00%
NL	1.825.869	99,24%	30,98%		4.280	0,23%
PL	13.129.362	14,64%	0,55%		61.112	0,47%
PT	1.059.676	6,21%	0,00%		0	0,00%
RO	4.448.584	99,24%	0,38%		128	0,00%
SE		0,00%	0,00%		0	
SL	625.447	5,82%	0,00%		0	0,00%
SK	1.879.750	40,17%	0,00%		0	0,00%
Total	73.702.632			0%	183.180,85	0,25%

Table: Annex 10-3.1.5

The following summary sets out, for the cases for the **School Fruit Scheme** where the adjusted error rate is above 2%, the assessment as to whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required.

Paying Agency	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
AT	2.32%	0.017 m €	No top-up – the error rate is that reported by the Member State	No	The amount at risk is below DG AGRI's materiality threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied.
DK	4.31%	0.050 m €	No top-up – the error rate is that reported by the Member State	No	The amount at risk is below DG AGRI's materiality threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied.

Market Measures - Control results and the DG AGRI assessment thereon

2013 reservations not carried over in the 2014 AAR in respect of the School Fruit Scheme:

MS	Adjusted error rate	Justification
IT	0.11%	A 25% top-up was made in 2013 AAR due to DG AGRI audit findings of deficiencies in public procurement procedures. Italy has remedied the deficiency in the public procurement procedure for the 2013/14 school years and the undue expenditure is covered by the on-going conformity clearance procedure.
NL	0.23%	A 90% top-up was made in 2013 AAR due to the findings of the NL Certification Body. The necessary financial deductions were already made in the 2013 financial clearance exercise. No new risks have been identified for 2014.

3.1.4.4 Conclusion for the Fruit and Vegetable sector

For the fruit and vegetables sector there are a number of Member States for which serious problems have been detected by the DG AGRI auditors in recent years. The errors which such deficiencies would produce were not indicated in the data on the results of control carried out and reported by those Member States. The DG AGRI auditors have therefore, used their professional audit judgment to propose adjustments to the error rates reported and thus enable a more realistic calculation of the amount at risk for the sector.

The table below summarises the data which is set out in detail above and indicates that reservations are required in respect of 5 Member States for a total amount of 57.8 million EUR. The total amount at risk in the 2014 expenditure is estimated at 63.7 m EUR.

Summary of reservations and amounts at risk for Fruit & Vegetable Sector					
Measure	Expenditure EUR	adjusted error rate	MS with reservation	amount under reservation EUR	total amount at risk EUR
Operational programmes for Producer Organisation	724.444.660	1,80%	AT	1.235.275	13.271.080
			UK	3.244.589	
			NL	3.059.338	
			Total OPPO	7.539.202	
Pre-Recognition of Producer Groups	212.307.497	23,78%	PL	48.793.173	50.267.999
			RO	1.474.777	
			Total PRPG	50.267.950	
School Fruit	73.702.632	0,25%			183.181
Other	72.957	0,00%			0
Total	1.010.527.746	6,31%		57.807.152	63.722.260

Table: Annex 10 - 3.1.6

The 2013 reservations for **operational programmes for producer organisations** for AT, UK and NL are carried over as the remedial action plans are still on-going.

The 2013 reservation for **pre-recognition of producer groups** is carried over for PL while a new reservation is entered for RO.

For the **school fruit scheme**, the NL and IT reservations are lifted and no new reservations are considered necessary.

It is emphasised however, that in the case of all of the amounts under reservation, conformity clearance procedures are underway and undue expenditure will be recovered from the Member States concerned.

Market Measures - Control results and the DG AGRI assessment thereon

3.1.5 Wine sector

In 2008, the Council introduced a reform of the common organisation of the market in wine aimed essentially at improving the competitiveness of EU wine producers and balancing supply and demand in the wine sector. The main financial instruments of this reform included a temporary grubbing-up scheme and the setting up of national support programmes: a specific budget made available for each Member State, which can choose the breakdown best adapted to its particular situation. The most significant measures, in financial terms, have been restructuring and conversion of vineyards; investments; promotion on third country markets; by-product distillation and harvest insurance.

A review of the EU legislation concerning the wine market also took place in 2013-2014, with Regulation (EC) No 1308/2013, which added new support measures to the existing ones. The existing measures now are: promotion; restructuring and conversion of vineyards; green harvesting; mutual funds; harvest insurance; investments; innovation in the wine sector and by-product distillation. Besides, the regulatory framework should be completed with the review of Regulation (EC) No 555/2008 scheduled for 2015-2016.

Expenditure by Measure in 2014 - Wine Sector								
EUR								
MS	Restructuring & conversion of vineyards	Green harvesting	Investment	Promotion	Distillation	Harvest Insurance	Other	Total
AT	2.604.781		1.751.494	2.830.530				7.186.806
BG	16.442.490			172.803				16.615.293
CY	2.767.960		1.065.919	7.266		188.979	93.400	4.123.524
CZ	4.073.070		1.032.056					5.105.127
DE	18.395.471		11.746.947	1.145.199		199.998		31.487.616
ES	112.534.414		9.368.687	39.441.146	30.409.862		-81.845	191.672.264
FR	101.818.562		106.138.644	43.701.332	28.886.354		6.497	280.551.389
GR	3.825.232			3.132.476				6.957.708
HR	581.981		599.421	90.239				1.271.642
HU	22.642.987		4.669.210	570.504	1.217.281			29.099.982
IT	158.241.142	887.911	51.062.432	72.073.508	11.027.925	30.181.715	2.982.285	326.456.918
PT	53.667.109			6.167.316	1.436.602	3.888.349		65.159.377
RO	47.081.713			362.474		253.321		47.697.508
SI	4.507.576			374.934				4.882.510
SK	3.431.022		561.529	8.071		122.037		4.122.658
Total	552.615.510	887.911	187.996.340	170.077.799	72.978.024	34.834.400	3.000.336	1.022.390.321

Table: Annex 10-3.1.7

3.1.5.1 Measures for which control statistics are available

Annual reporting is based on the annexes to Regulation (EC) No 555/2008, whereby Member States are required to report annually to the Commission no later than 1 December the results of controls conducted in the framework of the **restructuring and conversion** and grubbing up schemes. Statistics are also required for **green harvesting** (annex VIIIb of Regulation (EC) No 555/2008) – though only IT applied that measure in 2014. Altogether statistics are available in respect of 54% of wine sector expenditure. Statistics are not presently required in respect of the other measures within the national support programmes although DG AGRI is taking steps to rectify this situation.

3.1.5.1.1 Restructuring and conversion

In 2014 expenditure under this measure amounted to 552.6 m EUR.

Aid applications for restructuring and conversion in the wine sector are subject to 100 % on-the-spot checks before and after operations, and in all cases before the final payment. The controls, which aim at assessing the eligibility of parcels and operations, and at measuring the areas, are performed by means of both remote sensing and classical (on-the-spot) checks both prior and subsequent to restructuring operations. Control and error reporting received from all concerned Member States shows that the regulatory control requirements

Market Measures - Control results and the DG AGRI assessment thereon

have been respected, and that consequent to this control 5.69 % of claimed areas have been refused as ineligible (compared to 4.66 % for 2013 and 5.05 % for 2012). It should be noted that the percentage found in many cases is due to differences between the area measured during the on-the-spot checks prior to payment and the area declared by the applicant in his aid application, based on the information provided by the wine register.

DG AGRI has carried out 6 audits on the measure in 2013 and 2014 in AT, ES, FR, GR, IT and PT. The most significant issue detected (both by DG AGRI and the ECA) was that in some cases producers have been overcompensated with the use of flat rates. DG AGRI estimates this overcompensation at 10% in Spain. This does not reflect control weaknesses *per se* but rather an incorrect use of *maximum amounts as flat rate amounts* by the national authorities. The full extent of any overpayment has been identified and is covered by on-going conformity clearance procedures so that the risk to the EU budget is fully covered. For France, a 2014 audit found a number of deficiencies relating to selection, control and recovery procedures and proposed an adjustment to the error rate of 5%

The following table shows the results of the Member States' controls and the adjustments made by DG AGRI where the Member States' data was not considered to be completely reliable. It also quantifies the amounts at risk and calculates the adjusted error rate.

Wine - Restructuring and Reconversion of Vineyards Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Expenditure declared EUR	% of area controlled	reported error rate	DG AGRI top-up	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	2.604.781	100%	4,60%		0		0,0%	0
BG	16.442.490	100%	0,36%		0		0,0%	0
CY	2.767.960	100%	2,60%		0		0,0%	0
CZ	4.073.070	100%	6,41%		0		0,0%	0
DE	18.395.471	100%	3,62%		0		0,0%	0
ES	112.534.414	100%	6,92%	10,00%	0	11.253.441 555.280	10,5%	11.808.721
FR	101.818.562	100%	8,48%	5,00%	0	5.090.928	5,0%	5.090.928
GR	3.825.232	100%	0,00%		0		0,0%	0
HR	581.981	0%			0		0,0%	0
HU	22.642.987	100%	4,09%		0		0,0%	0
IT	158.241.142	100%	3,40%		0		0,0%	0
PT	53.667.109	100%	4,60%		0		0,0%	0
RO	47.081.713	100%	0,38%		0		0,0%	0
SI	4.507.576	100%	0,12%		0		0,0%	0
SK	3.431.022	100%	3,71%		0		0,0%	0
Total	552.615.510	100%	5,69%		0	16.899.649	3,1%	16.899.649,49

Table: Annex 10-3.1.8

The expenditure reported is a mix of advance payments (covered by a guarantee) and final payments. Once the restructuring operation has been finalised, the required on-the-spot checks are carried out before payment can be made (Article 9(1) of Regulation 555/08). On-the-spot checks are not carried out on advances paid which also appear under "expenditure declared". Therefore, column (c): "% of area controlled" in the above table only reflects the controls on final expenditure.

In the case of both ES and FR however, DG AGRI audits have revealed deficiencies which are not reflected in those Member States' statistics and therefore top-ups have been made to their respective error rates. Additionally, the Spanish Certification Body reported a known error of 555 280 EUR which has been added to the amount at risk.

Market Measures - Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
ES	10.5%	11.808 m €	Following the reservation entered in the 2013 AAR, ES was requested to review its system of maximum amounts/flat rate amounts used in order to avoid over-compensation. Further to DG AGRI's audit of 2013 the system of flat rate has been dropped for a real costs approach which applies as from 2014 marketing year. Since 2014 expenditure related to 2013 marketing year remains partially at risk, a top-up of 10% is made. Furthermore, the CB has reported a known error of 0.555 m EUR which is added.	Yes	Spain has taken the required action. No action plan is required. The financial risk to the fund is covered via the currently on-going conformity clearance procedure.
FR	5%	5.09 m €	A DG AGRI audit in 2014 found that there was no selection procedure for the operations, that payments were made prior to final controls and also detected non-compliance in the recovery procedure for operations which were not fully implemented. Based on the information sent by the FR authorities and on the auditors' assessment, a top-up of 5% is applied.	Yes	The financial risk to the EU budget is covered via the on-going conformity clearance procedure and the correction action already taken by France will be assessed in that context. Therefore no action plan is required at this stage.

3.1.5.1.2 Green harvesting

In 2014 expenditure under this measure amounted to 0.9 m EUR.

The green harvesting measure provides for the possibility of total destruction or removal of grape bunches while still in their immature stage, in order to contribute to restoring the balance of supply and demand in the Union wine market. The aid can reach a maximum of 50% of the related direct costs. This measure requires a 100% control on the spot prior to payment.

In 2014, IT was the only MS where this measure was used, and the amount at stake represented less than 1% of the total expenditure for wine measures. Italy's control statistics show a 100% control rate on final payments as required by Regulation (EC) No 555/2008 and there is therefore no residual risk to the EU Budget.

DG AGRI audited this measure in IT in 2012 and did not find any non-compliance leading to a proposal for a financial correction.

3.1.5.2 Measures for which no control statistics are available

For **investment measures, promotions on third country markets, by-product distillation and harvest insurance**, which account for 468.9 m EUR (46% of wine expenditure), there are currently no control statistics required by the EU wine legislation. The evaluation of DG AGRI auditors on control and risk environment and/or on their audit findings is set out hereafter (points 3.1.5.2.1 to 3.1.5.2.5). As there are no control statistics to use as a basis, the auditors have used the information available and their own knowledge of the measures concerned in order to estimate the maximum risk of error in each case. Table "Annex 10 – 3.1.9" sets out the quantification of the amount of risk which results from this estimate.

3.1.5.2.1 Investment measures

In 2014 expenditure under this measure amounted to 188 m EUR.

The investment measure provides for the possibility to invest in tangible and non-tangible "goods" in order to improve the quality of wine (such as expertise). The aid is a maximum of 50 to 75% of the investment depending on the region. Investment measures require a 100% control on the spot prior to payment.

For investment measures, between 2012 and 2014, DG AGRI carried out audits in DE, CZ, AT, RO and HU. DG AGRI auditors detected an incorrect application of the control requirements only in CZ. This relates to retroactive approval of previous or existing investments and absence of control.

Market Measures - Control results and the DG AGRI assessment thereon

DG AGRI considers that the only amount potentially at risk for this measure is the CZ expenditure (1 m EUR in 2014) and has assessed the potential risk to the EU Budget at 25%.

2013 reservations not carried over in the 2014 AAR in respect of the wine sector investment measure:

MS	Adjusted error rate	Justification
CZ	25%	<p>A reservation was made in the 2013 AAR and CZ was requested to establish an action plan in order to bring its incompliant application of this measure in line with regulatory requirements and to ensure that the correct level of control is carried out. A top-up of 25% is applied.</p> <p>The amount at risk (0.258 m EUR) is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). Furthermore, there is no reputational risk as the matter is being following up via the conformity clearance procedure. No reservation is applied.</p> <p>A conformity clearance procedure is underway to recover any amount at risk to the EU budget</p>

3.1.5.2.2 Promotion on third country markets

In 2014 expenditure under this measure amounted to 170.1 million EUR.

A 100% administrative check is carried out by the Member States in order to detect ineligible costs. Between 2012 and 2014, 5 Member States were audited by DG AGRI: AT, PT, GR, IT and RO. These audits, which checked that the expenditure was spent in accordance with the existing rules, did not find any serious non-compliance requiring significant financial correction. Furthermore, as from March 2013, the control rules have been clarified and strengthened.

In the absence of a qualitative assessment of the potential amount at risk for the 2014 expenditure under the new rules, the average adjusted error rate for wine measures for which statistics were provided (3.05%) is used in order to estimate the maximum amount at risk for this measure.

3.1.5.2.3 By-product distillation

In 2014 expenditure under this measure amounted to 73 m EUR.

By-product distillation is a simple measure. Member States can decide that the wine producer should bring the by-products ("must" and "lies") to a distillery. By-products should be removed from the market in order to avoid that (low quality) wine can be produced from it.

DG AGRI carried out an audit mission in October 2013 in Spain (the second largest beneficiary) and did not detect any deficiencies. DG AGRI considers that distillation measures are low risk as the interest of the MS, to keep every drop of alcohol produced under control, is very high.

The amount at risk for this measure is considered to be zero.

3.1.5.2.4 Harvest Insurance

In 2014 expenditure under this measure amounted to 34.8 m EUR.

Harvest insurance is another simple measure. Wine producers can claim up to 80% of the cost of their insurance policy. This requires a straightforward administrative control. On top of that, the aid amount is capped by maximum insurance premium and maximum insured value of the harvest. DG AGRI audit missions took place between 2011 and 2014 to IT and RO. Based on both the evaluation on the spot as well as the structure of the control system, the auditors conclude that there is no or very low risk in this measure. They assess the amount at risk to be zero.

Market Measures - Control results and the DG AGRI assessment thereon

3.1.5.2.5 Other (innovation measures)

In 2014 expenditure under the innovation measures amounted to 0.09 m EUR with expenditure only in CY.

This measure was introduced only in 2014 and represents an extremely marginal amount. The risk is considered to be zero. No audit has yet been performed in this area.

3.1.5.3 Conclusion for the wine sector

Overall, based on the professional experience of its auditors, DG AGRI considers that the principal risk in the wine sector arises with regard to restricting measures from the overly-generous flat-rates amounts used in one Member States (ES) and deficient selection, control and recovery procedures in one other (FR). For measures for which no statistical data exist permitting the calculation of an amount at risk, DG AGRI has used the professional judgement of the auditors to estimate the amount at risk and where there is insufficient information, has applied the average error rate for the two measures for which statistics are available (restructuring and conversion and green harvesting) of 3.05%. This results in an overall error rate for the wine sector of 2.19%.

Wine Sector - assesement of maximum amount at risk, including for measures not covered by control statistics															EUR	
Member State	Restructuring & Conversion of Vineyards		Green harvesting		Investment		Promotion		By-product distillation		Harvest Insurance		Other	Total expenditure for the Wine Sector	Total amount at risk for the wine sector	
	expenditure	Amount at risk	expenditure	Amount at risk	expenditure	Amount at risk	expenditure	Amount at risk (3,05%)	expenditure	Amount at risk	expenditure	Amount at risk	expenditure			
AT	2.604.781				1.751.494		2.830.530	86.331						7.186.806	86.331	
BG	16.442.490						172.803	5.270						16.615.293	5.270	
CY	2.767.960				1.065.919		7.266	222			188.979		93.400	4.123.524	222	
CZ	4.073.070				1.032.056	258.014		0						5.105.127	258.014	
DE	18.395.471				11.746.947		1.145.199	34.929			199.998			31.487.616	34.929	
ES	112.534.414	11.808.721			9.368.687		39.441.146	1.202.955	30.409.862				-81.845	191.672.264	13.011.676	
FR	101.818.562	5.090.928			106.138.644		43.701.332	1.332.891	28.886.354				6.497	280.551.389	6.423.819	
GR	3.825.232						3.132.476	95.541						6.957.708	95.541	
HR	581.981				599.421		90.239	2.752						1.271.642	2.752	
HU	22.642.987				4.669.210		570.504	17.400	1.217.281					29.099.982	17.400	
IT	158.241.142		887.911	0	51.062.432		72.073.508	2.198.242	11.027.925		30.181.715		2.982.285	326.456.918	2.198.242	
PT	53.667.109						6.167.316	188.103	1.436.602		3.888.349			65.159.377	188.103	
RO	47.081.713						362.474	11.055			253.321			47.697.508	11.055	
SI	4.507.576						374.934	11.435						4.882.510	11.435	
SK	3.431.022				561.529		8.071	246			122.037			4.122.658	246	
Totals	552.615.510	16.899.649	887.911	0	187.996.340	258.014	170.077.799	5.187.373	72.978.024	0	34.834.400	0	3.000.336	1.022.390.321	22.345.036	
error rate for restructuring and green harvesting = 3,05%													error rate wine sector		2,19%	

Table: Annex 10 - 3.1.9

3.1.6 POSEI

The EU's outermost regions benefit from the POSEI arrangements ("Programme d'Options Spécifiques à l'Éloignement et l'Insularité") in the agricultural sector. These programmes are designed to take account of their geographical and economic handicaps such as remoteness, insularity, small size, difficult topography and climate, and economic dependence on a few products.

The outermost regions, as identified in Art 349 of the Treaty for the Functioning of the European Union (TFEU) are:

France : Guadeloupe, French Guyana, Martinique, Réunion, Saint-Barthélemy and Saint-Martin

Portugal: the Azores and Madeira

Spain: the Canary Islands

For **Greece**, the smaller Aegean islands also benefit from specific supply arrangements for certain agricultural products and adapted support measures for local agricultural production (even if under a different legal basis than the "real" POSEI regions).

Market Measures - Control results and the DG AGRI assessment thereon

The POSEI measures are funded both under ABB02 and ABB03. This sub-chapter only deals with ABB02 expenditure.

ABB02 measures fall into two categories:

- specific supply arrangements, aimed at mitigating the additional costs for the supply of essential products for human consumption, for processing and as agricultural inputs, and
- measures to assist local agricultural products.

The measures to assist local agricultural products concern a multitude of products and include measures aimed at supporting production, marketing or processing. Each Member State concerned defines the products and the eligible actions.

Expenditure for POSEI and Aegean Islands in 2014			
	Supply Arrangements mEUR	Local support measures mEUR	Total mEur
ES	65,928	17,293	83,221
FR	10,056	115,976	126,032
GR	5,668		5,668
PT	16,979	6,568	23,548
Total	98,631	139,838	238,468

Table: Annex 10 - 3.1.10

Article 32(2) of Regulation (EU) No 228/2013, Article 39(1)(k) of Regulation (EU) No 180/2014 Article 20(2) of Regulation (EU) No 229/2013) and Article 31(1)(k) of Regulation (EU) No 181/2014 oblige Member States to submit statistics on the checks carried out by the competent authorities. These reports were received for the first time in a consolidated format at the end of 2014.

The measures financed by POSEI are extremely differentiated in terms of scope and financial importance. The analysis of the statistics indicates that the error rates for the individual actions fluctuate considerably. Several conformity clearance procedures are ongoing in different Member States.

The tables below show that the random error rates detected by the Member States for both Specific Supply Arrangement and Market Measures are below 2% and the adjusted error rates are also below 2%.

Calculation of adjusted error rate and amounts at risk						Calculation of adjusted error rate and amounts at risk					
MS	expenditure declared EUR	% check carried out	reported error rate	amount at risk EUR	adjusted error rate	MS	expenditure declared EUR	% check carried out	reported error rate	amount at risk EUR	adjusted error rate
ES	65.927.517	5,73%	0,00%	0		ES	17.293.314	5,07%	1,23%	201.687	1,17%
FR	10.056.209	5,19%	0,51%	48.471	0,48%	FR	115.975.827	0,01%	0,00%	0	0
GR	5.667.672	100%		0		GR					
PT	16.979.222	0		0		PT	6.568.382	4,32%	0,27%	17.099	0,26%
Totals	98.630.619			48.471	0,05%	Totals	139.837.522			218.786	0,16%

Table: 10 - 3.1.11

Table: 10 - 3.1.12

DG AGRI's auditors have no information which raises doubts as to the completeness and reliability of the Member States' control results and therefore do not propose to make any adjustment to the resulting error rates.

Market Measures - Control results and the DG AGRI assessment thereon

3.1.7 Export Refunds

The total expenditure in 2014 was 4.5 m EUR. The only risk identified concerns export refunds for poultry in France (for which a reservation was issued in 2013). This is dealt with below in table 3.1.13

Expenditure on Export Refunds per sector - 2014												
MS	Cereals	Rice	Non-annex II	Sugar	Fruit & Vegetables	Milk Products	Beef & Veal	Live animals	Pigmeat	Eggs	Poultry	Total Export Refunds
AT								2.620				2.620
BE			14.287						518			14.805
BG											11.674	11.674
DE				241.452			19.246	194.535			88.167	543.401
DK								-21.556		14.652		-6.904
ES							2.257		8.762			11.018
FR			24.588				58.285	1.823	-167		607.656	692.185
GB			2.004	22.947		2.009	71		78.582	4.186		109.799
HU								24.281			6.502	30.783
IT	2.334.246	6.484	15.900		1.566	14.955	-3.108	-1.834	17.051		65.004	2.574.319
NL								74.858			16.295	91.153
PL							92.700				6.434	99.134
PT			72.096						109.774		58.710	240.580
RO											61.261	61.261
SL											2.384	2.384
Total	2.458.300	6.484	128.875	264.399	1.566	16.963	169.451	274.728	214.520	18.838	924.088	4.478.212

Table: Annex 10 - 3.1.13

2013 reservations not carried over in the 2014 AAR in respect of export refunds for poultry:

MS	RER	Justification
FR	96%	<p>A 2013 DG AGRI audit detected major deficiencies in France in relation to the control of the acceptable water content in poultry exported with refunds. The deficiencies related to two specific companies and concerned around 2/3 of the expenditure for poultry refunds. A top-up of 66% was therefore added to the error rate calculated on the basis of the French control statistics. The export refund for poultry was reduced to zero in 2013. However, outstanding refunds amounting to 0.608 m EUR have been paid in 2014 of which 0.588 m EUR was paid to the two non-compliant companies.</p> <p>The amount at risk of 0.588 m EUR is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). The 2013 reservation can be lifted.</p> <p>It will be ensured that the 2014 undue expenditure is included in the financial correction which will result from the on-going conformity clearance procedure.</p>

Table: Annex 10 – 3.1.14

For the remaining expenditure for export refunds, the average error rate for ABB02 has been used to assess the maximum risk.

Market Measures - Control results and the DG AGRI assessment thereon

3.1.8 School Milk Scheme

In 2014, expenditure in respect of this measure amounted to 67.6 m EUR.

In August 2013, Regulation (EU) No 756/2013 increased by 12 months the time period for carrying out the on-the-spot checks. Therefore, for the first year of application – school year 2013/14, there are no control results; the statistical reports on the results for school year 2013/14 will not be available before October 2015 (as now required by the amended Article 17 of Regulation (EC) No 657/2008).

The most recent statistics available are those already published in the Annual Activity Report 2013. In that report, only France and Sweden gave rise to concern with error rates in the uncontrolled population of 25.58% and 8% respectively (reported error rates of 27.15% and 9.48%). However, Sweden has informed the Commission that the error rate communicated in 2013 was largely overestimated, being in reality at a level of 5.82% (instead of the previously communicated 9.48%) and therefore the lower rate is used for the purposes of the 2014 calculation below.

For the other Member States, the error rates and amounts at risk for 2013 were negligible. The control data used for 2013 is updated with the 2014 expenditure and the revised Swedish data in order to give an indication of the maximum amounts at risk and adjusted error rate for 2014.

School Milk Scheme - 2014 expenditure and calculation of amount at risk

Member State	Aid claimed 2013 EUR	Expenditure 2014 EUR	% checked 2013	Error found 2013 EUR	Error rate 2013*	Amount at risk 2014 EUR	Reported Error Rate 2014
AT	689.321	703.723	37,30%	2.490	0,97%	4.273	0,61%
BE	622.161	578.581	30,21%	1.009	0,54%	2.168	0,37%
BG	2.322	1.425	69,83%	0	0,00%	0	0,00%
CY	209.395	215.507	5,56%	0	0,00%	0	0,00%
CZ	400.225	375.633	53,02%	0	0,00%	0	0,00%
DE	5.486.100	4.956.620	46,82%	2.321	0,09%	2.382	0,05%
DK	1.547.127	1.850.076	83,97%	5.319	0,41%	1.214	0,07%
EE	692.325	718.487	7,20%	0	0,00%	0	0,00%
ES	380.364	319.880	20,04%	363	0,48%	1.219	0,38%
FI	3.863.067	3.647.730	30,28%	3.938	0,34%	8.561	0,23%
FR	12.161.030	11.567.290	5,81%	191.802	27,15%	2.958.485	25,58%
GB	4.474.504	4.382.584	11,05%	351	0,07%	2.768	0,06%
HU	7.853.891	1.919.874	1,87%	0	0,00%	0	0,00%
IE	677.000	467.096	15,45%	0	0,00%	0	0,00%
IT	2.899.141	2.879.869	4,61%	0	0,00%	0	0,00%
LT	1.120.825	332.581	0,00%	0	0,00%	0	0,00%
LU	16.304	18.934	100,00%	0	0,00%	0	0,00%
LV	649.353	689.376	13,63%	0	0,00%	0	0,00%
MT	24.433	21.688	10,03%	0	0,00%	0	0,00%
NL	463.873	280.639	100,00%	0	0,00%	0	0,00%
PL	9.739.463	9.669.913	11,74%	8	0,00%	63	0,00%
PT	1.152.312	449.960	6,92%	243	0,30%	1.277	0,28%
RO	9.984.936	11.995.866	96,49%	39.358	0,41%	1.721	0,01%
SE	8.182.680	8.916.518	15,64%	121.298	5,82%	437.804	4,91%
SI	5.638	3.855	76,01%	0	0,00%	0	0,00%
SK	639.050	662.800	100,00%	105	0,02%	0	0,00%
Grand Total	73.936.841	67.626.502	28,09%	368.607	1,77%	3.421.935	5,06%

Table: Annex 10 - 3.1.15

* error rate for Sweden updated to 5,82%

Market Measures - Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
FR	25.58%	2.958m €	The error rate derives from the MS reported error rate. No top-up was proposed by DG AGRI. It is emphasised that that the high error rate derives from a control selection based on a risk analysis and cannot therefore be considered to be representative of the error in the whole population.	Y	It is considered that an action plan is not necessary as the Member State is already taking action to reducing the number of irregularities. In particular, from 2015 a newly developed IT system for completing and introducing payment claims will be compulsory for all beneficiaries. This new system will link the different types of eligible products with the correct aid coefficient. It is also noted that conformity clearance procedures are underway in order to recover any undue payment and protect the EU budget.

2013 reservations not carried over in the 2014 AAR in respect of the school milk scheme:

MS	Adjusted error rate	Justification
SE	4.91%	The irregularities found are mainly related to a more restrictive eligibility condition established at national level. It is also emphasised that the high error rate derives from a control selection based on a risk analysis and cannot therefore be considered to be representative of the error in the whole population. No top-up was proposed by DG AGRI. The amount at risk is below DG AGRI's materiality threshold of 1 m € as established in its materiality criteria (Annex 4). The 2013 reservation can be lifted. SE is already taking action to reduce the number of irregularities.

3.1.9 Conclusions as regards assurance for ABB02

As a result of the "tops-ups" made by DG AGRI to the error rates reported by the Member States, an adjusted error rate of 3.87% has been calculated for shared management. For ABB02 as a whole, the adjusted error rate is also 3.87%.

Following is a summary of all cases where a reservation is applied in respect of the various measures within ABB02. In the section dealing with each aid measure there is an explanation for those cases where a reservation was considered unnecessary (error rate between 2 and 5% or de minimis amount at risk) and details are also given for reservations made in the 2013 AAR which are not carried over in respect of 2014.

5 reservations from 2013 can be lifted

- NL and IT for school fruit scheme
- CZ for investment measures for wine (de minimis)
- FR for poultry export refunds (de minimis)
- SE for school milk scheme (de minimis)

6 reservations from 2013 are carried over as the remedial action plans are still underway:

- AT, NL and UK for operational programmes for producer organisations
- PL for pre-recognition of producer groups
- ES for wine restructuring
- FR for school milk scheme

2 new reservations are introduced:

- RO for pre-recognition of producer groups
- FR for wine restructuring

Market Measures - Control results and the DG AGRI assessment thereon

The following table details all cases where a reservation was considered necessary in respect of 2014 expenditure:

Paying Agency/measure	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
AT operational programmes for producer organisations	12.7%	1.235 m €	The Austrian Certification Body has reported "known error" of 1.235 m EUR. This corroborates the DG AGRI audit findings (that the control system was ineffective as regards the assessment of eligibility recognition, checks on value of marketable production and on operational programmes) which led to a top-up of 10%. The error reported by the CB is retained as it results in the greater amount at risk.	Yes	AT is currently implementing an action plan (launched in 2014) to review the recognition of POs. This action plan will be monitored by DG AGRI. All ineligible expenditure will be recovered via the on-going conformity clearance procedure.
GB operational programmes for producer organisations	10%	3.245 m €	The UK authorities had not taken the necessary action to detect and correct deficiencies as identified by DG AGRI's audit in 2011 and a 10% top-up to the error rate was made in 2013. The UK action plan has not yet been completed and, therefore, the expenditure for 2014 remains at risk of undue expenditure and the top-up of 10% is repeated.	Yes	UK is currently implementing an action plan to review the recognition and to recover undue expenditure. The conformity clearance procedure will recover any additional undue amounts.
NL operational programmes for producer organisations	11.19%	3.06 m €	In its 2013 AAR, DG AGRI considered the reported error rate did not reflect the full extent of deficiencies as detected in its audits. A top up of 10% was applied, a reservation was made and a remedial action plan required. For 2014, deficiencies remain and therefore a 10% top up is also applied.	Yes	NL is currently implementing an action plan to review the recognition and to recover undue expenditure. The conformity clearance procedure will recover any additional undue amounts.
PL Pre-recognition of producer groups	25.25%	48.8 m €	A DG AGRI audit in 2013 revealed structural deficiencies in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However as there were problems with the approval procedure the entitlement to aid is called into question. In its 2013 Annual report, the European Court of Auditors, has concluded on significant structural deficiencies in the approval procedures for recognition plans of producer groups in Poland, leading it to assess the control systems in Poland for this policy area as not effective. DG AGRI's preliminary assessment is that 25% of the expenditure is at stake.	Yes	The financial risk to the fund is covered via the the conformity clearance procedure which will claw back very substantial amounts of unduly spent EU monies in order to ensure that the EU budget is fully protected. Poland is currently implementing an action plan which will be closely monitored by DG AGRI during 2015.
RO Pre-recognition of producer groups	25%	1.47 m €	A DG AGRI audit in 2014 revealed structural deficiencies in Romania in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However as there were problems with the approval procedure the entitlement to aid is called into question. DG AGRI's preliminary assessment is that 25% of the expenditure is at stake.	Yes	The financial risk to the fund is covered via the the conformity clearance procedure. The RO authorities will be required to draw up and implement a remedial action plan.

Market Measures - Control results and the DG AGRI assessment thereon

Paying Agency/measure	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
ES Restructuring and conversión of vineyards	10.5%	11.808 m €	Following the reservation entered in the 2013 AAR, ES was requested to review its system of maximum amounts/flat rate amounts used in order to avoid over-compensation. Further to DG AGRI's audit of 2013 the system of flat rate has been dropped for a real costs approach which applies as from 2014 marketing year. Since 2014 expenditure related to 2013 marketing year remains partially at risk, a top-up of 10% is made. Furthermore, the CB has reported a known error of 0.555 m EUR which is added.	Yes	Spain has taken the required action. No action plan is required. The financial risk to the fund is covered via the currently on-going conformity clearance procedure.
FR Restructuring and conversión of vineyards	5%	5.091 m €	A DG AGRI audit in 2014 found that there was no selection procedure for the operations, that payments were made prior to final controls and also detected non-compliance in the recovery procedure for operations which were not fully implemented. Based on the information sent by the FR authorities and on the auditors' assessment, the potential risk is evaluated at 5%.	Yes	The financial risk to the EU budget is covered via the on-going conformity clearance procedure and the correction action already taken by France will be assessed in that context. Therefore no action plan is required at this stage.
FR School Milk Scheme	25.58%	2.958m €	The error rate derives from the MS reported error rate. No top-up was proposed by DG AGRI. It is emphasised that that the high error rate derives from a control selection based on a risk analysis and cannot therefore be considered to be representative of the error in the whole population	Y	It is considered that an action plan is not necessary as the Member State is already taking action to reducing the number of irregularities. In particular, from 2015 a newly developed IT system for completing and introducing payment claims will be compulsory for all beneficiaries. This new system will link the different types of eligible products with the correct aid coefficient. Conformity clearance procedures are underway in order to recover any undue payment and protect the EU budget.

Table: Annex 10 – 3.1.16

Market Measures - Control results and the DG AGRI assessment thereon

The following table gives details of cases where a reservation made in the 2013 AAR was not carried over in the 2014 AAR:

MS	Adjusted error rate	Justification
IT School fruit scheme	0.11%	A 25% top-up was made in 2013 AAR due to DG AGRI audit findings of deficiencies in public procurement procedures. Italy has remedied the deficiency in the public procurement procedure for the 2013/14 school years and the undue expenditure is covered by the on-going conformity clearance procedure.
NL School fruit scheme	0.23%	A 90% top-up was made in 2013 AAR due to the findings of the NL Certification Body. The necessary financial deductions were already made in the 2013 financial clearance exercise. No new risks have been identified for 2014.
CZ Wine investment	25%	A reservation was made in the 2013 AAR and CZ was requested to establish an action plan in order to bring its non-compliant application of this measure in line with regulatory requirements and to ensure that the correct level of control is carried out. A top-up of 25% is applied. The amount at risk (0.258 m EUR) is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied. A conformity clearance procedure is underway to recover any amount at risk to the EU budget.
FR Export refunds for poultry	96%	A 2013 DG AGRI audit detected major deficiencies in France in relation to the control of the acceptable water content in poultry exported with refunds. The deficiencies related to two specific companies and concerned around 2/3 of the expenditure for poultry refunds. A top-up of 66% was therefore added to the error rate calculated on the basis of the French control statistics. The export refund for poultry was reduced to zero in 2013. However, outstanding refunds amounting to 0.608 m EUR have been paid in 2014 of which 0.588 m EUR was paid to the two non-compliant companies. The amount at risk of 0.588 m EUR is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). The 2013 reservation can be lifted. It will be ensured that the 2014 undue expenditure is included in the financial correction which will result from the on-going conformity clearance procedure.
SE School milk scheme	4.91%	The irregularities found are mainly related to a more restrictive eligibility condition established at national level. It is also emphasised that the high error rate derives from a control selection based on a risk analysis and cannot therefore be considered to be representative of the error in the whole population. No top-up was proposed by DG AGRI. The amount at risk is below DG AGRI's materiality threshold of 1 m € as established in its materiality criteria (Annex 4). The 2013 reservation can be lifted. SE is already taking action to reduce the number of irregularities.

Table: Annex 10 – 3.1.17

The following table shows the portion of ABB02 expenditure covered by Member States' control statistics and the amounts at risk which results from DG AGRI's validation and adjustment process. Control statistics are available in respect of 75.5% of the expenditure covering 1.870 m EUR. For a further 462 m EUR for which no statistics were available, DG AGRI auditors have used their judgement to estimate the maximum amount at risk in that expenditure. For the remaining 144.7 m EUR the aggregate error rate for the other measures (4.1%) was extrapolated to the expenditure concerned. For an additional 0.994 m EUR (DG AGRI direct expenditure on promotion measures), an error rate of 1% is applied.

Overall, the adjustments made resulted in the reported error rate of 0.41% increasing to 3.87% for ABB02.

Market Measures - Control results and the DG AGRI assessment thereon

Overall assessment of risk for ABB02 - Market Measures

Budget item	Sector	expenditure in shared management EUR	expenditure covered by statistics		Expenditure for which no statistics are available				
			expenditure EUR	risk EUR	no stats available EUR	measure risk assessed by auditors		ABB02 error rate applied* =3,87%	
					expenditure	risk	expenditure	risk	
050201	Cereals	2.458.300			2.458.300		0	2.458.300	95.136
050202	Rice	6.484			6.484		0	6.484	251
050203	Non-annex I products	128.875			128.875		0	128.875	4.987
050204	Food Aid	-7.238.760			-7.238.760	-7.238.760	0		0
050205	Sugar	457.334			457.334			457.334	17.699
050206	Olive Oil	43.030.679			43.030.679	0	0	43.030.679	1.665.287
050207	Textile Plants	6.273.976			6.273.976	0	0	6.273.976	242.803
050208	Fruit and Vegetables	1.010.527.746	1.010.454.789	63.722.211	72.957		0	72.957	2.823
050209	Wine	1.022.390.321	553.503.421	16.899.649	468.886.900	468.886.900	5.445.387	0	0
050210	Promotion	53.233.953	0		53.233.953	0	0	53.233.953	2.060.154
050211	Other plant products and POSEI	240.754.941	238.468.142	267.257	2.286.800	0	0	2.286.800	88.499
050212	Milk and Milk Products	71.789.375	67.626.502	3.421.935	4.162.873	0	0	4.162.873	161.103
050213	Beef and Veal	444.143			444.143		0	444.143	17.188
050215	Pigmeat, eggs, poultry & apiculture	32.921.682			32.921.682	607.656	587.837	32.314.026	1.250.553
	Total	2.477.179.051	1.870.052.854	84.311.052	607.126.197	462.255.796	6.033.224	144.870.401	5.606.485
					Expenditure	Amount at risk	% coverage	error rate	
					expenditure covered by control statistics	1.870.052.854	84.311.052	75,49%	
					expenditure for which there are no statistics but for which risk assessment carried out	462.255.796	6.033.224	18,66%	
					Risk for expenditure covered by stats and by risk assessment	2.332.308.650	90.344.277	94,15%	
					*error rate for expenditure covered by statistics and risk assessed				3,87%
					Extrapolated risk for non risk assessed expenditure	144.870.401	5.606.485	3,87%	
					Risk for ABB02 Direct expenditure (promotion measures, budget item 05021002)	993.725	9.937	0,00%	1,00%
					Total error and risk for ABB02	2.478.172.776	95.960.698	100%	3,87%

Table: Annex 10 - 3.1.18

The total amount at risk for ABB02 is 95.96 m EUR with an error rate of 3.87%.

It is noted that the average amount of net financial corrections per year for the three-year period 2012-2014 (excluding corrections made for cross-compliance) is 141.7 m EUR for ABB0226.

3.1.10. Root causes of the error rate in market measures – is DG AGRI doing anything?

In May 2014, the Commission Staff Working Document SWD (2014)176, which identifies root causes for payment errors in non-IACS EAGF spending (market measures and POSEI), was published. It lists the measures taken to address these causes and also sets out 15 actions to be taken in the future to contain and reduce the error rate, established by the European Court of Auditors as the "most likely error" (MLE) and by DG AGRI as the "residual error rate"²⁷. On both counts, the error rate for 2012 and 2013 for EAGF expenditure was higher than 2%, was therefore considered material and affected the statement of assurance of the authorising officer.

The actions to be taken are the following:

ACTION 1: (a) DG Agriculture will propose introducing a **list of eligible measures** either in Commission Regulation (EU) No 543/2011 (Fruit and Vegetables) or in guidelines.

²⁶ See section 2.1.1.3 of the main body of the report on "corrective capacity". No information is given on the corrective capacity which derives from recoveries as this is not split by ABB activity and is available only at Fund level.

²⁷ i.e. adjusted error rate.

Market Measures - Control results and the DG AGRI assessment thereon

- (b) DG Agriculture will also propose laying down eligible costs and ceilings for the **accompanying measures** under the School Fruit Scheme.
- ACTION 2:** DG Agriculture will request Member States – where appropriate by introducing legal provisions to this effect - to demonstrate the **verifiability and controllability** of requirements and eligibility conditions of measures proposed in their national support programmes.
- ACTION 3:** DG Agriculture will propose amendments to the relevant Commission Regulation (EU) No 543/2011 with a view to rendering sanctions in reaction to the **non-observance of non-substantial recognition criteria** more proportionate as measured against the policy objective of the support. Accordingly, such non-respect will give rise to a reduction in payments but will not entail the withdrawal of the recognition. A progressive approach to the non-respect of substantial criteria is introduced, ultimately leading to withdrawal of the recognition.
- ACTION 4:** In the area of support for promotion measures for agricultural products, DG Agriculture will propose **incorporating further clarifications as to the requirements for an appropriate procurement procedure** in the relevant implementing rules (concerning for instance information about the legal status of the proposing body and the corresponding analysis by Member States).
- ACTION 5:** The Commission will, where appropriate, work with Member States to **clarify and simplify support measures and encourage them to take verifiability and controllability of measures into account** at the early stages of drawing up their support programmes.
- ACTION 6:** DG Agriculture will, where appropriate:
- (a) request Member States to submit **updated information on management and controls** required under Article 31 of Regulation (EU) 228/2013 along with their annual modifications of the national support
 - (b) improve the coordination of the analysis of the annual **control statistics** submitted by Member States.
- ACTION 7:** DG Agriculture will, together with Member States, look into the possibility of using **simplified cost reimbursement approaches** wherever this is appropriate to facilitate the implementation and checking of measures and expenditure.
- ACTION 8:** A **specialists' group** made up of Commission and Member State representatives will be established to exchange views and discuss horizontal issues related to eligibility and recognition criteria as well as any other issue discussion of which is appropriate in regard of the occurrence of irregular expenditure. As appropriate, external actors like the European Court of Auditors could be invited to give presentations.
- ACTION 9:** DG Agriculture will make use of **monitoring** wherever this is appropriate in view of the experience gained so far to work with Member States to improve programmes at an early stage of planning as well as to discuss possible deficiencies in the Member States' management and controls of measures.
- ACTION 10:** DG Agriculture will streamline the presentation of replies to Member States implementation questions in the IT system it shares with Member States so as to create a **reference library for all Member States**.
- ACTION 11:** DG Agriculture will provide up-dated lists of **key and ancillary controls** for the main support schemes in the CMO.
- ACTION 12:** (a) Encourage **Paying Agencies to organise work-shops** focused on best practices in the area of management and control procedures and participate actively in them.
(b) Look into feasibility of **pluri-annual activities including peer-review missions** in Member States which result in benchmarking.
- ACTION 13:** (a) Encourage Member States to provide adequate **training** for management and control officers.
(b) Look into the possibility of developing (**e-**) **training modules**.
- ACTION 14:** Member States should:

Market Measures - Control results and the DG AGRI assessment thereon

- (a) Ensure that beneficiaries can efficiently obtain adequate information about the applicable support conditions;
- (b) Include in their support programmes information on measures taken to enhance **beneficiaries' understanding of the applicable support conditions**.

ACTION 15: The errors found are taken into account in the design of the 2014 audit programme in the framework of **Clearance of Accounts** by DG Agriculture.

In terms of the common causes for errors a few stand out. For example, it is the case that often the eligibility conditions of support measures are not met. There are two main reasons for this: complexity of the conditions due to enhanced targeting, often at the Member State level and insufficient points of reference for the competent authorities to verify and control compliance with the conditions. But there are also errors under this category which could have been avoided had more thorough administrative and on-the-spot controls been administered and had national authorities better followed internal procedures and applicable EU-law. There may also be considerations of proportionality concerning sanctions in the case of non-compliance with eligibility conditions, e.g. in the area of the recognition of Producer Organisations. Furthermore, the Commission services' sometimes inadequate powers to request changes of on-going national support measures, non-respect of public procurement rules and the admissibility of certain types of expenditure for support are additional areas which give rise or relate to the occurrence of errors.

Since May 2014, a series of actions have been taken or embarked upon in line with the Staff Working Document. The monitoring of progress on the actions was ensured by setting up a group which has been meeting with the active participation of DG AGRI's policy units and audit units.

A large body of work is currently taking place to simplify and modernise the future framework of all Commission legislation linked to the Common Market Organisation (CMO) Regulation. Particular attention is being paid to the potential for changes that would reduce payment errors (see **Action 8** of the SWD(2014)176). A dedicated Task Force "Common Market Organisation" (CMO Regulation (EU) No 1308/2013) to this end was created in DG Agriculture to screen the ~200 Commission level regulations linked to the CMO for their simplification, better regulation and error rate reduction potential. The Task Force includes the market, legal, finance and audit units and the DG AGRI simplification officer. It uses a working method ensuring an open and inclusive process (both within DG AGRI and with the Member States). The procedure starts with a Member States-chaired workshop in which the key issues are discussed with the representatives of the Member States responsible for implementing the policies on the basis of a small number of open questions drafted by the Commission services that capture the main political points. The outputs of the workshops are used by the services to develop the key themes for simplification and error rate reduction in an issues paper that is discussed with the Member States and on which their written comments are sought.

Following the issues paper, DG AGRI services draft a policy note drawing on the outcome of the first phase of discussions and make recommendations on the future shape of the policy, highlighting, in particular, simplification possibilities and sensitive topics, before proceeding to drafting the new delegated and implementing acts.

Feedback from Member States on this new way of working has been very positive, in particular that it provides an opportunity for the "experts" to contribute their ideas and that they are involved at an early stage of the process. For the Commission, the value of the new approach is greater security as the process facilitates issues to be clarified and for opportunities for changes that result in simplification and reduced error rate to be seized.

In 2014, work focussed on a number of priority areas for which the aim was to ensure adoption by the College of the implementing and delegated acts in 2015. These included schemes involving expenditure and which were therefore self-selecting from the point of view of reducing error rate.

Apart from the work in the Task Force CMO, the eligibility of accompanying measures under the School Fruit and Vegetables Scheme has been clarified (Commission Regulation (EU) No 500/2014) and will be further specified by guidelines to be published in the second half of 2015 (see **Action 1** of the SWD(2014)176). Still in

Market Measures - Control results and the DG AGRI assessment thereon

the Fruit and Vegetables sector, Commission Regulation (EU) No 499/2014 has rendered the sanctions in reaction to the non-observance of non-substantial recognition criteria more proportionate as measured against the policy objective of the support (see **Action 3** of the SWD(2014)176). Both should lead to less(er) payment errors.

As regards the problems encountered in respect of compliance with public procurement rules (see **Action 4** of the SWD(2014)176), in particular in the field of EU funded promotion measures, soft law avenues have been used to clarify what Member States need to ensure (via adjustments to standard documentation including evaluation forms and letters to the competent authorities, adaptation of the applicable guidelines). For the reformed promotion regime details as regards the competitive procedure will be clarified in a delegated act to be adopted in the second half of 2015.

In the area of POSEI, the relevant Member States have been requested to update information on management and control systems (see **Action 6** of the SWD(2014)176). In addition, standard reporting forms for POSEI control statistics have been presented to Member States in July 2014 and are being discussed.

In respect of **Action 10** of the SWD internal steps were taken to consistently streamline the presentation and storage of replies to Member States implementation questions in the IT system CIRCABC the Commission shares with Member States so as to create a reference library for all Member States. This will allow retrieving replies and guidance on specific areas of the CMO and its implementing and delegated acts, thereby avoiding erroneous interpretations of Union rules by Member States that could give rise to systemic payment errors.

A dedicated workshop on the "error rate" was held at the conference of Paying Agencies (10-12 November 2014, Rome, **Action 12** of the SWD). Member States were also sent a questionnaire inviting them to send information about training measures relating to the error rate issue they organise internally and whether to what extent there was scope for opening up these measures to colleagues from other Member States (21 May 2014, **Action 13**). Last but not least, the payment errors detected were taken into account in the design of the 2014 audit programme in the framework of clearance of accounts by DG Agriculture (**Action 15**).

A couple of actions have been set on track and should be finalised in 2015. Among these feature the enhancement of Simplified Cost Options (see **Action 7** of the SWD(2014)176) which is being looked into in particular in respect of the national support programmes and operational programmes in the wine and Fruit and Vegetables sectors respectively. The aim is to explore these options with a view to including them in the delegated acts and implementing acts to be adopted, and possibly to accompany them by guidelines (e.g. update of the 2013 wine guidelines). An ex ante evaluation of the verifiability and controllability of measures in e.g. operational programmes of Fruit and Vegetables Producer Organisations is equally pondered (see **Action 2** of the SWD(2014)176) while it may make less sense as a general principle for the national support programmes where many measures' eligibility conditions are relatively well defined in the EU regulatory framework. Updated key and ancillary control guidance documents for market measures will be presented to Member States in the first half of 2015 allowing them to adapt their control systems – if need be – accordingly (see **Action 11** of the SWD(2014)176).

Part 3.2: ABB03 – Direct Payments

Index for part 3.2 – ABB03: Direct Payments

- 3.2.1 Introduction
- 3.2.2 ABB03 Expenditure
- 3.2.3 What assurance does the Director General have regarding the expenditure under ABB03 – Direct Payments?
- 3.2.4 How is this information used in order to assess the error rate?
- 3.2.5 What mitigating factors exist in order to render a reservation unnecessary?
- 3.2.6 Conclusions as regards assurance for ABB03
- 3.2.7 Root causes of the error rate in direct payments – what is DG AGRI doing about it?
- 3.2.8 Overview of Member States' action plans with regard to Direct Payments

3.2.1 Introduction

With a yearly budget of around 40 billion EUR, direct payments (also called direct aids, direct support, area aids, surface aids) represent the most significant part of the CAP budget and a substantial part of the EU budget. The direct support schemes mainly comprise the single payment scheme (SPS) to EU 15 + Malta and Slovenia and the single area payment scheme (SAPS). There is a number of other "decoupled" and "coupled" aids schemes as well as "specific support schemes".

There are over 7 million beneficiaries of direct aids in the Member States and their aid claims are processed, checked and controlled.

The current schemes will continue to affect also financial year 2015 before the implementation of the direct payments reform from claim year 2015 (i.e. financial year 2016).

The **Single Payment Scheme (SPS)** was introduced in the 2003 CAP reform in order to pay the direct subsidies to farmers. The system applies throughout the Member States of the EU at that time although there are variations in how it is implemented between Member States and sometimes between regions within a single Member State. The new scheme was intended to change the way the EU supported its farm sector by removing the link between subsidies and production of specific crops. This reform focused on consumers and taxpayers, while giving farmers the freedom to produce what the market wanted. The SPS was also intended to meet environmental, public, animal and plant health and animal welfare standards and the need to keep land in good agricultural and environmental condition.

The **Single Area Payment System (SAPS)** is a transitional, simplified income support scheme which was offered to the Member States who joined the EU in 2004 and 2007 (EU-12) as an option at the date of accession in order to facilitate the implementation of direct payments. With the exception of Slovenia and Malta all others have decided to apply SAPS. This scheme replaces (with some exceptions) all direct payments with a single area

Direct Payments - Control results and the DG AGRI assessment thereon

payment. The level of the payment is obtained by dividing the Member State's annual financial envelope with its respective utilized agricultural area. It is simpler than the Single Payment System (SPS) because there is no need to establish and administer payment entitlements.

Other decoupled direct aids: These are other direct aids which decoupled from production, they comprise, a separate sugar payment (which is unrelated to sugar production and is based on either quota or area) and specific support measures under Article 68 of Regulation 73/2009 (other measures under the latter article are also funded as "other direct aids").

Other direct aids: The CAP reform of 2003 while introducing a decoupled single payment scheme, allowed Member States to exclude in whole or in part certain payments from that scheme. This situation has evolved with further decoupling pursued, in particular after the "health check" in 2009, and all payments except for the *suckler cow*, sheep and goat and cotton schemes as well as the coupled "Article 68" measures, had to be decoupled at the latest as of 2012.

3.2.2 ABB03 Expenditure

Expenditure in financial year 2014 was as follows:

Budget Item	Measure	Expenditure 2014 EUR	Totals EUR
50301	Decoupled Direct Aids		38.952.055.410
05030101	SPS	30.834.240.250	
05030102	SAPS	7.366.436.540	
05030103	Separate Sugar Payment	274.493.126	
05030104	Separate F&V payment	11.941.769	
05030105	Article 68 (decoupled direct aids)	457.415.813	
05030106	Separate soft fruit payment	11.370.747	
05030199	Other (decoupled direct aids)	-3.842.836	
50302	Other Direct Aids		2.707.591.081
05030206	Suckler Cow Premium	899.017.357	
05030207	Additional Suckler Cow Premium	47.369.013	
05030213	Sheep & goat premium	21.866.696	
05030214	Sheep & goat supplementary premium	6.784.232	
05030228	Aid for silkworms	397.886	
05030236	Payments for specific types of farming and quality production	81.383	
05030239	Additional amounts for sugar beet and cane producers	18.513.165	
05030240	Area aid for cotton	231.804.961	
05030242	Transitional fruit and Vegetables payment - other than tomatoes	17.946	
05030244	Article 68 - coupled direct aids	1.062.362.818	
05030250	Posei	409.731.714	
05030252	Aegean Islands	16.316.286	
05030299	Other	-6.672.376	
50303	Additional amounts of aid	32.943	32.943
Total ABB03		41.659.679.434	41.659.679.434

Table: Annex 10 – 3.2.1

Direct Payments - Control results and the DG AGRI assessment thereon

3.2.3 What assurance does the Director General have regarding the expenditure under ABB03 – Direct Payments?

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. In the first place, the Member States, with 69 accredited Paying Agencies, are responsible for managing and checking the aid applications received from over 7 million applicants and for paying them.

All land-based aid payments to farmers are dealt with within the framework of the **Integrated Administration and Control System (IACS)**.

What is the IACS?

The IACS is the most important system for the management and control of payments to farmers made by the Member States in application of the Common Agricultural Policy. It provides a uniform basis for controls and among other requirements it covers the administrative and on-the-spot control of applications and the IT system which supports the national administration in carrying out its work.

IACS has been in place since 1992 and is operated in the Member States by accredited Paying Agencies. It covers all direct payment support schemes as well as certain rural development measures. Furthermore, it is also used to manage the controls put in place to ensure that the requirements and standards under the cross-compliance provisions are respected.

The legal rules as regards the IACS applicable for financial year 2014 are laid down in Council Regulation (EC) No 73/2009 establishing common rules for direct support schemes for farmers and in Commission Regulations (EC) No 1120/2009, 1121/2009 and 1122/2009 laying down the implementing rules. IACS applies to 1st pillar direct support schemes as well as to rural development measures which are granted based on the number of hectares or animals held by the farmer.

In physical terms, IACS consists of a number of computerized and interconnected databases which are used to receive and process aid applications. Thus it provides for:

- a unique identification system for farmers;
- an identification system covering all agricultural areas called Land Parcel Identification System (LPIS) – see box 3.2.5;
- an identification system for payment entitlements;
- a system for identification and registration of animals (in Member States where animal-based measures apply).

Explanatory box: Annex 10 - 3.2.2

The system enables the processing of over 7 million aid claims every year and also provides for several eligibility checks including cross-checks between databases and on-the-spot checks

What is a claim year and why is it different to the financial year?

A beneficiary has to apply for aid by 15 May of claim year N (with certain derogations allowed). Administrative and on-the-spot checks are carried out by the Paying Agency in the summer and autumn months and the beneficiaries can be paid between 1 December N to 30 June N+1. As the Member States' expenditure for the month of December is only reimbursed by the Commission from the beginning of year N+1, the payment is always made in year N+1.

Explanatory box: Annex 10 - 3.2.3

3.2.3.1. Control results reported by the Member States.

Member States are required to perform administrative checks on all aid applications received as well as on-the-spot checks for at least 5% of applications. By 15 July of year N+1, the Member States are obliged to send to the Commission, data on the outcome of the controls carried out in respect of claim year N. These control statistics contain information on amounts claimed, errors detected as a result of administrative, risk based checks and random checks. The latter result in particular, which is considered to be the one which is most

Direct Payments - Control results and the DG AGRI assessment thereon

representative of the error which the Member State would have detected if it had carried out on-the-spot checks on all farms, is the one which is used as the basis for the calculation of the "error rate".

The area aids are managed by the Paying Agencies in 69 Paying Agencies. As there are more than 1 Paying Agency dealing with area aids in some Member States (BE, DE, ES, IT and UK), but centrally managed LPIS in some of them, there are 44 different LPIS.

3.2.3.2 DG AGRI Validation and Adjustment Process

The reliability of the statistics communicated by the Member States depends on the effectiveness of their control and reporting systems. DG AGRI carries out an extensive review and validation process (explained in detail in its Annex 4 to this report setting out its materiality criteria) in order to adjust this error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all available information. The main elements assessed are the following

A. Assessment of the Certification Bodies' opinions on the control statistics

As described in Annex 10 – part 2.2.2, the Certification Bodies are required to give an opinion on the quality of the on-the-spot checks carried out by the Paying Agencies the results of which are the basis of the control statistics as well as on the accuracy of the latter. This opinion is received with the annual declarations of the Member State on 15 February of N+1 (for claim year n-1).

Depending on whether an opinion was received, whether or not it was qualified, and any other information available in the opinion, an adjustment (positive) was made to the error rate reported by the Member State.

The Certification Bodies' findings were taken as an indication of the reliability of the Paying Agencies' control statistics. For ABB03 these findings had an impact in 1 case (Greece) with an adjustment of 1.8% to the error rate. However, as DG AGRI findings concerned the same deficiencies as those detected by the Certification Body, the latter were absorbed by the DG AGRI top-up and there was no additional impact.

B. Assessment of findings from the European Court of Auditors

Each year the ECA has carried out a limited number of audits of Paying Agency's management and control systems and reports on them in its Annual Reports, Inter alia it gives assessments of "effective", "partially effective" and not "effective" on elements of the supervisory and control systems. DG AGRI integrates these assessments into the appraisal exercise it carries out on the reliability of the MS control statistics.

For this years' AAR, the Court's assessments in its 2011, 2012 and 2013 reports are taken into consideration:

Direct Payments - Control results and the DG AGRI assessment thereon

Annual Report	Paying Agency		Administrative procedures and controls to ensure correct payment including quality of databases	On-the-spot inspection methodology, selection, execution, quality control and reporting of individual results	Overall assessment ²⁸
2011	AT01	Austria	Partially effective	Effective	Partially effective
	DK02	Denmark	Partially effective	Partially effective	Partially effective
	FI01	Finland	Partially effective	Partially effective	Partially effective
	HU01	Hungary	Partially effective	Partially effective	Partially effective
	IT23	Italy (Lombardia)	Partially effective	Effective	Partially effective
	ES11	Spain (Galicia)	Partially effective	Partially effective	Partially effective
2012	GB09	UK (England)	Not effective	Partially effective	Not effective
	GB05	UK (Northern Ireland)	Not effective	Partially effective	Not effective
	LU01	Luxembourg	Partially effective	Effective	Partially effective
2013	FR19	France (ASP)	Not effective	Effective	Not effective
	IE01	Ireland	Partially effective	Effective	Partially effective
	IT01	Italy (AGEA)	Partially effective	Partially effective	Partially effective
	DE04	Germany (Bavaria)	Effective	Partially effective	Effective

Table - Annex 10-3.2.4

When taking into account the assessment of the Court, DG AGRI applies an adjustment of 2% for one or more "partially effective" ratings, a 5% adjustment for one "not effective" rating and a 10% adjustment if both categories assessed by the Court were rated as "not effective". However, if DG AGRI has more recent or more precise audit evidence which would indicate a lower level of error, it uses the latter.

C Assessment of findings from DG AGRI audit missions carried out in 2012-2014

(i) Direct Payments

In 2014, 21 Paying Agencies in 17 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2013-2015, the multi-annual work programme of DG AGRI has scheduled audits in order to ensure that Member States are visited with respect to covering a certain % of expenditure declared in financial year 2014.

The general objective of the audits carried out was to review if Member States carry out the administration and control of the area based aid schemes in accordance with EU legislation. In these audits particular attention is paid to the existence and functioning of the following key elements of the IACS: the LPIS-GIS implementation and the functioning of the cross-checks, the quality of the risk-analysis and the on-the-spot checks, supervision

²⁸ The ECA's overall assessment is based on other aspects of the control systems not reflected in this table.

Direct Payments - Control results and the DG AGRI assessment thereon

and follow-up of administrative and on-the-spot checks, including correct payment and application of sanctions.

What is the LPIS-GIS?

Farmers are paid on the basis of their eligible agricultural land or "surface area". Locating and measuring agricultural areas create wide-ranging difficulties for farmers who are not technically prepared for the task and of course checking that the areas claimed are correct becomes a mammoth control burden for the national authorities.

Since 1997, therefore, Member States have been required to have in place a Land Parcel Identification System (LPIS) in order to enable checks on land parcels under the Integrated Administration and Control System (IACS). In order to improve the quality of control and keep pace with technological developments, EU legislation required, from 2005, the use of computerized geographical information system (GIS) techniques (much more elaborate than the previous LPIS with ortho-imagery, vectorised polygons in a geospatial environment).

The Land Parcel Identification System is a database which contains a record of the entire agricultural area (reference parcels) of a Member State and the respective maximum eligible areas of every reference parcel. The eligible areas of reference parcels are assessed on the basis of the most recent ortho-images.

Establishing a LPIS requires acquiring a vast number of aerial photos of a minim quality standard and then digitising all reference parcels (excluding ineligible elements) based on this information in a uniform manner. This requires highly trained and experienced personnel.

Difficulties related to location of reference parcels become more pronounced when the available maps are old, or when the agricultural parcels to be declared no longer match the reference parcels used to locate them. This is often the case with parcels as defined in a fiscal land register (cadastre). It is therefore necessary to keep the LPIS up to date, and in order to do so, Member States should consider a constant refresh of the ortho-imagery over a 3-5 year period depending on the evolution of the terrain (via human intervention or absence thereof).

What is the LPIS quality self-assessment?

In order for Member States to be able to evaluate the quality of their LPIS a common methodology assessing the quality has been developed in coordination with the Joint Research Centre (JRC)*. Member States are required to make an annual self-assessment in this respect and, where appropriate, to take action to remedy deficiencies. For this self-assessment by Member States, the Joint Research Centre, on request by DG AGRI, developed a methodology for the evaluation of seven quality elements (QE) against benchmark criteria (thresholds).

After a first trial period the guidelines for performing the LPIS QA and the reporting thereon have been fine-tuned for the 2012 period. . The results for 2012 have been reported back to the Member States with a view to improving their future LPIS quality assessment. For 2013, the analysis of the results was communicated to Member States and, in cooperation with the JRC ,the guidelines were further developed in order to improve efficiency. Overall, the guideline is now understood by the Member States and, where the results indicate that the thresholds are met, the matter is, where appropriate, taken up in a DG AGRI audit

*The Joint Research Centre (JRC) is the European Commission in-house science service. It provides independent scientific and technical advice to the European Commission to support a wide range of European Union policies.

Explanatory box Annex 10- 3.2.5

Audit findings which the auditors consider call into question the reliability or completeness of the Member States' control statistics result in the latter being flagged for an error rate adjustment.

- For **France** several missions carried out in recent years have detected recurrent problems in the extent to which the LPIS is kept up-to-date, (ineligible) land for which aid is paid and in the distribution of the entitlements. Conformity clearance procedures have been finalised in respect of claim years 2008 to 2012 and significant financial corrections have been made in order to protect the financial interests of the EU. For subsequent claim years, the conformity clearance procedures are on-going.

Direct Payments - Control results and the DG AGRI assessment thereon

The audit findings and the potential materiality of the risk to the EU budget, led DG AGRI to introduce a reservation for the IACS in France in its 2012 AAR which was carried over in 2013. An action plan was developed by the French authorities establishing the remedial action to be taken. The action plan implementation is being closely monitored by DG AGRI. It is noted that the work to be carried out, particularly in respect of the updating and completion of the LPIS, is such that the French authorities had indicated it will take until 2016 to complete and it will of course be necessary to keep the reservation in place until the plan is fully implemented.

Recent audit missions showed that certain key intermediate commitments in the action plan had not been met. Besides the non-respect of deadlines and remaining interpretation issues as regards eligible/non-eligible land, it was concluded that the action plan needed some revision. France was requested to identify measures to tackle these issues and provide more detailed progress indicators so as to enable a more hands-on follow-up by DG AGRI.

- For **Spain**, problems have been detected during audits in 2012-2014 regarding ineligible permanent pasture land for which aid was paid. This led DG AGRI to introduce a reservation in its 2013 AAR. An action plan to update the LPIS in line with the EU-legislation regarding such pastureland was prepared and has been followed up during 2014. For those years where this situation has led to a risk for the EU budget, conformity clearance procedures are ongoing.
- For **Ireland**, audits in the years 2009-2012 showed weaknesses in the correctness of information in the LPIS and ineligible land for which aid was paid. For those years where this situation has led to a risk for the EU Budget, conformity clearance procedures are ongoing.
- For **Hungary** (2013) and **Czech Republic** (2014) audits established weaknesses in the set-up (risk analysis and control approach) and performance of on-the-spot checks. For those years where this situation has led to a risk for the EU Budget, conformity clearance procedures are ongoing.
- For the **United Kingdom**, audits in **England** in 2014 revealed weaknesses in the quality of the LPIS and the performance of on-the-spot checks affecting the legality and regularity of area based payments. Given the seriousness of the issue the authorities were requested to develop an action plan so as to ensure proper administration of claims as of claim year 2015. For those years where this situation has led to a risk for the EU Budget, conformity clearance procedures are ongoing.
- While there have been serious problems with the LPIS in **Greece** over a long period of time resulting in both reputational and financial reservations, DG AGRI considers that the main issues have been resolved. The Greek authorities have done considerable work in order to update their LPIS and correctly record land parcels. A problem does however remain with regard to inclusion of permanent pasture in the LPIS.

An action plan was established to address the problem and, while regular reporting received from Greece on progress showed that the plan was generally adhered to, audit missions in 2014 revealed that Greece had not fully met its obligations as the work was not found to be of the required quality standard. As a result, the Commission has reduced its rate of reimbursement of the monthly payments declared by the Member State for claim year 2014 (financial year 2015). For claim year 2014 the situation has improved and this will have an impact on financial year 2015. The full extent of the permanent pasture problem has been quantified and financial corrections have been applied for past claim years in order to protect the financial interests of the EU and have already been notified to Greece for financial year 2014.

It must be emphasised that the Greek authorities have to maintain the LPIS. They have to ensure its constant update and correction when errors or inaccuracies are detected via their own or the Commission's on-the-spot checks. The Commission will continue to monitor the situation closely and will not hesitate to take appropriate action.

Direct Payments - Control results and the DG AGRI assessment thereon

DEFICIENCIES IN THE LPIS IN FRANCE SINCE 2008 - OVERVIEW OF THEIR DETECTION AND FOLLOW-UP

History

Since 1997, Member States have been required to have in place a Land Parcel Identification System (LPIS) in order to enable checks on land parcels under the Integrated Administration and Control System (IACS). The strength of this system resides in the correctness of the maximum eligible area for each reference parcel - information that is used to ensure proper crosschecks with the total area declared by the farmers. This requires administration and farmers to update the information on a continued basis and this along the definition of what is considered eligible land at EU-level.

Audits carried out in 2009 and 2010 revealed that the French administration was not pro-active in updating the LPIS on the basis of information it had at its disposal. Additionally, it was established that France considered areas eligible as they were, under local practice, used for grazing. The audits showed however that a high number of these areas were covered with trees with almost no herbaceous undergrowth, covered with rocks, bushes and scrub and, as such, could not be (in full) considered eligible. This difference of opinion also affected the LPIS information.

In addition to the issues regarding the LPIS and the eligibility of certain land, weaknesses were found in the distribution of the entitlements.

This situation led to a reservation in the 2013 AAR. Further to this France was requested in July 2013 to develop an action plan that should resolve the matter. This action plan foresees the finalisation of certain actions with effect for claim year 2014, for others the deadline is affecting claim year 2015. The whole premise of the plan being to resolve the issues for claim year 2015 and this way to avoid the situation of the 2006-2013 i.e. carrying on for years the mistakes made in the first years.

Whilst the first reporting on action plan progress in 2014 was promising, the audit in November 2014 showed that the plan as it was being implemented would not address in a satisfactory manner the issues regarding the eligibility of the land as recorded in the LPIS. France was then requested to upgrade its plan. This was reviewed on a mission carried out in February 2015. The results of this mission together with extra information received in March 2015 did not reassure DG AGRI as to the authorities' capacity to run the 2015 claim year (1st year under the reform) without risk of irregular expenditure. At the time of writing, DG AGRI was closely following up the situation with the French authorities.

Financial corrections

in order to protect the financial interests of the EU, net financial corrections have already been adopted for area aids for claim years 2008-2012. This resulted in a total correction of 684 m EUR being adopted in Commission Decision 2015/103/EU. For the subsequent years, a clearance of accounts procedure is ongoing.

Explanatory box Annex 10- 3.2.6

What's the "problem" with "Permanent Pasture"?

The CAP 2006-2013 definition of "Permanent Pasture" includes only "herbaceous" forage, basically grass - pastures of shrubs and trees are not included. However, several Member States have always counted non-herbaceous pastures as eligible for CAP support. This was particularly the case prior to 2006 when support was paid per head of livestock and not per hectare of pasture on which the animals were grazing. In these years this error did not have a direct linear effect on payments. However, with the move away from coupled payments per head of livestock to decoupled area payments, the delineation of eligible pasture land has become a far more significant issue. This is particularly the case in Member States or in some of their regions where there is extensive grazing of animals.

This problem was identified by DG AGRI in its first audits in 2006/2007 and Member States were then requested to take remedial action in order to regularise the situation with regard to the correct recording in the LPIS. Furthermore, guidance was provided to the Member States on how to find a workable solution to record those areas in the LPIS for which a clean delineation of what is eligible land is not always straightforward. Follow-up financial corrections have been applied for the years in which this led to irregular payments. Member States/regions mainly concerned were Austria, Sweden, Scotland, Northern Ireland, Portugal, Spain, Italy, Greece.

For most of these MS/regions, the situation has been remedied (though in AT and IR it has to be confirmed in audit missions). Problems persisted for Portugal but have been addressed via their now implemented action plan.

For Spain, the remedial actions instigated have already improved the situation though not yet to a fully satisfactory standard and this is being pursued by DG AGRI. The same applies to Greece which has implemented a plan which was found to be unsatisfactory and is now being tackled by further remedial action by Greece. For France, the issue is linked to certain regions and is to be addressed in the action plan.

Direct Payments - Control results and the DG AGRI assessment thereon

In all these cases the risk for the fund has been and will continue to be via the conformity clearance procedure and resulting net financial corrections.

Within the framework of the CAP reform, the definition of permanent pasture/grassland has been broadened to allow for the presence of other species than grasses and herbaceous forage that can be grazed. This extends the possibility for Member States to include land which can be grazed and which forms part of established local practices where grasses and other herbaceous forage are traditionally not predominant in grazing areas. This will reduce the risk of incorrect declaration from farmers with regard to land eligibility but not totally eliminate it due to difficulties linked to the assessment of whether or not a plant species can be grazed or is "not pre-dominant".

In conclusion, DG AGRI believes that whilst there are some problems with "pocket areas" of permanent pasture, these are being addressed via appropriate action both at the level of DG AGRI (via financial corrections and monitoring) and the Member States concerned. It is recalled that the situation at EU level has improved significantly since it was first detected in the first years of the post 2003 reform. At the same time it has to be put in perspective that while the surface areas concerned by permanent pasture may be vast, there is no linear correlation with the amount of aid paid in their respect. As to the length of time it has taken to resolve the problems in some Member States, it must be considered that the updating of the LPIS to correctly take into account the pasture areas is a laborious exercise which takes time.

Explanatory box Annex 10 - 3.2.7

(ii) Animal Premia

6 Member States paid coupled bovine premia in claim year 2013 (paid in financial year 2014), of which 2 were audited in 2014 while 5 (of the 6) were audited between 2012 and 2014. 3 Member States paid coupled ovine premia in claim year 2013, of which 1 was audited for that measure in 2014 and 1 was audited over the three year period 2012-2014. Audits cover the quality and level of the on-the-spot checks, the checks on compliance with retention periods and their correct calculation as well as the checks on the eligibility of claimed animals.

Regarding animal premiums, based on the audits, there are no indications that IACS systems were not generally operational in respect of claim year 2013 (financial year 2014).

(iii) Article 68 measures

The livestock related specific support measures under Article 68 of Regulation (EC) No 73/2009 were included in 10 conformity audits in 2014. In general the observations and recommendations made concerned the application of the relevant control measures rather than the nature of the specific support measures.

3.2.4 How is all this information used in order to "validate" and adjust the error rate reported in the Member States' control statistics?

Adjustments have been made by DG AGRI to the "reported error rates" calculated on the basis of the Member States' control data. These adjustments or top-ups have been established in line with the criteria set out in Annex 4 to this AAR and have been made where there were indications of error arising notably from the findings of the Certification Bodies, the Court of Auditors and DG AGRI's own audits. Where possible the amount at risk was quantified and where this was not the case a % flat rate was used to express the risk for the Budget arising from error in the expenditure which is not reflected in the Member States' control statistics.

The table below summarises this information for all Paying Agencies:

Direct Payments - Control results and the DG AGRI assessment thereon

Paying Agency		Expenditure in 2014 EUR	reported error rate	adjusted error rate	Amount at risk EUR
AT01	Austria	695.527.340	0,10%	0,10%	681.343
BE02	Belgium - Flanders	260.676.386	0,05%	0,05%	128.303
BE03	Belgium - Wallonie	291.855.793	0,12%	0,12%	349.704
BG01	Bulgaria	578.641.269	0,64%	0,64%	3.682.176
CY01	Cyprus	51.667.591	0,49%	0,49%	252.116
CZ01	Czech Republic	878.678.596	0,23%	1,21%	10.588.835
DE03	Baden-Württemberg	390.685.058	0,32%	0,32%	1.264.525
DE04	Bayern	1.039.711.921	0,11%	0,11%	1.171.530
DE07	Brandenburg	344.832.800	0,18%	0,18%	625.236
DE11	Mecklenburg-Vorpommern	385.355.017	0,41%	0,41%	1.568.410
DE12	Niedersachsen	855.477.828	0,23%	0,23%	1.978.457
DE15	Nordrhein-Westfalen	491.146.100	0,24%	0,24%	1.164.135
DE17	Rheinland- Pfalz	166.544.075	0,54%	0,54%	894.592
DE18	Saarland	20.278.497	0,26%	0,26%	52.232
DE19	Sachsen	278.472.937	0,82%	0,82%	2.286.030
DE20	Sachsen-Anhalt	356.999.037	0,35%	0,35%	1.233.461
DE21	Schleswig-Holstein	328.753.727	0,28%	0,28%	935.891
DE23	Thüringen	233.195.128	0,47%	0,47%	1.102.920
DE26	Helaba	209.803.517	0,61%	0,61%	1.281.697
DK02	Denmark	916.928.453	0,81%	0,81%	7.424.362
EE01	Estonia	99.062.701	0,50%	0,50%	493.034
ES01	Andalucía	1.521.402.637	0,13%	9,28%	141.125.039
ES02	Aragón	421.938.021	0,39%	0,39%	1.625.200
ES03	Asturias	62.005.169	0,15%	1,42%	878.642
ES04	Balearic Islands	24.978.300	0,25%	0,25%	61.307
ES05	Islas Canarias	181.348.318	1,41%	1,41%	2.555.948
ES06	Cantabria	40.158.058	0,64%	11,48%	4.610.559
ES07	Castilla La Mancha	662.071.448	0,08%	2,70%	17.849.651
ES08	Castilla y León	882.546.816	0,02%	3,54%	31.229.406
ES09	Cataluña	265.555.756	0,48%	0,48%	1.279.173
ES10	Extremadura	493.687.449	0,29%	9,24%	45.641.165
ES11	Galicia	163.653.828	1,91%	3,89%	6.358.765
ES12	Madrid	37.961.435	0,37%	7,71%	2.928.581
ES13	Murcia	59.493.210	3,87%	4,68%	2.784.040
ES14	Navarra	97.781.404	0,28%	0,28%	278.108
ES15	País Vasco	46.315.584	0,04%	0,13%	58.519
ES16	La Rioja	28.985.370	0,72%	8,35%	2.420.580
ES17	Valencia	120.565.600	2,06%	4,49%	5.411.512
FI01	Finland	519.426.986	0,51%	0,51%	2.648.156
FR05	ODEADOM(Posei) France	135.821.308	0,02%	0,02%	31.563
FR19	ASP - France	7.643.870.704	0,43%	4,30%	328.901.404

Direct Payments - Control results and the DG AGRI assessment thereon

Paying Agency		Expenditure in 2014 EUR	reported error rate	adjusted error rate	Amount at risk EUR
GB05	DARD(N. Ireland)	319.275.198	1,43%	1,43%	4.564.826
GB06	SGRPID(Scotland)	566.273.693	0,04%	0,04%	233.446
GB07	WG(Wales)	300.971.005	0,07%	0,07%	208.237
GB09	RPA(England)	2.009.205.409	0,25%	2,25%	45.108.112
GR01	Greece	2.246.413.946	1,04%	4,53%	101.832.085
HR01	Croatia	93.202.238	0,16%	0,16%	145.737
HU01	Hungary	1.287.608.038	1,14%	5,94%	76.515.798
IE01	Ireland	1.227.716.757	0,54%	2,50%	30.728.509
IT01	AGEA	1.870.775.215	0,07%	1,02%	19.020.482
IT05	AVEPA Veneto	386.338.890	0,31%	1,30%	5.031.999
IT07	ARTEA Toscana	166.020.738	0,39%	1,38%	2.298.962
IT08	AGREA Emilia Romagna	343.457.199	0,05%	1,05%	3.593.124
IT10	ARPEA Piemonte	337.260.744	0,11%	1,11%	3.748.323
IT23	OPR Lombardia	487.266.915	0,15%	1,16%	5.642.305
IT24	OPPAB Bolzano	21.860.546	0,04%	1,04%	226.933
IT25	APPAG Trento	16.320.618	0,05%	1,05%	171.332
IT26	ARCEA Calabria	272.940.394	0,75%	1,75%	4.782.473
LT01	Lithuania	375.811.208	0,21%	0,21%	786.540
LU01	Luxembourg	33.088.060	0,19%	0,19%	64.157
LV01	Latvia	143.760.006	1,25%	1,25%	1.799.906
MT01	Malta	5.272.930	0,00%	0,00%	44
NL04	Netherlands	805.799.539	0,26%	0,26%	2.081.284
PL01	Poland	2.982.334.188	1,55%	1,55%	46.161.699
PT03	Portugal	634.862.683	1,00%	2,97%	18.838.888
RO02	Romania	1.259.560.966	1,61%	1,74%	21.900.244
SE01	Sweden	679.485.230	0,29%	2,29%	15.577.331
SI01	Slovenia	140.204.433	0,73%	0,73%	1.020.667
SK01	Slovakia	371.546.506	0,66%	1,66%	6.155.487
Subtotal		41.668.494.465	0,55%	2,53%	1.056.075.240
Amounts reimbursed to DG AGRI by co-ordinating bodies		-8.815.032		0,00%	0
ABB03		41.659.679.433	0,55%	2,54%	1.056.075.240

In a limited number of cases (Czech Republic, Italy and Slovak Republic), top-ups were made to the reported error rate but the resulting adjusted error rate was not above the materiality threshold of 2% and therefore a reservation did not have to be considered. All such cases are of course followed up by a conformity clearance procedure and financial corrections shall be applied as appropriate in order to protect the EU Budget.

3.2.5 What mitigating factors exist in order to render a reservation unnecessary?

The following table sets out the situation for all cases where the adjusted error rate is above 2%. A brief explanation is given for the top-up applied and any mitigating factors which exist are examined in order to determine if a reservation is required. Both the DG AGRI auditors and the operational unit concerned are involved in this process.

Direct Payments - Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
ES07: Castilla-La Mancha ES08: Castilla y Leon ES11: Galicia ES13: Murcia ES17: Valencia	2.70% 3.54% 3.89% 4.68% 4.49%	17.850 m € 31.229 m € 6.359 m € 2.784 m € 5.412 m €	DG AGRI audits from 2014 and before found weaknesses in the controls regarding the eligibility of permanent pasture land and its recording in the LPIS. This is a national problems but to a different extent in each autonomous community. The top-ups proposed are established on the basis of the financial corrections notified so far to the relevant Paying Agencies in respect of the permanent pasture issue for financial year 2014.	Yes	An action plan already in place continues to be closely monitored by DG AGRI. The financial risk for the EU budget in respect of financial year 2014 is covered by a financial correction already notified to the Member State.
ES01: Andalucia ES06: Cantabria ES10: Extremadura ES12: Madrid ES16: La Rioja	9.28% 11.48% 9.24% 7.71% 8.35%	141.125 m € 4.611 m € 45.641 m € 2.929 m € 2.421 m €	DG AGRI audits from 2014 and before found weaknesses in the controls regarding the eligibility of permanent pasture land and its recording in the LPIS. This is a national problems but to a different extent in each autonomous community. The top-ups proposed are established on the basis of the financial corrections notified so far to the relevant Paying Agencies in respect of the permanent pasture issue for financial year 2014.	Yes	An action plan already in place continues to be closely monitored by DG AGRI. The financial risk for the EU budget in respect of financial year 2014 is covered by a financial correction already notified to the Member State.
FR19: ASP (France)	4.30%	328.901 m €	DG AGRI audits have found the LPIS in France to be deficient. It does not adequately ensure the correct maximum eligible area which affects payments. An action plan was initiated in 2013 and has been closely monitored by DG AGRI. However, interim milestones have not been met and the quality of the work done has been insufficient to address the problem in full. Furthermore, France has incorrectly calculated the value of the entitlements. As a consequence of both issues, a 4% top-up is deemed appropriate. DG AGRI's audit findings are corroborated by the systems assessment of the ECA in its 2013 Annual Report.	Yes	The action plan continues to be closely monitored. Significant financial corrections have been applied in respect of financial years 2009-2013 and conformity clearance procedures are underway for subsequent years in order to protect the EU budget.
GB09: RPA (England)	2.25%	45.108 m €	2014 and previous audits have found deficiencies in the correctness of the information in the LPIS as well as weaknesses found in on-the-spot checks. The ECA system assessment in 2012 found the system to be not effective which would normally indicate a 5% top-up. However, DG AGRI, based on its own audit findings considers that a 2% top-up sufficiently reflects the error.	Yes	A remedial action plan is under way. The on-going conformity clearance procedure covers the financial risk to the EU budget.
GR01 OPEKEPE (Greece)	4.53%	101.832 m €	Despite the implementation of an action plan, problems remain with the inclusion of ineligible permanent pasture land in the LPIS. The full extent of this issue is known and has been quantified. A financial correction for permanent pasture for	Yes	The pasture action plan results in an improvement in the situation for claim year 2014 (financial year 2015) but has not remedied the situation for financial year 2014. Therefore the reservation is maintained. The full risk for the EU budget is covered via the conformity clearance procedure

Direct Payments - Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
			financial year 2014 has already been notified to Greece and the top-up made to the error rate was established on the basis of the financial correction notified.		which recovers the undue expenditure.
HU01: Hungary	5.94%	76.516 m €	A 2013 DG AGRI audit found weaknesses in the set-up (risk analysis and control approach) and performance of the on-the-spot checks and in retroactive recoveries. A 5% top-up to the error rate is considered appropriate and is in line with the level of financial correction proposed in the on-going conformity clearance procedure.	Yes	As the error rate is above 5% a reservation is required. However, an action plan is not considered necessary as in the context of the CAP reform a new control set-up will in any event be established. An action plan to remedy the 2013/14 control regime is, therefore, superfluous. The risk for financial years 2013-2014 is covered by the conformity clearance procedure.
IE01: Ireland	2.50%	30.729 m €	DG AGRI audit missions found weaknesses in the LPIS (e.g. ineligible landscape features included in the LPIS). In line with the level of financial corrections proposed in the on-going conformity clearance procedures, a top-up of 2% is proposed.	No	Improvements have already been made in respect of claim year 2013 (financial year 2014) and are expected to be largely addressed from claim year 2014 (financial year 2015) onwards. Furthermore, any financial risk is covered by an on-going conformity procedure which will ensure that the financial risk to the EU budget is covered.
PT03: Portugal	2.97%	18.839 m €	The action plan for the PT LPIS was finalised in 2013. However DG AGRI audits found weaknesses in the consolidation of entitlements following the LPIS update. The irregular payments have been assessed by the notification of a 2% flat rate correction. The top-up corresponds to the correction notified.	Yes	An action plan was completed in 2013 and no additional plan is required. The work carried out by PT in respect of the consolidation of entitlements is valid from 2014 claim year onwards (but is not applicable retroactively). The conformity clearance procedure already on-going in respect of financial year 2014 will ensure that the financial risk to the EU budget is covered
SE01:Sweden	2.29%	15.577 m €	Weaknesses in the on-the-spot check and retroactive recovery procedures were established. The irregular payments have been assessed by the notification of a 2% flat rate correction. The top-up corresponds to the correction notified.	No	SE has implemented a number of improvements to strengthen internal control procedures. This includes the creation of a specific unit in the Paying Agency charged with carrying out quality checks of procedures for the full lifecycle of transactions. Any financial risk is covered by an on-going conformity procedure.

Table: Annex 10 - 3.2.9

Direct Payments - Control results and the DG AGRI assessment thereon

The following table gives details of cases for direct payments where a reservation made in the 2013 AAR was not carried over in the 2014 AAR:

Paying Agency	Adjusted error rate	Amount at risk	Justification
ES02 - Aragon	0.39%	1.625 m €	A reservation was made in 2013 AAR due to an error rate of 2.98% which included a top-up by DG AGRI's auditors. No top-up was considered necessary to the reported error rate in 2014 AAR. This is because more precise information was provided by the Spanish authorities during 2014. As a result the error rate is below the materiality threshold of 2% and it is not necessary to apply a reservation in respect of 2014.
ES04 – Balearic Islands	0.25%	0.061 m €	A reservation was made in 2013 AAR. No top-up was considered necessary to the reported error rate in 2014 AAR. As a result the error rate is below the materiality threshold of 2%. No reservation is applied.
ES09 - Cataluna	0.48%	1.279 m €	A reservation was made in 2013 AAR. No top-up was considered necessary to the reported error rate in 2014 AAR. As a result the error rate is below the materiality threshold of 2%. No reservation is applied.
ES14- Navarra	0.31%	0.278 m €	A reservation was made in 2013 AAR. No top-up was considered necessary to the reported error rate in 2014 AAR. The amount at risk is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is applied.
ES15-Pais Vasco	0.13%	0.059 m €	A reservation was made in 2013 AAR. DG AGRI auditors adjusted the reported error rate of 0.05% by 0.08 %. The top-up was established on the basis of the financial correction notified so far to the Paying Agency in respect of the permanent pasture issue for financial year 2014. As a result the error rate is below the materiality threshold of 2%. No reservation is applied.

Table: Annex 10 - 3.2.9

3.2.6 Conclusions as regards assurance for ABB03

As a result of the "top-ups" made, an adjusted error rate has been calculated of 2.54% with 17 out of 69 Paying Agencies having an adjusted error rate above 2% (of which five were above 5% - ES – Andalucia, Cantabria, Extremadura and La Rioja as well as Hungary) – see Table: Annex 10- 3.2.8 above. Overall, the reported error rate for ABB03 increased from 0.55% to 2.54% as a result of adjustments made by DG AGRI.

For the 17 Paying Agencies with an error rate between 2 and 5%, an examination was carried out of any risk mitigating factors which indicated that the EU budget was protected for the past (conformity clearance procedure, culminating in a financial correction, underway) and that it is protected for the future (the deficiencies have been addressed by the Paying Agency). In 2 out of the 17 cases (Ireland and Sweden), it was considered that, given the mitigating factors present (see summary under point 3.2.3), it would not be necessary to make reservations. Table: Annex 10 – 3.2.9 sets out the reasoning in respect of each case.

Direct Payments - Control results and the DG AGRI assessment thereon

The overall outcome of this exercise is that 15 reservations are necessary at Paying Agency level:

- Spain – for 10 Paying Agencies
- France -ASP
- UK – RPA
- Hungary
- Greece
- Portugal

5 Reservations from 2013 (all for ES) are not carried over in the 2014 AAR due to error rates in 2014 being below 2% or the amount at risk being below DG AGRI's de minimis threshold of 1 m EUR (see Table: Annex 10 – 3.2.9).

The error rate for ABB03 is 2.54% with an amount at risk of 1 056.1 m EUR.

It is noted that the average amount of net financial corrections per year for the three-year period 2012-2014 (excluding corrections made for cross-compliance) is 394.7 m EUR for ABB03²⁹.

3.2.7 Root causes of the error rate in direct payments – what is DG AGRI doing about it?

In 2013 DG AGRI carried out an assessment of the root causes of errors in the implementation of direct payments and of possible preventive and corrective actions. This assessment was further formalised with the adoption and publication on 26 May 2014 of a Commission staff working document (SWD(2014) 175 final). The main root causes of error identified therein are the following:

- Errors/non-compliances by national administration arising when national administrations do not adapt their system as to ensure compliance with the rules or do not follow their own instructions: such errors account for 39.5% of the 2012 DAS error. However, they are isolated by nature and cannot be "generalised". They are clustered in some Member States and therefore do not indicate a cross-cutting problem for direct payments as a whole,
- Insufficient quality and update of the Land Parcel Identification System (LPIS),
- Low quality of the on-the-spot checks,
- Mistakes in the aid applications.

These last three root causes are the main causes for over and under declaration of area, and accounted for 54.5% of the overall error rate established by the Court of Auditors for 2012. They are also the most frequent as they were spread over 30 transactions in 13 Member States.

Looking forward to the implementation of the reformed system of direct payments, it is expected that some of the above-mentioned risks will persist while a few additional risks have been identified. In fact, it is notable

²⁹ See section 2.1.1.3 of the main body of the report on "corrective capacity". No information is given on the corrective capacity which derives from recoveries as this is not split by ABB activity and is available only at Fund level.

Direct Payments - Control results and the DG AGRI assessment thereon

that the choices in the recent reform of the CAP aim at an improved targeting of support measures and ultimately a more effective and efficient CAP. Better targeting often implies additional eligibility conditions and thus greater complexity of support schemes where Member States are given more flexibility. Moreover, compromise solutions incorporated in the basic acts in the inter-institutional decision-making process sometimes give rise to diverging interpretations when implemented by Member States.

For direct payments the main areas of risk in the context of the reformed system are the following:

- Transitional period until 2018 for the creation of the layer for Ecological Focus Areas (EFA) in the LPIS meaning the level of assurance given by the control system may in the meantime be lower. During this transitional period, mitigating actions are expected in terms of either increasing the level of on-the-spot controls by the Paying Agencies or recording in the LPIS, after verification and before payment, the EFA declared by the beneficiaries).
- The fact that the list from which EFA Member States can choose contains EFA that are difficult/costly to control.
- The fact the certification schemes which Member States will notify as equivalent and their functioning are so far unknown. However, it has to be noted that only 2 countries decided to opt for equivalent practices through certification schemes.
- The risk relating to the population of farmers exempted from Greening (i.e. complexity for farmers and administration to manage the various exemption criteria, risk of errors for farmers close to thresholds).
- The low level of the applicable penalties in case of non-compliance with the greening practices with the risk they do not achieve their deterrent effect.
- The risk of error when proceeding to the first allocation of payment entitlements due to the numerous and sometimes complex options for Member States
- Continued risks of misinterpretation of what is the eligible area for the basic payment scheme

DG AGRI is already addressing the main risks created for the Funds by the existing root causes by means of audit enquiries and action plans already underway in certain Member States. A series of actions covering improvements in monitoring, communication and remedial action are envisaged to mitigate the situation further and prevent issues from arising in the future:

1. The quality **assessment (QA) which Member States must carry out of their LPIS** is actively followed-up by a new unit in DG AGRI ("Implementation support, monitoring, IACS and LPIS") to ensure that Member States take the remedial actions required to meet the quality standards DG AGRI considers appropriate. Moreover, the conformity clearance procedure will still include in its process the assessment of the correct application of the LPIS QA method.

2. DG AGRI has reinforced its **actions to inform** in meetings (e.g. meeting with Paying Agencies; or ad hoc expert groups) the responsible bodies in the Member States (Paying Agencies, ministries) and has also developed guidance documents addressing problematic issues in particular in the following areas:

- principles for the LPIS under the renewed direct payments schemes,
- establishment of the EFA layer in the LPIS,
- on-the-spot checks and area measurement and
- aid applications by farmers.

Other technical guidance, established in collaboration with the Commission's Joint Research Centre will follow. DG AGRI has also carried out implementation support activities through visits to Member States (missions to 21 Member States in total were either performed in 2014 or in the first months of 2015), bilateral meetings /

Direct Payments - Control results and the DG AGRI assessment thereon

replies to written questions on the **implementation** of the direct payment schemes and of the greening, as also with regard to the integrated administration and control system (IACS).

3. Specific actions towards deficiencies in certain Member States have been taken following conformity clearance enquiries that detected major deficiencies and they have proven effective in triggering changes. The current procedure is to ask the concerned Member States to draw up an **action plan for each of the deficiencies identified**. Based on an analysis of the DAS exercises, of Member States' statistics and of audit results, new specific action plans may need to be implemented by some Member States.

4. DG AGRI provides guidance to the Member States and monitors the effectiveness of the control systems on an on-going basis, in particular through compliance audit missions (including also audits of Paying Agencies' compliance with the accreditation criteria and audits of the Certification Bodies) as well as **conformity clearance procedures**. Whenever weaknesses are found, the Commission protects the Union's financial interests by means of financial corrections imposed on the Member States. The error rate for direct payments is also being addressed through DG AGRI's audit activity.

5. The previous legislation provided for the possibility to reduce or **suspend payments** but only in the case of repeated deficiencies having been the reason for at least two financial correction Decisions by the Commission. The Horizontal Regulation now enables the Commission to reduce or suspend payments when a Member State has not addressed the deficiencies via an action plan. This will provide Member States with a stronger incentive to improve their systems where necessary. As an example, this new procedure was implemented in December 2014 through a Commission Implementing decision to reduce monthly payments to Greece under the single payment scheme for issues linked to the management of permanent pasture areas which were not properly addressed by the on-going action plan.

6. DG AGRI has also proposed a series of rules in the secondary legislation (delegated acts and implementing acts) aiming at mitigating the risks identified above. These mainly concern control provisions. As is already the case, the need to amend secondary legislation in view of specific difficulties encountered in the process of implementation of the reform will be constantly assessed and acted upon.

7. In the framework of the reform, an exhaustive inventory of information regarding the options taken by Member States to implement the new system of direct payments has been obtained by the services of DG AGRI in charge of the management of the policy and has been processed for diffusion to the concerned services in charge of monitoring of the implementation and audit. Based on an enhanced co-operation with Member States, the quality and reliability of the information gathered will allow the monitoring of the implementation of Direct Payment rules and control systems. The information to hand will be used to feed the risk analysis established for planning the usual audits and in the decisional process on the relevance of launching actions plans.

The actions listed above draw upon the Commission services and Member States in equal measure.

3.2.8 Overview of Member States' action plans with regard to direct payments

Summary

If DG AGRI makes a reservation in its AAR with regard to serious and/or persistent weaknesses leading to a material level of error or to a reputational risk for the Commission, an action plan is required setting out how the deficiency will be remedied. Action plans were also demanded from Greece in respect of recurrent deficiencies which were subject to financial corrections for which that MS had requested to defer the payment.

The above two circumstances led to action plans being required from 5 Member States: Greece (3), Bulgaria, Romania, Portugal and France (a single action plan but with three fields of action with different milestones and completion dates).

Direct Payments - Control results and the DG AGRI assessment thereon

Most of these action plans have been finalised and were generally successful. For those cases where the situation is not handled satisfactory or for new cases, further action plans have been required by DG AGRI and established by the Member States concerned.

The following tables sets out the situation of the action plans which have been required by DG AGRI indicating the reasons they were requested, the time scale involved, the actions to be completed, whether the plan has been finalised and the financial consequences in terms of financial corrections.

Independently of these specific action plans, as part of normal procedure, when audit findings show weaknesses, Member States are recommended to take actions as to address the situation. Therefore, in the period 2005-2013 several Member States established national plans to remedy the weaknesses, mainly in respect of the LPIS. The assessment of such cases is described in additional tables below (for Italy, the Netherlands, Sweden, Poland, the United Kingdom (Northern Ireland and Scotland) Lithuania, Austria, Ireland and Spain).

As a general rule, and without exception, for any expenditure affected by weaknesses prior to the finalisation of the plan, the risk for the Fund was/is being covered via the application of financial corrections which, however, can only be finally imposed after completion of the sometimes time consuming conformity clearance procedure. Because of the magnitude of the financial corrections for direct payments, the Member States increasingly exercise their right to provide additional data in order to enable the Commission to more accurately calculate the financial risk to the EU Budget. This often means that they perform a representative sample of checks or request to await the completion of the LPIS updating exercise so that they can use the updated data for the calculation. Both such exercises take a considerable time and also have to be validated and checked on-the-spot by DG AGRI. Experience has shown that this additional work extends the life-cycle of an audit enquiry by 1-2 years.

In some cases the financial correction are accompanied by retro-active recovery from farmers and crediting of these amounts by the Paying Agency to the EU budget.

In the 2013 AAR, reservations were made in respect of 15 Spanish Paying Agencies, France (ASP), UK (England), Hungary, Greece and Portugal.

For France, Spain and England, remedial action plan established by the national authorities continue to be monitored by DG AGRI. For Portugal the action plan has been implemented. For Greece, although the situation had significantly improved, the action plan was found not to have been fully implemented according to the set milestones and deadlines which led the Commission to adopt an Implementing decision to reduce the claim year 2014 monthly payments for expenditure concerned by the deficiencies. For Hungary it was not considered necessary to establish a formal action plan for the specific problems which existed for 2013 and 2014. These relate to the control set up which is in any event overhauled in the context of the new direct payments regime as of claim year 2015. For France, more specific information on the implementation of the action plan is included in the following table.

Direct Payments - Control results and the DG AGRI assessment thereon

ACTION PLANS REQUIRED BY DG AGRI FROM THE MEMBER STATES FOLLOWING A RESERVATION IN ITS AAR OR AS A CONDITION FOR A DEFERRAL DECISION

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
Greece Reservation AAR2002- AAR2008	For several years GR did not have an adequate LPIS leading to reservations in DG AGRI's AAR from 2002. Therefore an action plan was necessary to <u>develop a new LPIS</u> .	Mid-2006 - 31.12.2008 FINALISED	This plan was closely monitored and actively guided by DG AGRI. The result was a satisfactory situation in most regards; errors by farmers in their claims decreased materially. However the issue of permanent pasture was not adequately addressed.	Claim year 2006: 194 m EUR Claim year 2007: 110 m EUR Claim year 2008: 107 m EUR.
Bulgaria Reservation AAR2009- AAR2012	Given deficiencies found during audit missions and considering the high error rate, an <u>update of the LPIS information</u> on the basis of new imagery was requested.	2009 - end 2011 FINALISED	This plan was guided and closely monitored by DG AGRI. The plan was finalised 1 year later than scheduled, but this was mainly due to conditions not fully attributable to the authorities. The result was a satisfactory situation in most regards and the level of error has fallen. However, considering the eligibility rules for BG/RO, the LPIS cannot be considered to be as reliable as in the rest of the Member States ³⁰ .	Claim year 2007: 16.6 m EUR Claim year 2008: 20.8 m EUR Claim year 2009: 15.3 m EUR Claim year 2010-2011: 15.6 m EUR
Romania	Given deficiencies	2009 - end	This plan was guided and closely monitored by DG	Claim year 2007: 42 m EUR

³⁰ Unlike the situation in the EU-10 MS, in BG and RO the eligibility of the land is not fixed by a specific date i.e. 30.6.2003 and land is eligible if in Good Agricultural Condition in the year it is claimed. Combined with the fact that (conversion of) land is in "evolution" in these MS, their LPIS is more quickly "outdated" than in the other MS.

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
Reservation AAR2009- AAR2011	found during audit missions and considering the high error rate, an <u>update of the LPIS information</u> on the basis of new imagery was requested.	2010 FINALISED	AGRI. The plan was finalised 1 year later than scheduled, but this was mainly due to conditions not fully attributable to the authorities. The result was a satisfactory situation in most regards and the level of error has fallen. However, considering the eligibility rules for BG/RO, the LPIS cannot be considered to be as reliable as in the rest of the Member States ³¹ .	Claim year 2008: 38.8 m EUR Claim year 2009: 80 m EUR Claim year 2010: 47 m EUR
Portugal Reservation AAR2011- AAR2012	Following serious audit findings, Portugal was requested to address, via an action plan, the situation of late on-the-spot checks and to update and streamline its LPIS.	2010 - start 2013 FINALISED	This plan was closely monitored by DG AGRI. It was finalised in time and initial assessments are positive. The results in respect of the error rate will be measurable by mid-2014 i.e. final payments for claim year 2013.	Claim year 2007: 28.5 m EUR Claim year 2008: 29.8 m EUR Claim years 2009-11: 143.411 m EUR Claim year 2012: finalisation of clearance procedure expected by end-2015.
Greece	Cross-compliance.	2012-2013	Greece applied to defer the financial corrections in respect of, <i>inter alia</i> , cross compliance deficiencies detected for claim years 2006, 2007	Claim year 2006: 4.9 m EUR Claim year 2007: 10.9 m EUR

³¹ Unlike the situation in the EU-10 MS, in BG and RO the eligibility of the land is not fixed by a specific date i.e. 30.6.2003 and land is eligible if in Good Agricultural Condition in the year it is claimed. Combined with the fact that (conversion of) land is in "evolution" in these MS, their LPIS is more quickly "outdated" than in the other MS.

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
Deferral Decision C(2012)4293 of 28/06/2012		FINALISED	and 2008. The deferral was granted on condition that Greece remedy the deficient situation for the controls in respect of cross-compliance which was the subject of the corrections. This was addressed satisfactorily.	Claim year 2008: 4.9 m EUR Claim year 2009: 5.5 m EUR Claim year 2010: 5.3 m EUR Claim year 2011: 5.2 m EUR A 2014 audit examined the situation for claim years 2012 and 2013. The conformity clearance procedure is ongoing.
Greece Deferral Decision C(2012)4293 of 28/06/2012	Adapt the LPIS maximum eligible area for permanent pasture.	2012- March 2013 FINALISED (work done but not entirely satisfactory)	<p>The LPIS created in 2008 included areas there are areas which are recorded as eligible for payment for their full area, but are not due to their inherent situation (e.g. forest, high presence of shrub, bushes etc.).</p> <p>The LPIS established in 2008 included areas which due to their inherent situation (e.g. forest, high presence of shrub, bushes) should not be eligible for CAP support. As a condition of the decision to defer financial corrections, Greece was required to address this situation via an action plan.</p> <p>Audit missions in 2013 showed that work by Greece was not to the required standard. Consequently the deferral was partially revoked (i.e. the part linked to permanent pasture was "revoked").</p>	Claim year 2009: 76.7 m EUR Claim year 2010: 128.4 m EUR Claim year 2011: 97.4 m EUR Claim years 2012 and subsequent: clearance procedures are on-going in order to protect the EU Budget. Finalisation by end 2015.

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
			Missions in 2014 found that the situation was still not to the required standard and therefore the Commission has adopted a decision reducing payments for the 2014 claim year.	
France	Following audit findings France was requested to address the situation of weaknesses in the <u>LPIS</u> .	2013 -2016 ON-GOING	France submitted a "final" version of the action plan on 15.11.2013. This now followed up by quarterly reporting and by audit missions.	Claim year 2008 108 m EUR Claim year 2009: 102.1 m EUR Claim year 2010: 156.3 m EUR Claim year 2011: 163 m EUR Claim year 2012: 166 m EUR
Reservation AAR 2012-2014	Following audit findings France was requested to address the situation of weaknesses in the <u>controls of Cross-Compliance</u>	2013 onwards FINALISED	France has stated it would address situation, but results will only be visible in 2014 or 2015. A follow-up audit mission in March 2014 showed that the actions were effectively implemented as from 2014 onwards.	Claim year 2010: 51.1 m EURO Claim year 2011: 89.8 m EUR
	Following audit findings France was requested to address the situation of weaknesses in the management of payment entitlements.	2013 onwards FINALISED	France has stated it would address situation, but results will only be visible in 2014 or 2015.	Claim year 2006: 59.6 m EUR Claim year 2007: 59.4 m EUR Claim year 2008: 59.4 m EUR

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
				Claim year 2009: 67.9 m EUR Claim year 2010: 56.8 m EUR Claim year 2011: 95.6 m EUR Claim years 2012 and 2013: clearance procedures expected to be finalised by mid-2016.

ACTION PLANS FOR REMEDIAL ACTION INITIATED BY THE MEMBER STATES FOLLOWING DG AGRI AUDIT FINDINGS (NO RESERVATION)

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
Italy	Weaknesses in the LPIS were established.	2007-2009 FINALISED	Following audits in 2006 and 2008, Italy instigated a plan to update the LPIS in 2007 over a period of 3 years. Since then Italy is in an "automated cycle of update".	Claim year 2006: 26 m EUR. Claim year 2007: 43 m EUR. Claim year 2008 and 2009: clearance procedure is underway - finalisation by end-2014. As a result of the remedial action Italy started recovery from farmers which would reduce the amount of the correction for these 2 years.
NL	Weaknesses in the LPIS were established.	2009-2010	Following audits in 2007 and 2009, The Netherlands established a plan to update the LPIS in 2009.	Claim year 2005: 5.1 m EUR Claim year 2006: 5.5 m EUR

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
		FINALISED		<p>Claim year 2007: 4.9 m EUR</p> <p>Claim year 2008: 20 m EUR (incl. also other findings)</p> <p>Claim year 2009: 5 m EUR (some LPIS issues had already been addressed)</p> <p>Claim year 2010: no correction required.</p>
Sweden	Weaknesses in the LPIS were established.	2009-2010	Following audits in 2007 Sweden established a plan to update the LPIS in 2009. The latest mission in 2013 showed that Sweden continuously updates its LPIS.	<p>Claim year 2005: 24 m EUR</p> <p>Claim year 2006: 23.9 m EUR</p> <p>Claim year 2007: 22.1 m EUR</p> <p>Claim year 2008: 18.4 m EUR (assessed using LPIS update information).</p> <p>Claim year 2009: 1.3 m EUR</p> <p>Claim year 2010: 0.16m EUR.</p> <p>These corrections were also in respect of other deficiencies</p>
Poland	Weaknesses were established in the LPIS from claim year 2005 onwards.	2009-2010	Following audits in 2006, 2008 and 2009 Poland established a plan to improve the performance of its LPIS in 2009 and further-on in 2010 and 2011. This continued progress was confirmed in an audit in 2011.	<p>Claim year 2005: 100 Mio PLZ (incl. also other findings)</p> <p>Claim year 2006: 25 m EUR (incl. also other findings)</p> <p>Claim year 2007: 17.5 m EUR (financial impact is lower because of recoveries made by Poland) - clearance procedure in finalisation.</p> <p>Claim year 2008: 14.5 Mio (financial impact is lower because recovery instigated by Poland) - clearance</p>

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
		FINALISED		<p>procedure in finalisation.</p> <p>For claim years 2009-11 no corrections were made as PL recovered the undue amounts and credited to the EU Budget</p>
Northern Ireland	Weaknesses in the LPIS were established.	2010-2012	Following audits in 2006, 2008 and 2009 Northern Ireland established a plan to improve the performance of its LPIS in 2010. This was further developed in 2011 and 2012 and should yield full positive results for claim year 2013.	<p>Claim year 2005: 11 m EUR</p> <p>Claim year 2006: 17 m EUR</p> <p>Claim year 2007: 16 m EUR</p> <p>Claim year 2008: 15.7 m EUR</p> <p>Claim year 2009: 17.6 m EUR</p> <p>Claim year 2010-2012: 14.4 m EUR</p> <p>These corrections were also in respect of other deficiencies</p>
Scotland	Weaknesses in the LPIS were established.	2009-2010	Following audit in 2007 Scotland took remedial action to improve the performance of its LPIS in 2009. This was further developed in 2010.	<p>Claim year 2007: 12 m EUR</p> <p>Claim year 2008: 11.5 m EUR</p> <p>Claim year 2009: 11.5 m EUR</p> <p>Claim year 2010: 3.1 m EUR</p> <p>Amounts were "calculated" by Scotland using their LPIS review.</p> <p>These corrections were also in respect of other deficiencies</p>
Lithuania	Weaknesses were established in the LPIS	2009-2011	Following audits in 2006 and 2009 Lithuania took remedial action to improve the performance of its LPIS. First measures were taken in 2009 but a fully	<p>Claim year 2005: 2 m EUR</p> <p>Claim year 2006: 2.5 m EUR</p> <p>These corrections were also in respect of other deficiencies</p>

Direct Payments - Control results and the DG AGRI assessment thereon

MS	Subject	Start / end date	Assessment	Financial corrections (the financial year concerned is generally the year following the claim year although there may be some residual amounts paid in subsequent financial years)
		FINALISED	satisfactory situation was only achieved for 2011.	<p>Claim year 2007: 4.3 m EUR</p> <p>Claim year 2008: 5.5 m EUR</p> <p>Claim year 2007: 5.6 m EUR (incl. other findings)</p> <p>Claim year 2008: 6.7 (incl. other findings)</p> <p>Claim year 2009 onwards: clearance procedure is on-going - finalisation in 2015.</p>
Austria	Weaknesses were established in the LPIS particularly in respect of alpine parcels.	2009-2011 FINALISED	<p>Following audits in 2008 and 2009 Austria took remedial action to improve the performance of its LPIS in 2010 and 2011.</p> <p>The situation is to be confirmed in a future audit mission.</p>	<p>Claim year 2006: 2.6 m EUR (including other findings).</p> <p>Claim years 2007-2009: following LPIS updates in 2011, Austria recovered undue amounts from farmers and credited them to the EAGF. Therefore no financial corrections were required for this issue.</p>
Ireland	Weaknesses were established in the LPIS and particularly in respect of the commonages.	2010-2013 ON-GOING	<p>Following audits in 2006, 2009 and 2010, Ireland took remedial action to improve the performance of its LPIS in 2010. This will only be fully finalised for claim year 2014.</p> <p>The situation is to be confirmed in a future audit mission.</p>	<p>Claim year 2005: 3.3 m EUR</p> <p>Claim year 2006: 3.3 m EUR.</p> <p>Claim year 2007: 3.4 m EUR.</p> <p>Claim year 2009 and onwards: the clearance procedure is on-going; finalisation expected by mid-2015. Amounts will be re-calculated by Ireland using their LPIS review.</p>

Part 3.3 : ABB04 – Rural Development

Index for part 3.3 – ABB04: Rural Development

- 3.3.1 Introduction**
- 3.3.2 ABB04 Expenditure**
- 3.3.3 What assurance does the Director General have regarding the expenditure under ABB04 – Rural Development?**
- 3.3.4. How is this information used in order to assess the error rate?**
- 3.3.5 What mitigating factors exist in order to render a reservation unnecessary?**
- 3.3.6 Conclusions as regards assurance for ABB04**
- 3.3.7 Root causes of the error rate in Rural Development expenditure – what is DG AGRI doing about it?**

3.3.1 Introduction

One of DG AGRI's key objectives is to contribute to the sustainable development of rural areas. This is managed via its rural development policy which is funded under the European Agricultural Fund for Rural Development (EAFRD). For the 2007-2013 programming period, the policy operates through 94 regional and national Rural Development programmes which establish a series of measures designed to target specific needs and challenges. In 2014, DG AGRI commenced the process for assessing and approving the rural development programmes for the programming period 2014-2020. In total, 118 national or regional programmes co-funded by the EAFRD have been proposed by the Member States.

While the EAFRD bears a lot of similarities to the Structural Funds of DGs REGIO and EMPL, there are also a number of differences. In particular, it has been increasingly aligned with the management system for the EAGF which deals with direct payments to farmers. A large part of the EAFRD measures are "area-based" and are managed under the IACS (see Explanatory Box: Annex 10 - 3.2.2). The new CAP reform, which entered into force in 2014, strengthens that alignment in particular with regard to application and payment dates. One of the main differences between the reporting styles for EAFRD and the Structural funds is the greater emphasis for the former on the annuality of expenditure and less so on the multi-annual aspect. Additionally, the Structural Funds have so far used interruption and suspension of payment as well as recycled recovery procedures (i.e. the recovered amounts are retained by the Member States for re-use for other projects) while, in AGRI, the main instrument used to protect the Budget is conformity clearance procedure which results in net financial corrections being clawed back to the EU budget. DG AGRI's interruption and suspension mechanisms have however been reinforced. For further information on the use of these mechanisms in 2014, please see Chapter 2.1.1.7 of this report.

3.3.2 ABB04 Expenditure

The EAFRD is organised into "Title I" and "Title II" measures, the former being *area- and animal-based measures* and the latter being *investment and flat rate types of measure*.

Rural Development – Control results and the DG AGRI assessment thereon

What are flat rate measures?

Flat rate measures are those with a fixed amount of support for particular actions with a view to simplifying the application and payment procedures.

Explanatory Box: Annex 10 – 3.3.1

The Rural Development legislation for programming period 2007-2013 also distinguishes between five thematic priority areas or "Axes":

Axis 1: competitiveness of the agricultural and forestry sector

Axis 2: environment and land management

Axis 3: economic diversity and quality of life

Axis 4: LEADER

Axis 5: Technical Assistance

Axes 1, 3 and 4 fall mainly within Title II while Axis 2 measures fall within both Titles mixed. Some are purely Title I or Title II but measures 214, 221 and 223 have both an area-based and an investment-based dimension and thus are funded under both Titles.

"Table: Annex 10 – 3.3.10" at the end of part 3.3 of this annex details the measures and the Title under which they fall.

Expenditure reimbursed by DG AGRI to Member States in 2014 amounted to 11 185 998 301 EUR.

Budget Item	Description	Expenditure	
0504	05040114	Completion of EAGGF (Guarantee Section) 2000-2006	-1.397.377
	05040201	Completion of EAGGF (Guidance Section) 2000-2006	6.556.494
	05040202	Completion of special programmes for N. Ireland & Ireland	87.488
	05040501	Rural Development programmes (2007-2013)	10.947.350.313
	05040502	Operational Technical Assistance (2007-2013)	5.076.010
	05046001	Promoting sustainable rural development (2014-2020)*	224.989.886
	05046002	Operational Technical Assistance (2014-2020)	3.335.487
Total			11.185.998.301

Table: Annex 10 – 3.3.1

* advances for the 2014-2020 programming period.

3.3.3 What assurance does the Director General have regarding the expenditure under ABB04 – Rural Development?

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. In the first place, the Member States, with 72³² accredited Paying Agencies, are responsible for managing and checking the aid applications received from some 3.15 million applicants and for paying them.

³² Please note that on 1 January 2014 the two Paying Agencies in The Netherlands (NL01 – Dienst Landelijk Gebied and NL03 – Dienst Regelingen) merged into one new Paying Agency (NL04 – Ondernemend Nederland – RVO). As payments were still effected on the accounts of NL03 until end of December 2013, both, NL03 and NL04, were taken into account.

Rural Development – Control results and the DG AGRI assessment thereon

3.3.3.1 Control results reported by the Member States

Member States are required to perform administrative checks on all aid applications received as well as on-the-spot checks for at least 5% of applications for Title I measures and 4% of the expenditure for Title II measures. In order to provide information on controls and error rates in the area of rural development, Commission Regulation (EU) No 65/2011 provides for detailed and systematic reporting of the results of the Member States' controls and reductions applied. By 15 July of year N+1, the Paying Agencies are required to send to the Commission, data on the outcome of the controls carried out in respect of year N. These control statistics contain information on amounts claimed, errors corrected as a result of administrative, risk based checks and random checks and the resulting reductions applied. The result of the random checks, which is considered to be the one which is most representative of the error which the Paying Agency would have detected if it had carried out on-the-spot checks on all holdings, is the "reported error rate" which is used as the basis for the calculation of the adjusted error rate.

3.3.3.2 DG AGRI Validation and Adjustment Process

The reliability of the statistics communicated by the Paying Agencies depends on the efficiency of their control systems. DG AGRI carries out an extensive review and validation process (explained in detail in its Annex 4 setting out its materiality criteria) in order, if appropriate, to adjust the reported error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all available information. The main elements assessed are described in the following paragraphs.

3.3.3.3 Assessment of the Certification Bodies' opinions on the control statistics

As described in Annex 10 – part 2, the Certification Bodies are required to give an opinion on the quality of the checks carried out by the Paying Agencies; the results of which are the basis of the control statistics as well as on the accuracy of the latter. This opinion is received with the annual declarations of the Member State on 15 February of N+1.

Depending on whether a qualified or unqualified opinion was received and any other information available in the opinion, an adjustment (positive) was made to the error rate reported by the Member State. Following is a summary of the impact of the Certification Body findings on the reported error rates of the Member States which shows that there was an impact on the adjusted error rate in 4 cases:

- For Title I:
 - 5.18% (0.391 m EUR) for BE03 (Belgium – Wallonie)
 - 0.01% (0.01 m EUR) for BG01 (Bulgaria), no impact as there is a top-up of 2.0% based on ECA finding
 - 19.79% (29.721 m EUR) for GR01 (Greece)
- For Title II:
 - 1.43% (0.123 m EUR) for BE03 (Belgium – Wallonie)
 - 0.60% (1.363 m EUR) for BG01 (Bulgaria), does not impact as top-up from DG AGRI is already 12.13%
 - 0.98% (0.926 m EUR) for ES10 (Spain – Extremadura)

3.3.3.4 Assessment of findings from the European Court of Auditors

Each year the ECA has carried out a limited number of audits of Paying Agency's management and control systems and reports on them in its Annual Reports, Inter alia it gives assessments of "effective", "partially effective" and not "effective" on elements of the supervisory and control systems. DG AGRI integrates these assessments into the appraisal exercise it carries out on the reliability of the MS control statistics.

Rural Development – Control results and the DG AGRI assessment thereon

For this years' AAR, the Court's assessments in its 2011, 2012 and 2013 reports are taken into consideration:

Annual Report	Paying Agency		Administrative and control procedures	On-the-spot inspection methodology, selection, execution, quality control and reporting of results	Overall assessment ³³
2011	DK02	Denmark	Not effective	Partially effective	Not effective
	ES11	Spain (Galicia)	Partially effective	Partially effective	Partially effective
	IT23	Italy (Lombardy)	Partially effective	Partially effective	Partially effective
	HU01	Hungary	Partially effective	Partially effective	Partially effective
	AT01	Austria	Partially effective	Effective	Effective
	FI01	Finland	Partially effective	Partially effective	Partially effective
2012	FR19	France	Partially effective	Partially effective	Partially effective
	SE01	Sweden	Partially effective	Effective	Partially effective
	DE07	Germany (Brandenburg)	Partially effective	Partially effective	Partially effective
	PL01	Poland	Partially effective	Effective	Partially effective
	BG01	Bulgaria	Partially effective	Partially effective	Partially effective
	RO01	Romania	Not effective	Not effective	Not effective
2013	DE15	Germany (North Rhine-Westphalia)	Partially effective	Partially effective	Partially effective
	ES17	Spain (Valencia)	Partially effective	Partially effective	Partially effective
	MT01	Malta	Partially effective	Partially effective	Partially effective
	SI01	Slovenia	Partially effective	Effective	Partially effective
	IT01	Italy (AGEA - Sicily)	Partially effective	Effective	Not effective
	LV01	Latvia	Not effective	Partially effective	Not effective
	PL01	Poland (ARMA)	Effective	Effective	Partially effective
	RO01	Romania (PARDF)	Not effective	Partially effective	Not effective

Table: Annex 10 – 3.3.3

When taking into account the assessment of the Court, DG AGRI makes an adjustment of 2% for one or more "partially effective" ratings, a 5% adjustment for one "not effective" rating and a 10% adjustment if both categories assessed by the Court were rated as "not effective". However, if DG AGRI has more recent or more precise audit evidence which would indicate a lower level of error, it uses the latter.

³³ The ECA's overall assessment is based on other aspects of the control systems not reflected in this table.

Rural Development – Control results and the DG AGRI assessment thereon

3.3.3.5 Assessment of findings from DG AGRI audit missions carried out in 2012-2014

In 2014, 48 on-the-spot audits were carried out; these audits were selected mainly following the Central Risk Analysis. Audits were also carried out to those Paying Agencies that had not yet been visited for the 2007-2013 programming period or which had only been visited once. In addition, 7 "desk" audits were performed (a desk audit is an enquiry opened without an audit mission being carried out –the conformity clearance procedure followed is the same as that for audit missions), to follow up transactions audited by the ECA, cases detected by OLAF, previous financial corrections applied by the Commission or to assess specific items.

3.3.3.5.1 Audit missions for Title I measures

a) Audit plan and coverage

In 2014, for Member States or Paying Agencies for which agri-environment measures and natural handicaps have already been audited without major findings, priority has been given to other measures under axis 2, in particular to non-IACS measures which were not systematically checked during the current programming period. These audits are detailed under Title II.

In 2014, 8 audit missions concerned IACS-related measures of Axis II, based on the agri-environmental measures (which include organic farming), natural handicaps measures, animal welfare payments and first afforestation of agricultural land. Additionally, the specific support measures adopted under Article 68(1)(a)(v) of Council Regulation (EC) No 73/2009 were also checked as they may overlap with agri-environmental measures.

Audits have been also carried out in the Member States where a reservation was made in the 2013 AAR. In three Member States which have more than one Paying Agency (Italy, Spain and Germany), the Paying Agencies were selected following the Central Risk Analysis, and in order to visit those which had not yet been audited during the current programming period. There was specific follow-up in other Member States where there had been major findings during previous audits.

The audits assessed the management and control systems implemented by Member States in order to ensure that they complied with EU regulations, that the eligibility criteria had been met and that the commitments were controllable, verifiable, and respected by the beneficiaries. Moreover, these enquiries assessed whether the controls were effectively applied, if appropriate reductions and sanctions were imposed for non-compliance and if the control statistics sent by the Member States were consistent and reliable. Finally, these enquiries also helped to detect the root causes for the high error rate and the implementation of the action plans established to remedy the deficiencies.

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2014 were generally found to be effective, but with scope for improvement in a number of cases. The auditors found improvements in some Paying Agencies where the visit was a follow-up to a previous audit. DG AGRI auditors recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database in order to ensure a timely follow-up.

The audits carried out in 2014 detected scope for improvements for the following issues as far as the audits on IACS measures are concerned:

- continued efforts are required to provide simple and clear eligibility criteria and commitments and to inform beneficiaries about their obligations in a clear manner so they have full understanding of the requirements to be met in order to reduce the high error rate discovered in the Member States;

Rural Development – Control results and the DG AGRI assessment thereon

- additional improvements are required to extend administrative controls of certain agri-environmental commitments which are easy to check administratively (training certificate, organic certificate, state of the crops, etc.), and to better target risk analysis for the 5 % sample of beneficiaries to be checked on the spot;
- continued improvements in the on-the-spot checks systems are necessary in order to better assess the farmer's compliance with the commitments made, mainly as far as the respect of the maximum livestock density, to perform checks at the best time of the season for assessing compliance, and to integrate visual checks with other control tools;
- developing more targeted and proportionate sanction systems, as poor targeting may also be one of the causes of high error rate;
- for organic farming, a lack of control by some Paying Agencies has been observed, and cross-notification between different bodies involved was not sufficiently developed;
- in addition, a better traceability and clear conclusions about the quality of the controls carried out must be achieved by indicating how the checks were performed and how the inspectors came to their conclusions. The control methods used, during the on-the-spot check, to verify compliance with the farmer's commitments, must be indicated in the control report together with measurements, verification of fertilisers and animal counting in order to assess whether the livestock density is correct, whenever appropriate.
- statistics provided pursuant to Article 31 of Regulation (EU) No 65/2011 must be improved in terms of quality and deadline compliance.

From a general point of view, when serious deficiencies have been found, follow-up audits are carried out in order to assess the implementation of the recommendations made by DG AGRI. The conformity clearance procedure leads to net financial corrections in order to protect the EU budget from irregular spending as a result of the deficiencies found.

3.3.3.5.2 *Audit missions for Title II measures*

a) Audit plan and coverage

In 2014, 33 on-the-spot audits were carried out on Title II measures, including 7 audit missions on non IACS-related measures of Axis II, 11 audit missions on investments measures and 15 audits on flat rate measures. The audits carried out in 2014 were selected mainly following the Central Risk Analysis of DG AGRI.

The audits covered the procedures implemented by Member States to ensure that administrative checks, on-the-spot checks and ex-post checks were carried out in line with EU legislation, paying special attention to correct application of selection criteria and compliance with the eligibility criteria. They also checked that the costs had been correctly evaluated as reasonable, including compliance with procurement rules; that coverage of the risk of double funding was adequate and that reductions and sanctions imposed for non-compliance were adequate.

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2014 were generally found to be effective, but with scope for improvement in a number of cases. DG AGRI auditors recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database in order to ensure a timely follow-up.

The audits carried out in 2014 detected scope for improvements for the following issues as far as the audits on non-IACS measures of axis II:

- more detailed rules and procedure for the administrative selection of the projects, with more stringent rules as far as the evaluation of the reasonableness of the costs and audit trail;

Rural Development – Control results and the DG AGRI assessment thereon

- improvements in performing the in situ visits and their traceability;
- more comprehensive risk analysis for the on-the spot checks by including all the types and sizes of operations;
- continued improvements in the on-the-spot checks systems are necessary in order to better assess the eligibility conditions, the reconciliation of the invoices, and the eligible costs;
- statistics provided pursuant to Article 31 of Regulation (EU) No 65/2011 must be improved in terms of completeness, quality and deadline compliance.

With regard to investment measures, in seven cases, the audits revealed management and control deficiencies which would suggest that the systems are ineffective in determining whether claims are eligible and preventing irregularities. The weaknesses found may merit a financial correction of 10 % or more for the measures audited³⁴:

- In 2014, an audit mission was carried out in **Romania** which covered expenditure on measures 121 "Modernisation of agricultural holdings", 123 "Adding value to agricultural and forestry products" and 312 "Support for the creation and development of microenterprises". This mission followed up three previous missions carried out in 2012 and 2013 on measure 312 which gave cause for significant concern. The 2012–2013 audits, disclosed severe weaknesses in the Paying Agency's management and control system. The vast majority of the projects audited have been reported to OLAF. The main findings concerned the creation of artificial conditions by the EAFRD beneficiaries, problems in connection with the assessment of the costs reasonableness and concerning the assessment and follow up of the selection criteria. At DG AGRI's request, the Romanian authorities implemented an action plan in order to address the weaknesses detected. In June 2014, they reported that they had cancelled 522 projects by 15 May 2014 (out of approximately 2.800 signed before 2013). In 2014, the DG AGRI auditors found notable improvements in the procedures introduced by the Romanian authorities, particularly those that will be applied for the future. However, for the payments audited in 2014 and which have been carried out in 2013, the DG AGRI auditors found serious weaknesses in the Member State's management and control system.
- An audit mission to **Bulgaria** covered expenditure of the measures 321 "Basic services for the economy and rural population" and 322 "Village renewal and development, including payment of advances to the beneficiaries". This audit was linked to an audit to Bulgaria in 2013 aimed at quantifying the financial impact of the irregularities that had then been found. The established shortcomings concerned administrative verification of the public procurement procedures, of costs' eligibility and/or reasonableness. Moreover, the weaknesses found concerned the early and high advance payments, which has to be seen in the light of the n+2 decommitment rule. The Bulgarian authorities have been invited to give any explanation why such early and high advance payments were necessary. These explanations will be duly taken into account when concluding on the existence of a possible circumvention of the n+2 rule and deciding on the need for a financial correction. In 2014, a desk audit was carried out to follow up the ECA's audit findings of two missions performed in 2013. The findings concerned measures 321 and 312 "Support for the creation and development of microenterprises".
- An audit mission to **Germany**, Brandenburg-Berlin, covered expenditure of the measures 321 "Basic services for the economy and rural population" and 322 "Village renewal and development, including payment of advances to the beneficiaries". Serious irregularities were found in the projects financing the economic viability gap in broadband provision, concerning: estimation of the public contribution, correctness of the tendering procedure, compliance with the state aid and the national rules, as well as the quality of the administrative controls which did not lead to finding these irregularities at the national level.

³⁴ It is underlined that the clearance of accounts procedure is still on-going and that the level of financial correction is only decided after the end of the contradictory procedure.

Rural Development – Control results and the DG AGRI assessment thereon

The weaknesses found may include also verification of eligibility for VAT financing, the beneficiaries' meeting their publicity obligation, as well as the correctness of the public procurement procedures.

- An audit mission to **Denmark** on measure 121 "Modernisation of agricultural holdings" revealed several weaknesses. The weaknesses concerned the operation of key controls regarding mainly cost reasonableness assessment and procurement verification.
- An audit has been carried out in the **Netherlands**. The audit concerned the measures 313 "Encouragement of tourism activities", 321 "Basic services for the economy and rural population", 322 "Village renewal and development", 323 "Conservation and upgrading of the rural heritage" and 125 "Infrastructure related to the development and adaptation of agriculture and forestry". The mission revealed several weaknesses in the operation of key controls which concerned mostly cost reasonableness and procurement verifications.
- An audit mission to **Lithuania** covered the expenditure on the measures 121 "Modernisation of agricultural holdings", 123 "Adding value to agricultural and forestry products" and 312 "Support for the creation and development of microenterprises". The mission revealed some very serious shortcomings on the checks of the eligibility of the beneficiary, the cost reasonableness assessment, the procurement verification, etc.
- An audit has been carried out in **Sweden** on the measures 121 "Modernisation of agricultural holdings", 123 "Adding value to agricultural and forestry products", 312 "Support for the creation and development of microenterprises" and 321 "Basic services for the economy and the rural population". The mission revealed several weaknesses in the application of key controls such as the check of the eligibility and the selection.

What is the "N+2 decommitment" rule ("N+3 decommitment") as provided in Regulation 1306/2013?

Article 38 of Regulation 1306/2013 provides that the Commission shall automatically decommit any portion of a budget commitment for a rural development programme that has not been used for the purpose of pre-financing or making intermediate payments. The Funds must be used by 31 December of the second (third in accordance with Regulation 1306/2013) year following that of the budget commitment (so called N+3 rule). However, according to Article 41(4)(a) of Regulation 907/2014 the references to N+3 in Regulation 1306/2013 shall be regarded as references to N+2, as regards the 2007-2013 programmes. The purpose of the N+2/N+3 rule is to speed up execution of programmes and contribute to sound financial management.

Explanatory Box: Annex 10 – 3.3.4

3.3.3.5.3 Audits of Financial Instruments

No audits were carried out in respect of financial instruments in 2014. A number of conformity procedures relating to audits carried out in previous years with regard to financial instruments were finalised while other open enquiries are being pursued.

What are financial instruments?

Financial instruments are measures of financial support provided on a complementary basis from the EU budget in order to address one or more policy objectives. Such instruments may take the form of loans, guarantees, equity or quasi-equity investments, or other risk-sharing instruments and may, where appropriate, be combined with grants.

Explanatory Box: Annex 10 – 3.3.5

3.3.4 How is all this information used in order to assess the error rate reported in the Member States' control statistics?

The Audit Directorate of DG AGRI recorded in a central database, the indications of error arising notably from the findings of the Certification Bodies, the Court of Auditors and its own audit findings. Where possible, the amount at risk was quantified and where this was not the case, a % flat rate was used to express the risk for the Budget arising from error in the expenditure which is not reflected in the Member States' control statistics.

Rural Development – Control results and the DG AGRI assessment thereon

The table on the following pages summarises this information for all Paying Agencies:

Paying Agency		Expenditure in 2014 EUR	Reported error rate	Adjusted error rate	Amount at risk EUR
AT01	Austria	244.873.999	1,60%	2,04%	5.006.799
BE02	Belgium - Flanders	0	2,06%	2,08%	0
BE03	Belgium - Wallonie	16.628.109	0,97%	4,13%	687.376
BG01	Bulgaria	393.750.627	1,62%	9,59%	37.773.967
CY01	Cyprus	22.898.351	2,59%	3,46%	793.200
CZ01	Czech Republic	283.248.060	0,68%	1,76%	4.994.786
DE01	BLE	499.599	0,00%	0,00%	0
DE03	Baden-Württemberg	8.983.178	0,46%	0,46%	41.645
DE04	Bayern	0	0,20%	2,61%	0
DE07	Brandenburg	151.333.450	0,28%	2,28%	3.450.824
DE09	Hamburg	1.756.005	0,00%	0,00%	0
DE11	Mecklenburg-Vorpommern	132.709.586	0,27%	0,79%	1.044.870
DE12	Niedersachsen	129.627.837	1,17%	1,17%	1.513.263
DE15	Nordrhein-Westfalen	44.569.424	1,45%	2,64%	1.176.970
DE17	Rheinland- Pfalz	32.302.561	1,18%	1,18%	380.431
DE18	Saarland	2.742.462	1,83%	1,83%	50.059
DE19	Sachsen	153.969.088	1,32%	2,72%	4.181.910
DE20	Sachsen-Anhalt	124.731.223	0,41%	4,15%	5.174.564
DE21	Schleswig-Holstein	40.592.384	1,63%	2,14%	869.263
DE23	Thüringen	79.350.304	1,74%	1,74%	1.382.997
DE26	Helaba	14.140.215	0,81%	1,83%	258.766
DK02	DAFA	83.307.265	2,30%	5,69%	4.742.561
EE01	PRIA	62.135.652	1,27%	1,28%	793.019
ES01	Andalucía	205.999.750	4,82%	7,83%	16.128.123
ES02	Aragón	52.921.867	0,32%	0,32%	170.387
ES03	Asturias	9.264.742	0,12%	1,77%	164.119
ES04	Balearic Islands	6.429.837	2,53%	3,99%	256.371
ES05	Islas Canarias	28.043.603	0,56%	2,29%	641.185
ES06	Cantabria	11.673.628	0,85%	0,85%	99.114
ES07	Castilla La Mancha	180.347.361	1,90%	4,00%	7.209.323
ES08	Castilla y León	73.969.727	0,08%	2,47%	1.825.410
ES09	Cataluña	52.121.133	1,82%	1,82%	947.592
ES10	Extremadura	156.729.695	0,92%	1,35%	2.108.182
ES11	Galicia	91.602.093	0,95%	3,61%	3.310.032
ES12	Madrid	4.476.595	0,27%	0,27%	12.159
ES13	Murcia	31.771.439	1,17%	3,44%	1.093.397
ES14	Navarra	6.779.961	0,34%	0,34%	22.729
ES15	País Vasco	11.360.726	0,93%	0,93%	105.418
ES16	La Rioja	8.838.844	0,16%	1,83%	162.175
ES17	Valencia	31.857.641	3,61%	7,44%	2.371.789
ES18	FEGA	0	0,00%	0,00%	0
FI01	Finland	56.934.909	0,97%	2,98%	1.696.581
FR18	ODARC - France Corsica	13.632.722	3,49%	7,37%	1.005.037
FR19	ASP - France	784.520.009	1,39%	7,26%	56.928.040

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency		Expenditure in 2014	Reported error rate	Adjusted error rate	Amount at risk
		EUR			EUR
GB05	DARD(N. Ireland)	50.446.497	0,78%	1,75%	880.445
GB06	SGRPID(Scotland)	47.843.290	2,21%	3,57%	1.707.553
GB07	WG(Wales)	54.336.462	0,47%	0,48%	259.421
GB09	RPA(England)	538.418.236	0,40%	6,85%	36.888.548
GR01	Greece	549.164.613	0,97%	8,91%	48.905.111
HU01	Hungary	550.351.068	0,99%	2,57%	14.120.613
IE01	Ireland	0	2,51%	6,73%	0
IT01	AGEA	768.190.737	1,38%	4,63%	35.564.706
IT05	AVEPA Veneto	81.528.913	0,23%	0,23%	187.517
IT07	ARTEA Toscana	59.646.017	0,85%	2,44%	1.457.039
IT08	AGREA Emilia Romagna	79.515.358	0,63%	2,25%	1.787.181
IT10	ARPEA Piemonte	58.633.520	0,32%	1,53%	897.489
IT23	OPR Lombardia	64.948.395	0,50%	3,94%	2.557.937
IT24	OPPAB Bolzano	5.935.863	0,30%	1,00%	59.097
IT25	APPAG Trento	8.167.128	0,18%	0,18%	15.095
IT26	ARCEA Calabria	77.467.267	2,59%	3,82%	2.961.620
LT01	Lithuania	232.381.211	0,19%	8,19%	19.041.660
LU01	Luxembourg	1.287.916	0,46%	2,46%	31.704
LV01	Latvia	58.786.443	1,02%	6,02%	3.539.906
MT01	Malta	11.410.988	1,10%	3,10%	353.581
NL03	DR Netherlands	24.827.909	0,00%	0,00%	0
NL04	RVO Netherlands	86.188.169	2,25%	6,50%	7.220.693
PL01	Poland	1.700.773.103	1,50%	4,83%	82.221.601
PT03	Portugal	683.122.011	5,58%	9,78%	66.821.441
RO01	Romania	822.842.472	1,13%	6,77%	55.688.805
SE01	Sweden	221.274.236	2,20%	3,75%	8.294.381
SI01	Slovenia	118.091.451	1,26%	1,29%	1.521.137
SK01	Slovakia	148.345.380	0,08%	3,26%	4.843.296
05040501	Rural Development Programmes	10.947.350.314	1,52%	5,19%	568.402.009

Table: Annex 10 – 3.3.6

Rural Development – Control results and the DG AGRI assessment thereon

3.3.5 What mitigating factors exist in order to render a reservation unnecessary?

The following table "Table: Annex 10 – 3.3.7" sets out the situation for all Paying Agencies for which the error rate is above 2% detailing where reservations are required and the justification where it is considered that risk mitigation factors exist:

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
AT01- Austria	2.04%	5.007 m€	A 2014 DG AGRI audit revealed shortcomings in the scope and the traceability of the on-the-spot checks for measure 226 (Title II, restoring forestry potential). In addition, the ECA deemed the AT control system partially effective in 2011. The adjusted error rate stems from adjustments made by DG AGRI based on ECA and DG AGRI audits.	No	The MS has put in place an action plan which addresses the weaknesses found and which has been confirmed to DG AGRI. The MS is encouraged to continue its efforts. DG AGRI will closely monitor the situation. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II. No reservation is applied.
BE03- Belgium Wallonie	4.13%	0.687 m€	The adjusted error rate results from the qualified opinion of the Certification Body for the financial year 2014. The Certification Body reported shortcomings for both Title I and Title II.	No	The amount at risk (0.687 m€) is below DG AGRI's de minimis threshold of 1 m€ as established in its materiality criteria. No reservation is applied.
BG01 – Bulgaria	9.59%	37.774 m €	The adjusted error rate results from a number of audits carried out by DG AGRI and also from the ECA's assessment of the effectiveness of the BG control systems. DG AGRI has insufficient assurance for the 2014 expenditure. At the same time, DG AGRI recognises that BG has taken measures to address the shortcomings, i.e. by withdrawing certain expenditure from the payment declarations in 2014 and implementing measures from its error rate action plan for strengthening public procurement checks and expanding the scope of related on-the-spot controls.	Yes	A reservation is necessary in respect of 2014 expenditure. In order to further improve the situation, BG should reinforce its action plan, notably with actions aimed at continuing the streamlining of public procurement procedures, the introduction of standardised award criteria, and the effective implementation of national public procurement guidance. The financial risk for the EU budget in respect to financial year 2014 is covered by a number of ongoing conformity clearance procedures for Title II.
DE07 – Brandenburg	2.28%	3.451 m €	The adjusted error rate stems from the assessment of the ECA deeming the control system in Brandenburg as partially effective and for Title II also from a DG AGRI audit in 2014 which revealed serious shortcomings in public procurement in broadband related projects. The MS has communicated to DG AGRI an action plan which addresses the shortcomings found. Mitigating actions have been introduced, in particular regarding public procurement. Nevertheless DG AGRI does not yet have sufficient assurance that the respective actions were fully effective concerning the expenditure in 2014.	Yes	The reservation is carried over for 2014. The MS is encouraged to continue its efforts. DG AGRI will closely monitor the situation. The financial risk for the EU budget in respect of financial year 2014 is covered by ongoing conformity clearance procedures for Title II.
DE15 – Nordrhein - Westfalen	2.64%	1.177 m €	The adjusted error rate stems from a DG AGRI audit in 2013 which revealed shortcomings as regards notification of on-the-spot checks of beneficiaries of measure 215 (animal welfare).	No	Financial corrections have been applied to years 2011 and 2012 and Nordrhein-Westfalen has put in place corrective actions which address the issue of the respect of the 48-hours period for the announcement of controls, for the animal

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
					welfare measure (pasture grazing). Therefore there is no need to apply a reservation.
DE19-Sachsen	2.72%	4.182 m €	The adjusted error rate stems from a relatively high error rate reported by the MS and a DG AGRI audit for Title I in 2014 which revealed shortcomings in the control system for measure 214 as regards verification of livestock density and traceability of on-the-spot checks. DG AGRI does therefore not have the required assurance for the expenditure 2014	Yes	A reservation is necessary in respect of 2014 expenditure. AGRI recognizes that the MS has put in place an action plan which was recently revised and communicated to DG AGRI. However, in order to further improve the situation Sachsen should reinforce the action plan notably with actions aimed at the weaknesses found in the recent audit referred to above. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title I.
DE20-Sachsen-Anhalt	4.15%	5.175 m €	The adjusted error rate stems from a DG AGRI audit for Title II in 2013 which revealed weaknesses in checks of public procurement for measures 321 and 322. DG AGRI does therefore not have the required assurance for the expenditure of 2014.	Yes	A reservation is necessary in respect of 2014 expenditure. DG AGRI recognizes that the MS has put in place an action plan of preventive nature.. In order to improve the situation the MS should reinforce its action plan notably with actions targeting public procurement. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.
DE21 – Germany – Schleswig-Holstein	2.14%	0.869 M€	The adjusted error rate stems from a DG AGRI audit for Title I carried out in 2014 which revealed weaknesses in control system of particular sub-measures of measure 214. The MS has largely accepted the findings and started to rectify the shortcomings identified during 2014. The MS will be requested to include these new measures in the next update of the action plan.	No	The amount at risk (0.869 m €) is below DG AGRI's de minimis threshold of 1 m € as established in Annex 4 (materiality criteria). No reservation is applied.
DK02 – Denmark	5.69%	4.743 m €	The adjusted error rate results from a high error rate for Title I, communicated by the MS, and from the results of DG AGRI audits conducted in 2013 and 2014. These revealed that some shortcomings remained in the DK control systems, for example with regard to the assessment of the reasonableness of costs for investment measures and to LEADER-related administrative controls and implementation weaknesses. While the DK authorities have taken measures to address the shortcomings, DG AGRI is not yet in a position to confirm the full effect of the measures put in place by DK.	Yes	A reservation is necessary in respect of 2014 expenditure. DK should continue to implement its error rate action plan. Particular attention should be paid to intensifying the help for area-based beneficiaries to understand and comply with the commitments they have undertaken in return for the support they receive, as well as to improving procedures to assess the reasonableness of costs. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures.
ES01-Andalucia	7.83%	16.128 M€	The error rate results from a high error rate reported by the PA and adjustments made by DG AGRI for a number of Title II measures on the basis of findings made during audits in 2013 and 2014. The findings concern, inter alia, selection criteria, assessment of reasonableness of costs,	Yes	A reservation is necessary in respect of 2014 expenditure. DG AGRI recognises that the MS has put in place an action plan which covers most of the shortcomings found. In order to address all the weaknesses identified, the MS will

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
			weaknesses in verification of payment claims and lack of sufficient audit trail.		be requested to continue implementing the action plan. The financial risk for the EU budget in respect to financial year 2014 is covered by the ongoing conformity clearance procedures.
ES04 – Spain – Islas Baleares	3.99%	0.256 m €	The adjusted error rate results from a high error rate for Title I reported by the MS. In addition, for Title II, the Spanish authorities have communicated no errors from the random part of the on-the-spot check sample. DG AGRI has therefore applied an adjustment to the reported error rate.	No	The amount at risk (0.256 m €) is below DG AGRI's de minimis threshold of 1 m € as established in Annex 4 (materiality criteria). No reservation is applied.
ES05 – Spain – Islas Canarias	2.29%	0.641 m €	The adjusted error rate results from a high error rate for Title I reported by the MS. In addition for Title II the MS authorities have indicated no reductions from administrative checks and the random part of the on-the-spot sample.	No	The amount at risk (0.641 m €) is below DG AGRI's de minimis threshold of 1 m € as established in Annex 4 (materiality criteria). No reservation is applied.
ES07- Castilla la Mancha	4.00%	7.209 M€	The adjusted error rate results from the relatively high error rate reported by the MS for Title I and from an audit carried out in 2014 by DG AGRI for some measures under Title II (Axis 4 -Leader), where weaknesses were found in the administrative controls during in-situ visits on investments, in the controls of the reasonableness of the costs, in the selection criteria and deficient recording of LAG meetings.	Yes	A reservation is necessary in respect of 2014 expenditure. DG AGRI recognises that the MS is implementing an action plan which covers Title I. The MS should continue the efforts and provide regular updates on the implementation of the action plan until all of the issues mentioned above for Title II are addressed. The financial risk for the EU budget in respect to financial year 2014 is covered by the ongoing conformity clearance procedure for Title II (Axis 4).
ES08- Castilla y Leon	2.47%	1.825 M€	The adjusted error rate results from an audit carried out in 2011 by DG AGRI for some measures under Title I. Weaknesses on key controls related to surface variations, pre-announcement of the inspections which exceeded 14 days and verification of livestock density were identified. A new conformity clearance enquiry has been opened by DG AGRI in 2015 as a follow-up of the previous audit.	Yes	A reservation is necessary in respect of 2014 expenditure. The MS will be asked to reinforce its action plan in order to fully address the above mentioned shortcomings. The financial risk for the EU budget in respect to financial year 2014 is covered by an ongoing conformity clearance procedure for Title I.
ES11 - Galicia	3.61%	3.310 M€	The adjusted error rate is based mainly on weaknesses in the assessment of the livestock density during on-the-spot checks, which are the subject of a pending case in the European Court of Justice. In addition, the ECA found the control system to be only "partially effective" in its 2011 Annual Report.	Yes	A reservation is necessary in respect of 2014 expenditure. The MS's action plan has not covered the issue of regarding livestock density until December 2014. It is understood that the MS has addressed the issue for claim year 2015. No new action plan is needed, but the MS to continue implementing the measures in place. DG AGRI will closely monitor the situation.
ES13 - Murcia	3.44%	1.093 m €	The adjusted error rate results from an audit carried out in 2014 by DG AGRI for some measures under Title I. Some weaknesses were identified; the payments were made before the completion of the on-the-spot checks or before verification of all eligible criteria. In addition the MS communicated a	Yes	A reservation is necessary in respect of 2014 expenditure. The MS will be requested to devise an action plan to address the weaknesses referred to above and provide regular updates on the implementation. MS should also apply the reductions from the random

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
			high error rate for Title I. Moreover, for Title II the MS authorities have indicated no reductions from the random part of the on-the-spot sample.		part of the on-the-spot sample and to report the revised control statistics for Title II to DG AGRI. The financial risk for the EU budget in respect to financial year 2014 is covered by an ongoing conformity clearance procedure for Title I.
ES17 – Spain – Valencia	7.44%	2.372 m €	The adjusted error rate results from an audit carried out in 2012 by DG AGRI for some measures under Title I where weaknesses were found regarding the follow-up of administrative errors on the spot; the pre-announcement of certain inspections, the quality of control reports and weaknesses in the payment procedure, as well as a high reported error rate. Moreover, for Title II the MS authorities have communicated no reductions from the random part of the on-the-spot check sample. DG AGRI has therefore applied an adjustment to the reported error rate at Title level. DG AGRI does not yet therefore have sufficient assurance that the respective actions are fully effective.	Yes	A reservation is necessary in respect of 2014 expenditure. It is recognised that the MS has reported the completion of an action plan addressing the issues mentioned above. The MS will be requested to continue its efforts in the implementation of the action plan, to apply the reductions from the random part of the on-the-spot sample and to report the revised control statistics for Title II to DG AGRI. DG AGRI will closely monitor the situation.
FR18 – France – ODARC Corse	7.37%	1.005 m €	The MS reported a high error rate for Title I measures. In addition, a DG AGRI audit in 2012 found weaknesses in the control of livestock density. The MS has still not accepted the findings and has not implemented any corrective measures. DG AGRI has also adjusted the error rate communicated by the MS for Title II as no reductions of support were reported.	Yes	A reservation is necessary in respect of 2014 expenditure. The MS has put in place an action plan addressing other weaknesses and progress in the implementation has been reported to DG AGRI. However, the MS is still expected to reinforce the action plan in order to take into account all audit findings of DG AGRI and to improve its reporting of control statistics for Title II.
FR19 – France – ASP	7.26%	56.928 m €	DG AGRI audits between 2011 and 2014 found shortcomings for both Title I and Title II measures. The MS has not accepted the finding regarding weaknesses in the control of livestock density. Furthermore, deficiencies exist in the LPIS for area related measures. In addition, the ECA system assessment in its 2012 annual report found the Paying Agency to be only "partially effective". It was therefore considered necessary to adjust the reported error rate. DG AGRI does not have sufficient assurance that effective remedial actions have been put in place for certain weaknesses.	Yes	A reservation is necessary in respect of 2014 expenditure. The MS has put in place an action plan addressing other weaknesses and progress in the implementation has been reported to DG AGRI. However, the MS is still expected to reinforce the action plan in order to take into account all audit findings of DG AGRI. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.
GB06 – United Kingdom – Scotland	3.57%	1.708 M€	The adjusted error rate stems from an adjustment made for Title I measures based on former audit findings of DG AGRI and for which there is not yet full confirmation of the progress made.	Yes	A reservation is necessary in respect of 2014 expenditure. The MS has put in place an action plan, and DG AGRI recognises that progress in the implementation has been reported by the MS. The MS is encouraged to continue its efforts and is requested to provide updates on the implementation of the action plan until all the shortcomings concerning the administrative and on-the-spot checks for Title I measures are addressed.

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
GB09 – United Kingdom – England	6.85%	36.888 M€	The adjusted error rate results from a number of DG AGRI audits which have revealed shortcomings in the administrative and on-the-spot controls performed both for Title I and Title II measures.	Yes	<p>A reservation is necessary in respect of 2014 expenditure.</p> <p>The actions put in place by the MS to address the problems are recognised. However, DG AGRI audits have demonstrated that those actions are not yet fully effective. The MS should continue to address the control weaknesses and regularly report on the progress.</p> <p>The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.</p>
GR – Greece	8.91%	48.91 M€	The adjusted error rate stems from a high error rate reported by the MS for Title I measures as well as adjustments made by DG AGRI on the error rates communicated by the MS for both Title I and Title II. The latter are based on a high error rate reported for Title I and lack of full statistical reporting by the MS for Title II and DG AGRI audit findings concerning selection procedures for investment projects, lack of applications of sanctions and lack of full compliance with the requirements for support to young farmers. Additionally, the Greek Certification Body reported a number of errors in respect of permanent pasture Title I which were included by DG AGRI in the adjustment to the error rate.	Yes	<p>A reservation is necessary in respect of 2014 expenditure.</p> <p>The MS has put in place an action plan and has also provided progress reports to DG AGRI. Nevertheless, DG AGRI does not yet have sufficient assurance that the respective actions are fully effective. The MS should continue the efforts and provide regular updates on the implementation of the action plan until all of the issues mentioned above are addressed.</p> <p>The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.</p>
HU01 – Hungary	2.57%	14.121 M€	<p>The adjusted error rate results from a 2014 audit carried out by DG AGRI on some measures under Title II which revealed shortcomings in the PA control systems regarding checks on eligibility, selection criteria, the assessment of the cost reasonableness and the application of sanctions.</p> <p>While a remedial action plan is being implemented, DG AGRI is not yet in a position to confirm the full effect of the measures put in place.</p>	Yes	<p>A reservation is necessary in respect of 2014 expenditure.</p> <p>The progress made in the implementation of the action plan as reported by the MS is recognised, notably regarding Title I measures. HU has taken corrective actions with reference to training for administration staff, information, training and advice for beneficiaries, information campaigns and guidance documents, improvement of IT tools. The MS is encouraged to improve its implementation efforts to address the remaining weaknesses and is requested to provide regular updates on the progress made. DG AGRI will monitor the situation closely.</p> <p>The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.</p>
IT01 – Italy – AGEA	4.63%	35.564 M€	The adjusted error rate results from a high error rate reported by the MS for Title I and from DG AGRI audits carried out in 2013 and 2014 for Title II which revealed shortcomings in the PA control systems regarding the assessment of the reasonableness of costs, traceability of administrative checks (in situ visits) and non-compliance with part of the rules governing the setting-up of young farmers support. In addition, the control system was	Yes	<p>A reservation is necessary in respect of 2014 expenditure.</p> <p>The MS has put in place an action plan addressing, inter alia, non-compliance with commitments by beneficiaries, the handling of the payment claims by beneficiaries, and the lack of exchange of information between authorities involved in implementing the measure. In order to further improve the situation, the MS is requested to reinforce its action plan</p>

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
			deemed not effective by the ECA.		notably with actions aimed at addressing the shortcomings found by DG AGRI and ECA audits for Title II expenditure and regularly report on the progress made in its implementation. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.
IT07 – Italy – ARTEA Toscana	2.44%	1.457 m €	The MS has reported a high error rate for Title I. In addition, it reported very small reductions resulting from administrative checks and from the random part of the on-the-spot check sample for Title II. DG AGRI has therefore applied an adjustment to the reported error rate. Regarding the high error rate reported for Title I, during DG AGRI audit in 2014 it was explained that the root cause for the high error rate was the lack of soil analysis found during on-the-spot checks. The PA decided to include soil analysis in the scope of the administrative checks to reduce the error rate. The high error rate reflects the shortcomings before this action was taken.	No	No reservation is applied. Furthermore, the progress made in the implementation of the action plan as reported by the MS is recognised. The action plan addresses all the findings resulting from audits carried out in the region.
IT08 – Italy – AGREA Emilia-Romagna	2.25%	1.787 m €	The adjusted error rate results from a 2013 audit carried out by DG AGRI for Title I which revealed shortcomings in the PA control systems regarding cross-checks for livestock densities, timing of on-the spot checks, traceability of on-the-spot checks for livestock densities and supervision of delegated bodies which have not yet been fully rectified by the MS.	Yes	A reservation is necessary in respect of 2014 expenditure. The progress made in the implementation of the action plan as reported by the MS is recognised, notably with regards to: non-eligible expenditure and the system of reduction applied, deficiencies in procedures to process beneficiaries' payment requests, and incorrect system of checks and deficient administrative procedures. In order to further improve the situation, the MS should reinforce its action plan to address the remaining weaknesses, notably with regard to the livestock density requirements and to the supervision of delegated bodies. The financial risk for the EU budget in respect to financial year 2014 is covered by a financial correction already notified to the MS for Title I.
IT23 – Italy – OPR Lombardy	3.94%	2.558 m €	DG AGRI audits in 2013 and 2014 revealed several deficiencies in the administrative and on-the spot checks for area-based measures under Title I and shortcomings regarding the assessment of the reasonableness of costs for an investment measure under Title II. Moreover, for Title II, the MS authorities have communicated no reductions from the random part of the on-the-spot check sample. DG AGRI has therefore applied an adjustment to the reported error rate for both Titles.	Yes	A reservation is necessary in respect of 2014 expenditure. The MS has reported the completion of an action plan addressing the above-mentioned issues, but DG AGRI does not yet have sufficient assurance that the respective actions are fully effective. The MS is encouraged to maintain its effort and DG AGRI will closely monitor the situation. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures.
IT26 – Italy – ARCEA Calabria	3.82%	2.962 m €	A DG AGRI audit in 2013 of a measure under Title II revealed shortcomings in the PA control systems regarding on-the-spot	Yes	A reservation is necessary in respect of 2014 expenditure. It is recognised that the MS has reported

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
			checks, the assessment of the reasonableness of the costs as well as double financing of some types of investments. In addition the MS authorities have communicated very low reductions resulting from administrative checks and from the random part of the on-the-spot check sample. DG AGRI has therefore applied an adjustment to the reported error rate at Title level. Moreover the MS has communicated a high error rate for Title I.		the completion of an action plan addressing the above-mentioned issues, but DG AGRI does not yet have sufficient assurance that the respective actions are fully effective. The MS is encouraged to maintain its efforts and DG AGRI will closely monitor the situation. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures.
LT01 – Lithuania	8.19%	19.042 m €	The adjusted error rate results from DG AGRI audits carried out in 2013 and 2014. Regarding Title I, a DG AGRI audit in 2013 revealed a lack of controls on the livestock density during the on-the-spot checks. DG AGRI audits in 2014 on Title II found several deficiencies, pertaining, inter alia, to eligibility checks, procurement procedures, assessment of the reasonableness of costs and administrative and on-the-spot checks. Weaknesses were also found for Leader related measures, such as insufficient scope of on-the-spot checks, insufficient reasonableness of costs checks, inadequate use of contributions in kind, and partly inappropriate criteria for project selection.	Yes	A reservation is necessary in respect of 2014 expenditure. It is recognised that the LT authorities have put in place an action plan addressing, among other things, the above-mentioned livestock density issue. However, the MS is still expected to reinforce its action plan in order to address the remaining weaknesses detected in the most recent audits referred to above. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures.
LV01 – Latvia	6.02%	3.54 m €	The adjusted error rate stems partly from an audit made by DG AGRI on Title I measures and partly from an assessment of the ECA deeming the control system not effective.	Yes	A reservation is necessary in respect of 2014 expenditure. However, it is recognised that the MS authorities have set up an action plan and has taken a number of remedial measures to address the identified weaknesses. Nevertheless, DG AGRI does not yet have sufficient assurance that the respective actions are fully effective. DG AGRI will monitor the situation closely. The financial risk for the EU budget in respect to financial year 2014 will be covered by conformity clearance procedure to be launched in 2015 for Title II.
MT01 - Malta	3.10%	0.354 m €	The adjusted error rate results from a 2014 DG AGRI audit for Title I which revealed shortcomings as regards the administrative phase but also during the verification of the commitments for the agri-environmental measure. The control system was deemed partially effective by the ECA. Moreover, DG AGRI applied an adjustment to the reported error rate for Title II, since the MT authorities communicated no errors from the random part of the respective on-the-spot check sample.	No	The progress made in the implementation of the action plan as reported by the MS is recognised, notably regarding information, training and advice activities that have been developed for the beneficiaries in case of non-respect of agri-environmental commitments. At the same time, internal control and coordination procedures have been improved following previously identified audit findings. The amount at risk (0.354 m EUR) is below DG AGRI's de minimis threshold of 1 m € as established in its materiality criteria (Annex 4). No reservation is, therefore, applied for 2014. In any event the financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title I.

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
NL04 – The Netherlands	6.5%	7.221 m €	DG AGRI audits in 2012 and 2014 found weaknesses concerning both Title I and Title II measures, e.g. lack of selection criteria for investment measures, weak checks of public procurement procedures, lack of audit trail. As a result the reported error rate was topped-up. DG AGRI does not therefore have the required assurances for the expenditure of 2014.	Yes	A reservation is necessary in respect of 2014 expenditure. It is recognised that the MS has implemented an action plan and has also regularly reported on the progress in its implementation. However, the MS is requested to reinforce its action plan to address, inter alia, the weaknesses identified in the most recent audits. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.
PL01 – Poland	4.83%	82.222 m €	The adjusted error rate results from audits carried out in 2013 and 2014 by DG AGRI. These audits revealed shortcomings in the PL control systems regarding the assessment of the reasonableness of costs for investment measures, eligibility of SMEs, the scope of on-the-spot controls and severe non-compliance with part of the rules governing early retirement support. Although the last issue was significantly mitigated, DG AGRI does not yet have full assurance concerning the expenditure of 2014.	Yes	A reservation is necessary in respect of 2014 expenditure. DG AGRI recognises that PL has put in place a number of actions to improve the effectiveness of the implementation of the rural development policy, along with effective follow-up of the error rate action plan. To further increase the assurance of the expenditure, PL should continue the implementation of the action plan, namely to improve the quality of on-the-spot checks for both Title I and Title II and to ensure full assessment of the reasonableness of cost and of SME eligibility criteria. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures.
PT03 – Portugal	9.78%	66.821 m €	The adjusted error rate results from six audits carried out in total by DG AGRI for different measures under Title II which highlighted a lack of administrative verification of the invoices; weaknesses in 'small-medium enterprises'-check; weaknesses in the public procurement procedure; low OTSC control rate; young farmers not sole heads of holdings and non-verification of the duration of the work experience. Moreover, for both Titles high error rates were reported by the MS.	Yes	A reservation is necessary in respect of 2014 expenditure. It is recognised that the MS has reported the completion of an action plan addressing the issues mentioned above. However, DG AGRI does not yet have sufficient assurance that the respective actions are fully effective. The MS is encouraged to continue its efforts. DG AGRI will closely monitor the situation. The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.
RO01 – Romania	6.77%	55.689 m €	The adjusted error rate results from several DG AGRI audits carried out in 2012, 2013 and 2014. Four ECA audits in the context of DAS 2014 for Title II also showed weaknesses in the management and control system. Thus DG AGRI does not have the sufficient assurance for the expenditure 2014.	Yes	A reservation is necessary in respect of 2014 expenditure. It is recognized that many remedial actions have been put in place by Romania which have improved the situation but have not yet produced the necessary effect. Weaknesses persist in the management of all the investment measures, including weaknesses in the selection criteria and public procurement procedures, in the eligibility of SME checks, in the application of eligibility criteria (for applicants and costs), in the assessment of the reasonableness of costs and creation of artificial conditions to circumvent the <i>de</i>

Rural Development – Control results and the DG AGRI assessment thereon

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reserv-ation	Mitigating factors/reservation follow-up
					<p><i>minimis</i> threshold (for measure 312). In order to further improve the situation, RO should reinforce the implementation of its action plan, including improvement of the public procurement procedures and reinforced scrutiny of projects before payment in order to exclude those affected by artificial conditions.</p> <p>The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures.</p>
SE01 – Sweden	3.75%	8.294 m€	The adjusted error rate results from a relatively high error rate reported by the MS and from adjustments made by DG AGRI. These adjustments stem from audits performed in 2014 and 2012. The former revealed a number of weaknesses in respect to some Title II measures, notably related to reasonableness of costs, selection criteria and some elements of the on-the-spot controls. The audit of 2012 notably showed a lack of control of livestock densities.	Yes	<p>A reservation is necessary in respect of 2014 expenditure.</p> <p>The MS has taken action to remedy the shortcomings, but the effect in terms of reducing the number of errors still has to be demonstrated and confirmed. The MS is encouraged to continue the efforts, in particular in respect to confirming the implemented corrections of the checks and administrative procedures.</p> <p>The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.</p>
SK01 - Slovakia	3.26%	4.843 m€	The adjusted error rate stems from a 2014 audit carried out by DG AGRI for Title II (Axis 4) which revealed shortcomings in the PA control systems regarding the non-respect of project cost thresholds. At DG AGRI request the MS has checked all the projects potentially affected by this error and confirms that it was an isolated case.	No	<p>The MS has reinforced its error rate action plan in order to exclude similar cases in future.</p> <p>It is not considered necessary to apply a reservation for 2014.</p> <p>The financial risk for the EU budget in respect to financial year 2014 is covered by ongoing conformity clearance procedures for Title II.</p>

Table: annex 10-3.3.7

Rural Development – Control results and the DG AGRI assessment thereon

2013 Reservations not carried forward in the 2014 AAR:

PA	Adjusted error rate	Justification
BE02: Belgium – Flanders	2.08%	<p>The control statistics communicated by the MS led to a relatively high error rate for Title I measures.</p> <p>In 2014 the MS developed an IT application, completed control report, increased analysis range, reinforced its action plan and has provided adequate follow-up of its implementation.</p> <p>In any event, there was no expenditure reimbursed by DG AGRI in 2014 and there is therefore no expenditure at risk. The reservation for 2013 is not, therefore, carried forward for 2014.</p>
CY01: Cyprus	3.46%	<p>The adjusted error rate stems from error rate reported by the MS for Title I measures and an adjustment made by DG AGRI for Title II due to no reported reductions from administrative and on-the-spot controls for Title II.</p> <p>However, as the <u>amount at risk (0.793 m €)</u> is below DG AGRI's de minimis threshold of 1 m€ established in its materiality criteria (Annex 4), the reservation for 2013 is not, therefore, carried forward for 2014.</p> <p>An action plan is already being implemented by the CY authorities. DG AGRI will monitor the situation closely. The MS should improve the quality of the control statistics for Title I and ensure that the weaknesses will be solved for the new programming period.</p>
DE04: Bayern	2.61%	<p>The adjusted error rate stems from adjustments made by DG AGRI for Title II on the basis of a DG AGRI audit carried out in 2013 which revealed shortcomings in selection criteria for measures 125 and 322. Bayern has put in place an action plan which addresses the issue of selection criteria and on its completion has been confirmed to DG AGRI. Moreover, expenditure in 2014 was based on the new selection criteria.</p> <p>In any event, no expenditure has been reimbursed to the Paying Agency in 2014 and therefore there is no amount at risk. Therefore the 2013 reservation is not carried forward for 2014.</p>
ES03: Spain – Asturias	1.77%	<p>The MS has reported a very low error rate and it has reported very small reductions from administrative and the random on-the-spot checks. DG AGRI has therefore applied an adjustment to the reported error rate. Nevertheless, the adjusted error rate remains below 2%.</p> <p>The reservation for 2013 is not, therefore, carried forward for 2014.</p> <p>At the same time, the MS has implemented an action plan and rectified the weaknesses which led to the reservation in 2013. Nevertheless the MS should improve the reporting of control statistics for Title II.</p>
ES12: Spain – Madrid	0.27%	<p>The MS has addressed the underlying problems in its action plan and the error rate for 2014 is below 2%. Therefore, the reservation for 2013 is not carried over to 2014.</p>
FI01: Finland	2.98%	<p>The adjusted error rate results from audits made by DG AGRI in 2013 where some weaknesses were found in respect to animal welfare support and some issues related to support to Leader, like eligibility of VAT, non-eligible 2nd hand equipment assessment of reasonableness of cost.</p> <p>The MS has in its action plan put in place actions to remedy the weaknesses, and DG AGRI has received appropriate assurance in this respect, including that the identified shortcoming have also been addressed for the new programming period. For animal welfare proper documentation has been ensured for the authorities involved. Since the end of 2013 no VAT costs of public authorities have been declared and second hand investment items are no longer permitted. Additional training of staff involved in the implementation and control of the rural development programme has also been put in place.</p> <p>On this basis it is considered that DG AGRI has reasonable assurance for the expenditure for 2014 and the reservation expressed in the AAR 2013 is not therefore carried forward to 2014.</p> <p>Furthermore, there is an ongoing conformity clearance procedure for Title II which will cover the risk to the EU Budget.</p>
IE01:	6.73%	<p>The adjusted error rate results from a high error rate reported by the MS for Title I measures and from audits carried out by DG AGRI in 2013 and 2014 which showed weaknesses in both</p>

Rural Development – Control results and the DG AGRI assessment thereon

Ireland		<p>administrative and on-the-spot checks for Title I measures and weaknesses in the administrative checks for some Title II measures. The MS has put in place an action plan and progress has been reported to DG AGRI concerning Title I.</p> <p>Since DG AGRI has not reimbursed any expenditure to Ireland in 2014 and there is therefore no expenditure at risk. Therefore the 2013 reservation is not carried forward for 2014.</p> <p>The MS is encouraged to continue the implementation of the action plan, ensuring to address the weaknesses identified in the context of the recent audit and provide regular updates on the implementation</p>
IT24: Italy OPPAB Bolzano	1.00%	<p>The MS has implemented an action plan addressing the findings which led to a reservation in 2013, among others: weaknesses in checking the reasonableness of costs or eligibility conditions; incorrect system of checks and deficient administrative procedures and disproportionate system of reductions of support in cases of non-compliance with agri-environmental commitments.</p> <p>The reservation is not carried forward.</p>
LU01: Luxembourg	2.46%	<p>The adjusted error rate results from adjustments made by DG AGRI on basis of an audit in 2013 on Title I measures which revealed a lack of on-the-spot control for some agri-environment measures. In addition, the error rate reported by the MS for Title II has been adjusted due to a not fully realistic level of error reported by the MS (random sample).</p> <p>Nevertheless, DG AGRI recognises that the MS has put in place an action plan, for which most corrective actions have been implemented, such as adding 'animal counting' to the control report, and improved the administrative and on-the-spot control procedures. In addition, a financial correction has been applied to cover the risk to the EU Budget.</p> <p>The amount at risk (0.032 m EUR) is below DG AGRI's materiality threshold of 1 m € as established in its materiality criteria (Annex 4). The reservation for 2013 is not, therefore, carried forward for 2014.</p> <p>However, the MS is requested to improve its reporting of control statistics for Title I.</p>

Table: Annex 10 – 3.3.8

3.3.4 Conclusions for ABB04

3.3.4.1 Budget item 05040501 : Rural Development Programmes (2007-2013)

For the Rural Development Programmes 2007-2013, expenditure in 2014 amounted to 10 947 million EUR. The assessment carried out by DG AGRI results in an adjusted error rate for that expenditure of 5.09%. 43 out of 72 Paying Agencies have an adjusted error rate above 2% (of which 14 were above 5% - Bulgaria, Denmark, Spain (Andalucia and Valencia), France (ODARC and ASP), UK (England), Greece, Ireland, Lithuania, Latvia, Netherlands, Portugal and Romania). Overall, the reported error rate for ABB04 increased from 1.52% to 5.09% as a result of adjustments made by DG AGRI.

In line with its materiality criteria in Annex 4, 13 cases where the error rate is above 5% (Bulgaria, Denmark, Spain (Andalucia and Valencia), France (Corsica and ASP), UK (RPA-England), Greece, Lithuania, Latvia, the Netherlands, Portugal and Romania) were automatically subject to reservation. In all of these cases, the high adjusted error rate was determined further to assessment and adjustment of the error rate by DG AGRI or due to the system assessment given by the ECA. In one case (Ireland) there was no expenditure reimbursed by the Commission in 2014 and therefore it was not appropriate to make a reservation in respect of 2014 expenditure³⁵.

³⁵ While Ireland did make payments to farmers and declared the expenditure to the Commission; due to the fact that Ireland had already been reimbursed for 95% of the multi-annual envelope for 2007-2013, no reimbursement was

Rural Development – Control results and the DG AGRI assessment thereon

For Paying Agencies with an error rate between 2 and 5%, DG AGRI examined the situation for each Paying Agency concerned to determine if risk mitigation conditions existed rendering it unnecessary to make a reservation.

- In 5 cases (Belgium Flanders, Cyprus, DE-Bayern, Finland, and Luxembourg) it was considered that it was not necessary to carry over reservations from the 2013 AAR with regard to 2014 expenditure. The reasons for each decision are detailed in Annex 10 – 3.3).
- In a further 9 cases it was considered that, given the mitigating factors present, it would not be necessary to make reservations

Reservations were issued for 15 Paying Agencies.

22 reservations from 2013 are repeated for 2014 as the remedial action plans are still underway while 6 new reservations are introduced (DE-Sachsen, DE Sachsen Anhalt, ES-Murcia, ES-Valencia, Lithuania, Latvia).

The overall outcome of this exercise is that 28 reservations are necessary at Paying Agency level:

- Bulgaria
- Germany – 3 Paying Agencies (Brandenburg, Sachsen and Sachsen Anhalt)
- Denmark
- Spain - 6 Paying Agencies (Andalucia, Castilla-la-Mancha, Castilla y Leon, Galicia, Murcia, Valencia,)
- France – 2 Paying Agencies (Corsica, ASP – the national Paying Agency)
- UK – 2 Paying Agencies (Scotland, England)
- Hungary
- Greece
- Italy – 4 Paying Agencies (AGEA, Emilia Romagna, Lombardy, Calabria)
- Lithuania
- Latvia
- Netherlands
- Poland
- Portugal
- Romania
- Sweden

made by the Commission in 2014. The corresponding amounts will be reimbursed if appropriate in the framework of the closure of the programmes – closure accounts expected to be sent in June 2016

Rural Development – Control results and the DG AGRI assessment thereon

3.3.4.2 Risk assessment for other Budget items within ABB04

While budget line 05040501 which is dealt with above concerns the rural development programmes for 2007-2013 and thus accounts for the majority of the expenditure for ABB04, it is also necessary to assess the risk for a further 238.6 million EUR expenditure under the ABB. The following table sets out the budget items in question and the error rates which have been used to assess the amounts at risk.

Budget Item	Description	EUR	error rate	amount at risk
05040114	Completion of EAGGF (Guarantee Section) 2000-2006	-1.397.377	0,00%	0
05040201	Completion of EAGGF (Guidance Section) 2000-2006	6.556.494	5,19%	340.282
05040202	Completion of special programmes for N. Ireland & Ireland	87.488	5,19%	4.541
05040501	Rural Development Programmes (2007-2013)	10.947.350.314	5,19%	568.402.009
05040502	Operational Technical Assistance (2007-2013)	5.076.010	1,00%	50.760
05046001	Promoting sustainable rural development	224.989.886	0,00%	0
05046002	Operational Technical Assistance (2014-2020)	3.335.487	1,00%	33.355
0504	Expenditure by DG AGRI under chapter 0504 as declared in Annex 3 (Table 2a)	11.185.998.301	5,09%	568.830.947

Table: Annex 10 - 3.3.9

The error rate for ABB04 is 5.09% and the total amount at risk is 568.8 m EUR.

It is noted that the average amount of net financial corrections per year for the three-year period 2012-2014 (excluding corrections made for cross-compliance) is 113.58 m EUR for ABB04³⁶ while recoveries from Member States from beneficiaries amounted to 95.6 m EUR.

³⁶ See section 2.1.1.3 of the main body of the report on "corrective capacity".

Rural Development – Control results and the DG AGRI assessment thereon**3.3.5 Root causes of the error rate in rural development – what is DG AGRI doing about it?**

Since its AAR for 2007 and apart from 2010, DG AGRI has made a reservation in respect of part or all of Rural Development Expenditure.

Because of the specific nature of the Rural Development measures, in particular the conditions and eligibility criteria that have to be met, it has proven very difficult to keep the level of error below a materiality threshold of 2%. Since 2011, when it first began reporting separately on the error for Rural Development, the European Court of Auditors has found levels of error close to 8%. In 2011 and 2012 however, the error rates calculated by DG AGRI on the basis of the Member States' control data were around the materiality threshold of 2%. As a result of the considerable divergence between the Court's and DG AGRI's error rates, as well as growing concerns within the Commission as to the reliability of Member States' control statistics, in the 2012 AAR a general reserve was placed on rural development expenditure as a whole. For the 2013 AAR, DG AGRI adjusted Member States' control statistics to reflect undetected and thus unreported error and calculated an error rate of 5.19%. As this work was carried out at Paying Agency level, a targeted approach was possible with regard to reservations and this resulted in the Director General being able to issue reservations for 31 Paying Agencies instead of for the entire ABB activity.

At the same time, in 2014, DG AGRI further reinforced the existing action plans to address the reservations included in the 2013AAR, on the basis of improved cooperation and analysis within Commission services and intensive dialogue with Member States. Following this approach, the ad-hoc AGRI Task Force created in 2012 continued to meet and develop analysis and strategy within DG AGRI, while an improved system of reporting by all Member States on their national action plans for the reduction of error rates was put in place. This includes a reinforced focus on regular follow-up on audit findings, as well as improved indicators and milestones for monitoring purposes. In 2014, DG AGRI also developed a new IT tool which enables it collect and handle the information extracted from the national action plans in a more efficient and consistent manner.

Since 2013 four Seminars on error rate have been organised, of which two took place in 2014, to present the state of play in the implementation of the action plans, share good practices and provide guidance. These biannual Seminars are organised jointly in the framework of the Rural Development Committee and the Agricultural Funds Committee, in order to ensure the involvement of both Managing Authorities and Paying Agencies. Therefore, a stock taking of the closely monitored follow up process is conducted every Semester. In the meantime the geographical desks ensured the follow up of the issue with Member States in annual and ad-hoc meetings, monitoring committees and if relevant in the context of programme amendments.

In parallel, the audit capacity of DG AGRI was reinforced. The number of audit missions was increased and the audits target specific issues related to error rates.

Furthermore, the legal framework allows for interruption and suspension of payments in case of serious deficiencies in the management and control systems for the expenditure committed under EAFRD during the 2007-2013 or the 2014-2020 periods. As for the new legal framework (Regulation 1305/2013), Article 62 ensures that both Managing Authorities and Paying Agency undertake an ex-ante assessment of each programme proposal stating that the measures programmed are verifiable and controllable. Commission services thoroughly analyse this assessment before approving programmes.

Finally, the European Network for Rural Development will play an enhanced role in disseminating good practices related to the reduction of error rates. In the first semester of 2015, training for Managing Authorities has been programmed in the following topics: simplified cost options, reasonableness or costs, public procurement and result-oriented agro-environment payments: a collective approach.

In summary, several initiatives have been developed simultaneously both from the side of the Commission and from the side of the Member States. Nevertheless, the expected results are likely to be evident only in the medium-term, especially for some measures that are implemented through multiannual commitments and for

Rural Development – Control results and the DG AGRI assessment thereon

which contracts with beneficiaries cannot be modified. Some programmes have been amended, so new commitments and obligations can be established taking into consideration the need to be controlled and verified.

Rural Development Measures by Axis and by Title					
AXIS 1 IMPROVING THE COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR			AXIS 2 IMPROVING THE ENVIRONMENT AND THE COUNTRYSIDE THROUGH LAND MANAGEMENT		
Code	Measure	Title	Code	Measure	Title
111	Vocational training and information actions	II	211	Natural handicap payments to farmers in mountain areas	II
112	Setting up of young farmers	II	212	Payments to farmers in areas with handicaps, other than mountain areas	II
113	Early retirement	II	213	Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD)	II
114	Use of advisory services	II	214	Agri-environment payments	I & II
115	Setting up of management, relief and advisory services	II	215	Animal welfare payments	I
121	Modernisation of agricultural holdings	II	216	Non-productive investments	I
122	Improvement of the economic value of forests	II	221	First afforestation of agricultural land	I & II
123	Adding value to agricultural and forestry products	II	222	First establishment of agroforestry systems on agricultural land	II
124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector	II	223	First afforestation of non-agricultural land	I & II
125	Infrastructure related to the development and adaptation of agriculture and forestry	II	224	Natura 2000 payments	II
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	II	225	Forest-environment payments	I & II
131	Meeting standards based on Community legislation	II	226	Restoring forestry potential and introducing prevention actions	I
132	Participation of farmers in food quality schemes	II	227	Non-productive investments	I
133	Information and promotion activities	II			
141	Semi-subsistence farming	II			
142	Producer groups	II			
143	Provision of farm advisory and extension services in Bulgaria and Romania	II			
144	Holdings undergoing restructuring due to a reform of a common market organisation	II			
AXIS 3 IMPROVING THE QUALITY OF LIFE IN RURAL AREAS AND ENCOURAGING DIVERSIFICATION OF ECONOMIC ACTIVITY			AXIS 4 LEADER		
Code	Measure	Title	Code	Measure	Title
311	Diversification into non-agricultural activities	II	411	Implementing local development strategies. Competitiveness	II
312	Business creation and development	II	412	Implementing local development strategies. Environment/land management	I
313	Encouragement of tourism activities	II	413	Implementing local development strategies. Quality of life/diversification	II
321	Basic services for the economy and rural population	II	421	Implementing cooperation projects	II
322	Village renewal and development	II	431	Running the local action group	II
323	Conservation and upgrading of the rural heritage	II			
331	Training and information	II			
341	Skills acquisition, animation and implementation of local development strategies	II			

Table: Annex 10 – 3.3.10

The conformity clearance procedure and net financial corrections

4. The Conformity Clearance Procedure and Net Financial Corrections

4.1 What is "Clearance of Accounts"?

While it is the Member States which have the responsibility for managing and controlling the various aid schemes provided for by the CAP legislation, there must be a mechanism in place which enables the Commission to ensure that they carry out their work properly and, if they fail to do so, draw the necessary financial consequences. This mechanism consists of the clearance of accounts procedures operated by the Commission, which include an annual financial clearance of the accounts of each Paying Agency and a multi-annual conformity clearance covering the conformity of the transactions with EU rules.

The legal basis for the Clearance of Accounts procedures in place for financial year 2014 are provided by Council Regulation (EC) No. 1290/2005³⁷ and Commission Regulation (EC) No. 885/2006³⁸.

4.1.1 Financial clearance - true, complete and accurate accounts

The financial clearance is based on an examination by the Certification Body, a body which is independent from the Paying Agency. This body draws up a certificate stating whether it has reasonable assurance that the accounts of the Paying Agency are true, complete and accurate and that the internal control procedures have operated satisfactorily (see above Part 2). They also give an opinion on the management declaration signed by the head of the Paying Agency.

The financial clearance covers the annual accounts of each Paying Agency and the control systems set up by these. Within this framework, particular attention is paid to the Certification Bodies' conclusions and recommendations (where weaknesses are found), following their reviews of the Paying Agencies' management and control systems. This review also covers aspects relating to the accreditation criteria for the Paying Agencies.

The Commission adopts an annual clearance of accounts decision, by which it conveys that it accepts the Paying Agencies annual accounts on the basis of the certificates and reports from the Certification Bodies, but without prejudicing any subsequent decisions to recover expenditure which proves not to have been effected in conformity with EU rules (this is reserved for the conformity clearance). The Commission must adopt this decision by 31 May of the year following the financial year in question (for agricultural expenditure a financial year starts on 16 October of one year and ends on 15 October of the next year).

4.1.2 Conformity clearance – checking the system

In contrast to the financial clearance, the conformity clearance is designed to exclude expenditure from EU financing which has not been paid in conformity with EU rules, thus shielding the EU budget from expenditure that should not be charged to it. These "net financial corrections" are recovered from the Member States. The conformity clearance is, therefore, not a mechanism by which irregular payments are recovered from the final beneficiaries, which according to the principle of shared management is the sole responsibility of the Member States.

³⁷ Council Regulation (EC) No. 1290/2005 on the financing of the Common Agricultural Policy, OJ L209

³⁸ Commission Regulation (EC) No. 885/2006 laying down detailed rules for the application of Council Regulation (EC) No. 1290/2005 as regards the accreditation of paying agencies and other bodies and the clearance of accounts of the EAGF and the EAFRD.

The conformity clearance procedure and net financial corrections

However, net financial corrections are a strong incentive for the Member States to improve their management and control systems and thus to prevent or detect and recover irregular payments to final beneficiaries. The conformity clearance thereby contributes to the legality and regularity of the transactions at the level of the final beneficiaries.

While the financial clearance is an annual exercise, conformity clearance does not follow an annual cycle. It covers expenditure incurred in more than one financial year, with the exception of expenditure made more than 24 months before the Commission officially notifies the Member State of its audit findings.

Every year, the Commission's Directorate-General for Agriculture and Rural Development carries out over 250 audits, about half of which include on-the-spot missions to the Paying Agencies in the Member States. The Paying Agencies to be visited are selected on the basis of a detailed risk analysis, and the audit work normally concentrates on the functioning of the agencies' management and control systems (see explanatory box 1.1 in Annex 10 – part 1 for more information on the central risk analysis).

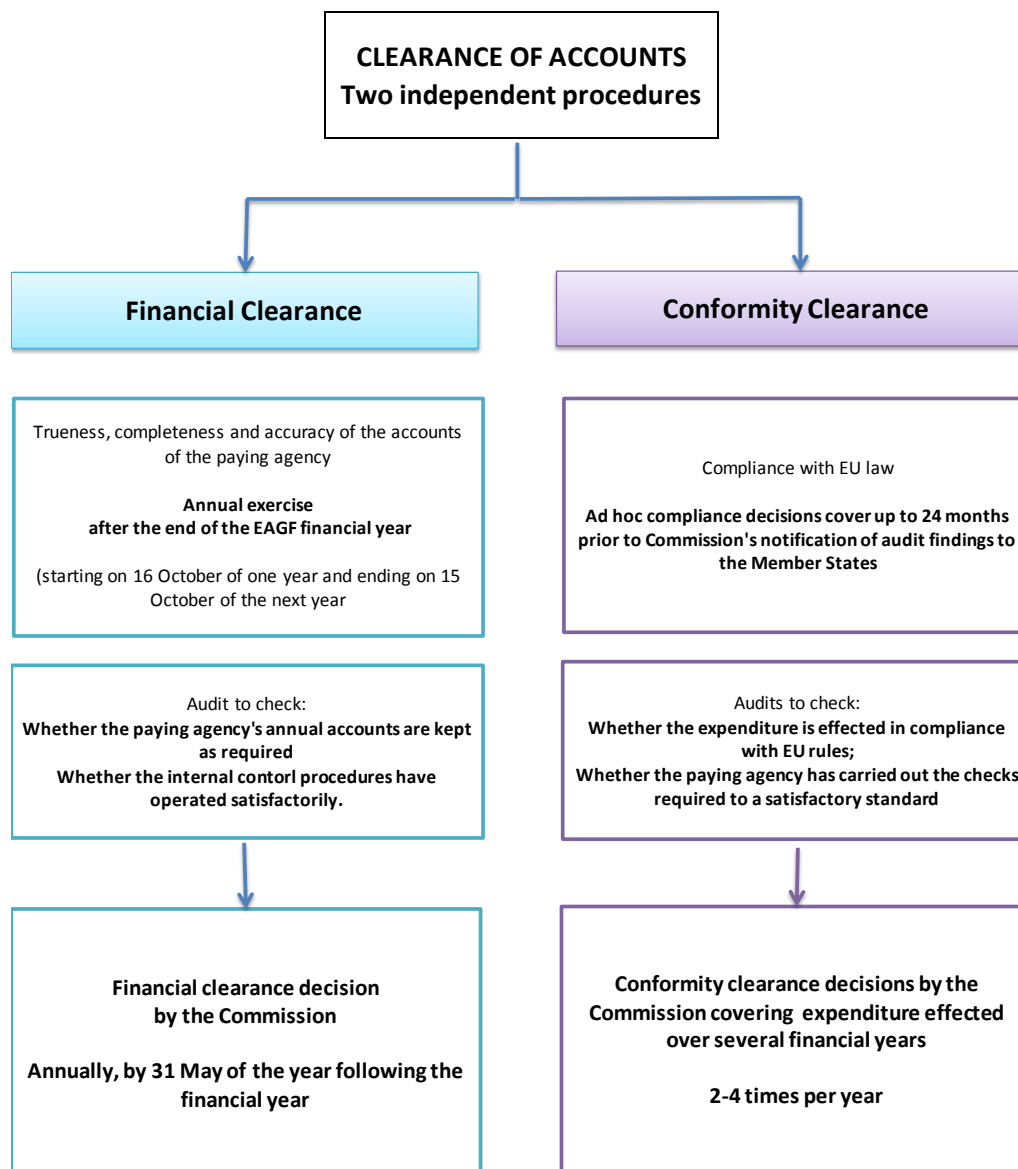


Diagram: Annex 10-4.1

The conformity clearance procedure and net financial corrections

4.1.3 How does the conformity procedure work in practice?

If an audit reveals deficiencies in the functioning of the national systems, the Commission initiates a conformity clearance procedure with a view to determining whether to impose a net financial correction on the Member State in question and, if so, what the amount of that correction should be. Such a procedure comprises the following steps:

- the Commission officially notifies the Member State of its audit findings and indicates the corrective measures which the Member State should take to remedy the deficiencies found. The Member State then has two months to reply to the Commission's findings.
- the Commission arranges a bilateral meeting with the Member State where both parties shall endeavour to reach an agreement on the corrective measures to be taken as well as on the gravity of the infringement and the financial damage caused to the EU budget. Again, the Member State has two months after having received the minutes of the meeting to react and provide further information.
- the Commission formally communicates its conclusions to the Member State, including the financial correction which it envisages to impose on the Member State.
- within 30 working days following receipt of these conclusions, the Member State may submit the case for conciliation to the "Conciliation Body". The Conciliation Body has four months to try to reconcile the positions of the Commission and the Member State and, at the end of this period, to draw up a report on the results of its efforts and any recommendations it may wish to make to the parties.
- after having examined the Conciliation Body's report, the Commission notifies the Member State of its final conclusions.

What is the Role of the Conciliation Body?

The Conciliation procedure was set up in order to reconcile the divergent positions of the Commission and the Member State, occurring during the conformity clearance procedure.

The Conciliation Body is composed of five members, who are highly qualified in matters regarding the financing of the CAP or in the practice of financial audit and originate from different Member States. The chairman and the four other members are nominated by the Commission, after having consulted the Committee on the Agricultural Funds. They are appointed for three years (renewable for a year at a time only). The secretariat of the Body is provided by the Commission.

Only reasoned requests from the Member States are accepted by the Conciliation Body. A request for conciliation is only admissible when the correction proposed by the Commission services either exceeds EUR 1 million or accounts for more than 25 % of the Member State's total annual expenditure under the budget headings concerned or, if these thresholds are not reached, if the request concerns a matter of principle relating to the application of EU rules.

The Conciliation Body has four months to reconcile the positions of the Commission and the Member State. At the end of its work – which takes place as informal and rapid as possible – the results are to be reported to the Member State concerned, to the Commission and to the other Member States through the Committee on the Agricultural Funds.

The Conciliation Body is completely independent; it carries out its duties neither seeking nor accepting any instructions from Member States or other body.

Explanatory Box: Annex 10 - 4.2

Once this procedure has been completed, any resulting financial correction is included in a formal decision adopted by the Commission, after having consulted the Member States through the Committee on the Agricultural Funds. Such a conformity decision can then be challenged by the Member States before the Court of First Instance in Luxembourg. Because Member States have this right (which they regularly exercise) to

The conformity clearance procedure and net financial corrections

challenge conformity decisions in the Court, the Commission has to be very vigilant that it fully respects the Member States' rights under the contradictory procedure. Failure to do so would expose the EU budget to the risk that financial corrections would have to be reimbursed to the Member States.

4.1.4 Shortening the conformity clearance procedure

Carrying out a contradictory procedure is legally indispensable before making financial corrections. Prior to implementing any net financial correction, the Commission must therefore offer the Member States the opportunity to provide evidence and arguments that may contradict its initial findings. Indeed both Regulation 1290/2005 (in application up to end of 2014) and the new CAP Horizontal Regulation, Regulation 1306/2013, provide that "Member States shall be given the opportunity to demonstrate that the actual extent of the non-compliance is less than the Commission's assessment". The principle of a contradictory process between the auditor and the auditee is also an essential element of audit quality standards.

In addition to the contradictory procedure, the legislation (Art 52(3) of the CAP Horizontal Regulation) provides for a "procedure aimed at reconciling each party's position" if an agreement is not reached at the end of the contradictory procedure. The duration of the conciliation as such is limited to 4 months. But the whole process from the request of the Member State concerned to the final result of the analysis by the Commission of the recommendations of the conciliation body takes at least 6 months³⁹.

The Commission has streamlined the procedure to the extent possible. Firstly, the Horizontal Regulation describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections. Secondly, provisions in the delegated act (method and criteria for calculating the financial correction) and implementing acts (details of the conformity procedure, with deadlines for each step of the procedure) are intended to further streamline the legal framework and limit the risk of unnecessary delays. Thirdly, on that stronger basis, DG AGRI intensified its monitoring of the progress of the conformity procedures to ensure a strict respect of the deadlines. Furthermore, for conformity procedures dating from earlier years, particular action was taken with regard to the procedures open from before 2012 to ensure a close follow-up with clear indicators with a view to clearing the vast majority of such files by end of 2015 (in certain identified cases the files will be closed by end of 2016). So far this work is on track and interim targets have been met.

The following diagram describes the successive steps of a conformity clearance procedure leading to a net financial correction carried out under the new implementing act. As indicated in the Commission's answer to paragraph 4.31⁴⁰ of the ECA's 2012 Annual report on the excessive length of the conformity procedure, there is scope for significantly speeding up the conformity procedure so that *in standard cases* the financial corrections can be decided two years after the initial audit took place.

³⁹ It can take even longer if the whole case has to be re-examined.

⁴⁰ ECA Annual report 2012 paragraph 4.31 Commission reply: "Notably in the framework of the preparation for the implementation of the CAP reform, the Commission will continue in its efforts to improve and speed up the process, bearing in mind the need to maintain quality standards and the Member State's right of reply."

The conformity clearance procedure and net financial corrections

Conformity Clearance Procedure				
DG AGRI Conformity Clearance Procedure for Net Financial Corrections				
Example of the timing of the procedure for an audit mission carried out on-the-spot at the end of September 2014 (standard procedure)				
Year	Month	Procedural steps	Procedural Phase	Coverage of the financial correction
		Preparatory Phase		
2014	S	Audit Mission		Financial correction may cover expenditure incurred for 24 months prior to notification
	O N D	Mission report & preparation of the Letter of Findings		
START OF CONFORMITY PROCEDURE				
2015	J	Notification of audit finding to MS	Contradictory phase with MS	Financial correction may cover expenditure incurred for 24 months prior to notification
	F			
	M	MS reply to the Letter of Findings		
	A			
	M			
	J			
2016	J	Bilateral meeting with MS to discuss the deficiencies identified, action to be taken and the risk to the EU Budget	Conciliation phase for MS	Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken.
	J	Minutes of Bilateral Meeting		
	A	Member State's reply to the minutes of bilateral meeting		
	S			
2016	O		Conciliation phase for MS	
	N			
	D			
	J	Notification of financial correction to MS		
	F	MS submission of reasoned request for conciliation - optional to MS -		
2017	M	Conciliation procedure (if requested by MS) The Conciliation Body is independent from the COM and the MS. Its role is to conciliate the positions of both parties. Its conclusions are not binding on the COM.	Conciliation phase for MS	
	A			
	M	Preparation of the Final Letter		
2017	J	Final Letter to MS with definitive financial correction	Comitology & COM decision procedure	
	J			
END OF PROCEDURE				
	F		Comitology & COM decision procedure	
	M			
	A	Commission decision on financial corrections		
	M			
	J		Comitology & COM decision procedure	
	J	Actual reimbursement to EU Budget by MS		

Diagram: Annex 10 – 4.3

The conformity clearance procedure and net financial corrections

4.2 Net Financial Corrections

4.2.1 How does the Commission calculate net financial corrections?

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU budget. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation. Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national management and control systems in order to reflect the financial risk for the EU. In order to ensure equal treatment of all cases of this kind, the Commission has adopted guidelines which provide for standard correction rates of 2 %, 5 %, 10 % or 25 % of the expenditure at risk, depending on whether the deficiencies concern key or ancillary control requirements which are determined for each aid schemes.

What are key and ancillary controls?

- Key controls are the physical and administrative checks which are required to verify substantive elements and in particular the existence of the subject of the claim, the quantity and the qualitative conditions including the respect of time limits, harvesting requirements, etc. They are performed on the spot and by cross-checks of independent databases such as land registers.

- Ancillary controls involve the administrative operations required to process claims correctly and include verifying the respect of time limits for the submission of claims, identifying duplicate claims, risk analysis, the application of sanctions and the appropriate supervision of the procedures.

Explanatory Box: Annex 10 - 4.4

On this basis, the guidelines provide that:

- A correction of 2 % is justified when a Member State has failed to take measures to improve the application of ancillary controls;
- When all key controls are applied, but not in the number, frequency or depth required, then a correction of 5 % is justified as it can reasonably be concluded that the checks do not provide a sufficient level of assurance of the regularity of claims and that, therefore, the risk of loss to the EU budget was significant;
- When one or more key controls are not applied or applied so poorly or so infrequently that they are completely ineffective in determining the eligibility of the claim or in preventing irregularity, then a correction of 10 % is justified as it can reasonably be concluded that there was a high risk of widespread loss to the EU budget;
- When a Member State's application of a control system is completely absent or gravely deficient and there is evidence of widespread irregularity and negligence in countering irregular or fraudulent practices, then a correction of 25 % is justified as it can reasonably be assumed that the freedom to submit irregular claims may lead to exceptionally high losses to the EU budget.

The rate of correction may be fixed at an even higher rate to exclude all expenditure when weaknesses are so serious that they constitute a complete failure to comply with EU rules.

The conformity clearance procedure and net financial corrections

4.2.2 Instalments and Deferrals

Net financial corrections do put a real strain on the national budgets of Member States. Therefore, an option was introduced according to which corrections of a certain volume can be executed in three **annual instalments** on request of the Member State concerned. Execution in instalments was so far accepted for Bulgaria, Greece, Portugal, Romania, Spain, Lithuania and Slovenia and France.

The following table (Annex 10- 4.5) sets out the financial impact of the instalment decisions, showing when they were adopted and when the various instalments are actually reimbursed by the Member States.

Corrections adopted for which payment was postponed via instalment decisions:										m EUR
ad hoc decision	Year adopted	decision on instalment for	year reimbursed							total
			2011	2012	2013	2014	2015	2016	2017	
34	2010	446,623	148,874	148,874	148,874					446,622
deferral					-129,561					-129,561
35	2011	358,836	119,612	119,612	119,612					358,836
deferral				-86,465	-86,465					-172,93
38	2012	131,3		43,766	43,767	43,767				131,3
40	2013	19,955			6,651	6,652	6,652			19,955
41	2013	3,449			1,149	1,15	1,15			3,449
43	2013	92,489				30,829	30,83	30,83		92,489
44	2014	16,56				5,52	5,52	5,52		16,56
46	2014	96,83					32,276	32,277	32,277	96,83
47	2015	1279,173					426,391	426,391	426,391	1279,173
Total		2445,215	268,486	225,787	104,027	87,918	502,819	495,018	458,668	2.142,723

-302,491

For the amounts highlighted above, the instalment amount to be executed was included in the deferral decision for the MS in question. These amounts can be found in the deferral summary tables below for Greece and Portugal,

Table : Annex 10 – 4.5

In addition, Member States under EU financial assistance could request the Commission to defer the execution of financial corrections for a period of up to 18 months subject to the implementation of targeted remedial action plans. After the expiry of the deferral period the corrections were required to be executed in three annual instalments. Deferrals were granted to Portugal and Greece. The deferrals granted expired on 31 December 2013 for Greece and on 31 May 2014 for Portugal.

The following tables (Annex 10 – 4.6 and 4.7) set out respectively for Greece and Portugal financial corrections by conformity clearance decisions which were included in the deferral decision and, the schedule for reimbursement by instalment at the expiry of the deferral period.

Greece			m EUR		
Ad hoc decision	Year adopted	Amount deferred	Reimbursement schedule		
			2014	2015	2016
ad hoc 34 3rd instalment	2010	114,564			
ad hoc 35 2nd instalment	2011	86,465			
ad hoc 35 3rd instalment	2011	86,465			
ad hoc 38	2012	104,935			
ad hoc 39	2012	0,016			
ad hoc 40	2013	8,936			
ad hoc 41	2013	122,571			
ad hoc 42	2013	5,191			
Total Deferred		529,143			
Less amounts for which deferral was revoked		25,151			
Deferred amount to be reimbursed		503,992	167,997	167,997	167,998

Table: Annex 10 – 4.6

The conformity clearance procedure and net financial corrections

Portugal			m EUR		
Ad hoc decision	Year adopted	Amount deferred	Reimbursement schedule		
			2014	2015	2016
ad hoc 34 3rd instalment	2010	14,997			
ad hoc 39	2012	93,528			
ad hoc 41	2013	0,031			
Deferred amount to be reimbursed		108,556	36,185	36,185	36,186

Table: Annex 10 – 4.7

4.2.3 Amounts of financial corrections decided each year.

Section 2.1.1.3 of this report provides further information on financial corrections and how they protect the EU budget. Three conformity clearance decisions were adopted by the Commission in 2014 while a further decision has been adopted in January 2015:

Commission Conformity Clearance Decisions		EAGF	EAFRD	Total
ad hoc 44	2014/191/EU	293,241	21,737	314,978
ad hoc 45	2014/458/EU	41,349	10,240	51,588
ad hoc 46	2014/950/EU	68,633	7,916	76,549
ad hoc 47	2015/103/EU	1.243,108	165,997	1.409,105
Total		1.646,331	205,890	1.852,221

Table: Annex 10 -4.8

Impact of net financial corrections on Member States

In all Member States the national and regional authorities responsible for implementing the CAP are directly affected by EU net financial corrections. Such corrections which relate to expenditure made by Member States in previous budget years lead to a reduction of EU financing in the current budget year. This requires Member States in many cases to find the financial means necessary to fill the gap by making budget transfers or amending budgets. Against this background net financial corrections have led to concrete budgetary and administrative reactions. For instance:

- in Germany the Constitution was amended in 2006 following repeated disputes between the federal level and the Länder to clarify the burden-sharing with regard to financial corrections;
- in Denmark following a significant financial correction in 2009 a specific burden-sharing mechanism between the Ministry of Finance and the Ministry of Agriculture was recently put in place.

Explanatory Box: Annex 10 - 4.9

4.2.4 Legal Mechanisms for net financial corrections have been strengthened from 2015

4.2.4.1 Focus on more risky expenditure

DG AGRI audit activities are driven by risk analysis, i.e. more audits focus on Member States, measures and programmes affected by higher risks. Formerly, DG AGRI conducted an annual central risk analysis covering all CAP expenditure in all Member States in order to produce an annual audit work programme. In mid-2014, in line with its audit strategy, DG AGRI developed a rolling three-year audit programme. (Explanatory boxes 1.1 and 1.2 in Annex 10 - part 1 set out the elements which comprise the risk analysis.) The central risk analysis for this multi-annual plan is similar to that for the previous annual plans but it was decided to carry it out mid-year in order to exploit the opinions of the certification bodies (which are available in March) and to take into account any follow up work resulting from the AAR (in particular action plans which have to be followed up with the Member States). This new approach will ensure a better coverage of the overall expenditure. Where the risk is considered to be high, the Paying Agency concerned will continue to be subject to intense audit

The conformity clearance procedure and net financial corrections

supervision by DG AGRI in order to ensure that remedial actions are undertaken in line with an agreed schedule of work.

Example of intense supervision

DG AGRI audits of the Integrated Administrative and Control System (IACS) in 2008 and 2009 revealed and confirmed serious deficiencies: on-the-spot-controls were late and the Land Parcel Identification System (LPIS) was outdated and not precise enough. An audit mission in March 2011 concluded that the initial action plan requested by the Commission to remedy these deficiencies by 2011 had been only partially implemented. The failure to timely implement the remedial actions triggered a reservation in DG AGRI's 2010 Annual Activity Report (AAR), accompanied by a new action plan to remedy the deficiencies by 2013. In its AAR 2012 DG AGRI reported that an audit mission in March 2013 had confirmed that the action plan could be considered as finalised; but DG AGRI maintained the reservation because solid evidence that the updated LPIS is correctly used would not be available before a first cycle of claims/controls/payments. In the meantime, financial corrections were imposed in relation to 2008 and 2009 related expenditure, while corrections for 2010-2012 are included in a conformity clearance decision to be adopted in June 2015 (ad hoc 48). The conformity clearance procedure for 2013 and 2014 financial years are underway.

Explanatory box annex 10 – 4.10

4.2.4.2 The Commission is legally bound to correct

Any identified risk to the EU budget systematically triggers a net financial correction. The Commission has no discretion to not correct as it is legally bound to exclude any identified illegal expenditure from EU financing. For both EAGF and EAFRD financial corrections for audit enquiries launched up to the end of 2014 were governed by the legislation referred to in paragraph 4.1 above. From 2015 the new legal framework is comprised of CAP Horizontal Regulation⁴¹ and the delegated⁴² and implementing⁴³ acts.

This new legislation frames the procedure even more tightly with the method and the criteria for fixing the amount of financial corrections now set out in the delegated act. In the case of flat-rate corrections, it is specified how the severity of deficiency shall be assessed, taking into account its nature (key or ancillary control) but also its recurrence (repetition from a previous year without improvement) and the accumulation with other deficiencies (the risk of errors is likely to be higher when there are several deficiencies). The ECA findings in its 2012 Annual Report, paragraph 4.30⁴⁴ will thus be addressed, notably for cases where several deficiencies are present for the same population. The Commission guidelines on how it determines financial corrections have been updated to fully reflect the changes (they will be formally adopted by the Commission in May/June 2015).

⁴¹ Regulation (EU) no 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (OJ L 347 of 20.12.2013)

⁴² Commission Delegated Regulation (EU) No. 907/2014 of 11 March 2014 supplementing Regulation (EU) No. 1306/2013 with regard to paying agencies and other bodies, financial management, clearance of accounts, securities and use of euro (OJ L 255 of 28.08.2014).

⁴³ Commission Implementing Regulation (EU) No. 908/2014 of 6 August 2014 laying down rules for the application of Regulation (EU) No. 1306/2013 with regard to paying agencies and other bodies, financial management, clearance of accounts, rules on checks, securities and transparency (OJ L 255 of 28.08.2014).

⁴⁴ ECA Annual report 2012 paragraph 4.30: "The use of flat-rate corrections does not sufficiently take into account the nature and gravity of the infringement, as the same flat-rate correction of 5% is applied, regardless of whether weaknesses were found for a single key control or for many such controls."

The conformity clearance procedure and net financial corrections

The new implementing act sets out mandatory legal deadlines for both Member State and Commission for the various steps of the conformity clearance procedure.

4.2.4.3 Less recourse to flat-rate corrections

Both the Financial Regulation and the new CAP Horizontal Regulation provide for a ranking of types of financial corrections where flat-rate corrections may only be used if calculated or extrapolated corrections cannot be established with proportionate efforts.

Calculated and extrapolated corrections are currently based on DG AGRI auditors' findings and information provided by Member States during the contradictory procedure. In the future, DG AGRI will have more information to feed into the process from the yearly opinions to be delivered as from early 2016 (in respect of expenditure made on financial year 2015) by the certification bodies carrying out the new task assigned to them examining the legality and regularity of transactions on the basis of representative samples of transactions.

Recoveries by the Member States from the final beneficiaries of unduly paid amounts

5. Recoveries

5.1 Legal Framework

Regulation (EU) No 1306/2013 on the financing of the CAP requires the Member States to recover sums lost as a result of detected irregular payments. However, the recovery procedures, in accordance with the principle of subsidiarity, are wholly the responsibility of the Member States concerned and, thus, subject to their individual administrative and judicial procedures. Therefore, while some procedures deliver rapid results, others take more time.

In order to address delays by some Member States in recovering undue payments, the legislator introduced an automatic clearing mechanism under which 50 % of any undue payments which the Member States have not recovered from the beneficiaries within 4 years or, in the case of legal proceedings, 8 years, would be charged to their national budgets (50/50 rule).

Even after the application of this mechanism, Member States are, however, obliged to pursue their recovery procedures and, if they fail to do so with the necessary diligence, the Commission may decide to charge the entire outstanding amounts to the Member States concerned. Moreover, Member States are required to offset any outstanding debts against future payments to the debtor (compulsory compensation).

With the entry into force of the new legal framework, the 50/50 rule now has to be applied to EAFRD in the financial year when it occurs and not at the closure of the programme. Consequently, for financial year 2014, the Member States are required to indicate amounts to be charged under the 50/50 rule also for EAFRD 2007-2013 for the first time.⁴⁵

Undue payments that are the result of administrative errors committed by the national authorities also have to be deducted from the annual accounts of the Paying Agencies concerned and, thus, excluded from EU financing.

5.2 Amounts recovered by the Member States in financial year 2014 for the EAGF

Table Annex 10 – 5.1 below sets out the amounts recovered in 2014 from the beneficiaries by the Member States for the EAGF⁴⁶.

The total amount recovered is 150.3 m EUR. This corresponds to the amount declared by DG AGRI in note 6 to the consolidated accounts for 2014.

Amounts recovered in respect of cross-compliance infringements are indicated separately and deducted to show the amount of recoveries for 2014 which DG AGRI considers to be relevant for its corrective capacity (see section 2.1.1.3.3 of the main body of the report) – i.e. an amount of 112.4 m EUR.

⁴⁵ Article 54(2) of Regulation (EU) No 1306/2013.

⁴⁶ Until the entry into force of Regulation 908/2014 (implementing Regulation for Regulation 1306/2013), Paying Agencies were not required to record the budget code of the amounts recovered and it is not, therefore, possible to provide a breakdown of recovered amounts between ABB02 (market measures) and ABB03 (direct payments) for the EAGF. From financial year 2016, the Paying Agencies are required to record the budget code of the expenditure of origin and thus will be able provide the data on recoveries at ABB level.

Recoveries by the Member States from the final beneficiaries of unduly paid amounts

MS	Total EAGF Recoveries	Cross -compliance recoveries	EAGF less cross compliance
AT	13.607.338	364.093	13.243.244
BE	2.203.089	1.461.519	741.570
BG	1.942.165	260.094	1.682.071
CY	499.966	59.183	440.783
CZ	578.817	382.960	195.857
DE	11.907.498	6.797.873	5.109.625
DK	2.414.066	1.588.591	825.475
EE	336.071	280.203	55.868
ES	19.505.699	1.233.915	18.271.785
FI	1.073.933	427.203	646.730
FR	17.519.546	3.669.487	13.850.059
GB	11.612.982	3.901.025	7.711.957
GR	4.140.957	747.218	3.393.739
HR	14.706	14.458	248
HU	5.670.157	879.774	4.790.383
IE	11.894.136	3.681.991	8.212.145
IT	18.210.921	1.480.959	16.729.962
LT	4.382.775	4.156.362	226.413
LU	128.954	107.525	21.429
LV	861.973	483.100	378.873
MT	40.151	16.465	23.686
NL	2.230.904	617.344	1.613.561
PL	5.079.430	2.228.537	2.850.893
PT	4.704.289	217.691	4.486.598
RO	5.399.287	1.028.427	4.370.860
SE	2.662.461	885.633	1.776.828
SI	625.768	182.573	443.195
SK	1.057.624	792.351	265.272
Total	150.305.664	37.946.555	112.359.108

Table: Annex 10 - 5.1

5.2 Amounts recovered by the Member States in financial year 2014 for the EAFRD

Table Annex 10 – 5.2 below sets out the amounts recovered in 2014 from the beneficiaries by the Member States for the EAFRD.

Recoveries for EAFRD in 2014		EUR
a	Total Rural development recoveries *	168.642.720
b	SAPARD (2000-2006)	400.042
c	TRDI (2000-2006)	17.508.936
d= a-(b+c)	EAFRD	150.733.742
e	Cross compliance corrections	28.834.628
f= d-e	TOTAL excluding cross compliance corrections	121.899.115

Table: Annex 10 - 5.2

*The total amount recovered is 168.6 m EUR. This amount differs slightly from that provided for note 6 (point 6.1.2) to the (provisional) Consolidated Annual Accounts (167 m EUR), which was based on preliminary data that has been subsequently updated. DG BUDG has been informed of the revised data.

For the purpose of calculating corrective capacity (see section 2.1.1.3.3 of the main body of the report), recoveries in respect of SAPARD and TRDI are excluded as they are not relevant to EAFRD. Also deducted are recovered amounts in respect of cross-compliance infringements. The resulting amount of recoveries for 2014 which DG AGRI considers relevant for its corrective capacity is 121.9 m EUR.

Recoveries by the Member States from the final beneficiaries of unduly paid amounts

The following table (Table: annex 10-5.3) indicates the EAFRD and EAFRD cross-compliance recoveries by Member State in 2014.

MS	Total EAFRD Recoveries	Cross-compliance recoveries	EAFRD less cross compliance
AT	12.410.698	52.485	12.358.213
BE	611.171	16.722	594.449
BG	1.936.946	1.183.341	753.605
CY	158.873	95.345	63.529
CZ	1.208.011	120.559	1.087.452
DE	12.814.075	915.793	11.898.282
DK	1.182.759	84.558	1.098.201
EE	1.911.891	290.341	1.621.550
ES	9.842.340	711.053	9.131.287
FI	1.126.860	166.338	960.522
FR	2.106.299	304.252	1.802.047
GB	6.872.547	221.189	6.651.359
GR	5.005.597	3.848.680	1.156.917
HR	0	0	0
HU	9.784.019	3.259.624	6.524.395
IE	4.610.475	248.792	4.361.683
IT	14.338.807	10.601.975	3.736.832
LT	3.675.863	2.955.461	720.402
LU	69.879	37.637	32.241
LV	1.563.909	513.724	1.050.185
MT	113.753	24.215	89.539
NL	471.774	5.115	466.659
PL	10.563.568	229.064	10.334.504
PT	17.716.508	335.457	17.381.052
RO	26.363.136	2.118.642	24.244.493
SE	1.613.089	36.153	1.576.935
SI	1.213.383	97.160	1.116.224
SK	1.447.514	360.955	1.086.559
Total	150.733.742	28.834.628	121.899.115

Table: Annex 10 - 5.3

Note 6 of the Consolidated annual accounts for financial year 2014

Recoveries reported in note 6 to the annual accounts of financial year 2014 for EAGF (table 6.1.2. Financial corrections and recoveries implemented in 2014) amount to a total of 150,305,663 EUR which Member States have recovered and reimbursed to the Commission's accounts as assigned revenue (67 02). It also includes recoveries due to infringements of cross-compliance obligations, recovered amounts subject to the retention of a 20 % flat rate recovery cost and those not subject to it, as well as recovered amounts of recovery cases that were subject to the 50/50 rule in the financial clearance of accounts for financial year 2013 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

Recoveries reported in note 6 to the annual accounts of financial year 2014 for Rural Development (table 6.1.2.

Recoveries by the Member States from the final beneficiaries of unduly paid amounts

Financial corrections and recoveries implemented in 2014) are composed of recoveries related to EAFRD (including recovered amounts due to infringements of cross-compliance obligations), as well as recoveries from SAPARD (2000-2006)⁴⁷ and from TRDI (2000-2006).

Explanatory Box: Annex 10 – 5.4

5.3 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2010 (4 year deadline for recovery) or 2006 (8 year deadline if legal proceedings) will be determined for 2014 in accordance with the 50/50 rule mentioned above by charging approximately 18.5 million EUR to the Member States concerned.⁴⁸ Moreover, around 17.6 million EUR will be borne by the EU budget for cases reported irrecoverable during financial year 2014⁴⁹. The final figures will be established in May 2015 when the financial clearance decision for financial year 2014 will be adopted. Due to the application of the 50/50 rule, important non-recovered sums have already been charged to the Member States for EAGF expenditure.

The overall outstanding amount still to be recovered from the beneficiaries at the end of that financial year was 1 588.5 million EUR. Of this amount, 1 348.8 million EUR is outstanding to the EU budget (the difference having already been charged to the Member States via the 50/50 mechanism).

The clearance mechanism (50/50 rule), referred to above, provides a strong incentive for Member States to recover undue payments from the beneficiaries as quickly as possible. As a result, by the end of financial year 2014, 45 % of the new EAGF debts from 2007 and thereafter had already been recovered, which is a significant improvement compared to the past. The detailed breakdown of this recovery rate has developed as follows:

Rate of recovery from beneficiaries of irregularities detected since 2007 - EAGF:

		Recovery rate							
		until end of 2007	until end of 2008	until end of 2009	until end of 2010	until end of 2011	until end of 2012	until end of 2013	until end of 2014
year of discovery of the irregularity	2007	33%	47%	50%	53%	60%	68%	69%	69%
	2008	-	24%	40%	47%	49%	58%	59%	60%
	2009	-	-	24%	33%	42%	44%	46%	49%
	2010	-	-	-	29%	39%	44%	45%	47%
	2011	-	-	-	-	23%	34%	39%	43%
	2012	-	-	-	-	-	34%	60%	64%
	2013	-	-	-	-	-	-	23%	30%
	2014	-	-	-	-	-	-	-	14%
	2007-2014	-	-	-	-	-	-	-	45%

⁴⁷ SAPARD/IPARD is managed under decentralised/indirect management.

⁴⁸ Please note that these amounts relate to EAGF, EAFRD and TRDI.

⁴⁹ For EAFRD, based on the new legal regime, in financial year 2014 the Member States have reported as well the irrecoverable cases established during financial year 2014 and before.

Recoveries by the Member States from the final beneficiaries of unduly paid amounts

Table: Annex 10 – 5.5

It is worth noting that some of these new debt amounts were already written off by Member States in the period 2007-2013 (91.4 million EUR) and therefore they will most likely not be recovered. For more details on the recovery rates at Member State level, see Table Annex 10 – 5.6 below.

Recoveries (EUR) from beneficiaries for cases detected since 2007 – EAGF

MS	New cases since 2007	Adjustments	Recoveries	Recovery rate
AT	44.416.388,13	-1.558.647,59	-41.992.073,23	98%
BE	80.456.567,84	-29.370.076,14	-27.608.111,89	54%
BG	2.091.872,00	241.623,93	-58.758,17	3%
CY	2.956.317,95	-19.501,93	-2.102.596,65	72%
CZ	2.495.241,51	-111.396,44	-2.298.452,15	96%
DE	78.031.636,53	-2.688.716,19	-64.295.091,81	85%
DK	32.952.460,98	8.926.623,56	-24.251.974,53	58%
EE	2.421.678,02	-1.017.457,48	-1.264.640,40	90%
ES	239.314.754,24	-31.123.900,03	-134.627.546,68	65%
FI	10.010.234,08	182.436,34	-9.402.200,76	92%
FR	368.563.037,12	26.428.944,78	-67.717.995,87	17%
GB	51.833.108,94	-8.904.084,77	-36.749.479,55	86%
GR	62.606.861,70	-18.354.240,75	-12.714.214,57	29%
HR	285,32	0,00	-246,37	86%
HU	70.190.149,62	-33.663.711,82	-14.293.370,97	39%
IE	28.114.519,72	-2.763.830,52	-23.268.264,62	92%
IT	274.398.904,10	62.051.916,39	-120.681.856,49	36%
LT	6.370.389,36	-2.513.193,97	-3.527.692,03	91%
LU	1.074.884,70	-494.513,16	-322.885,64	56%
LV	1.911.183,67	-31.602,78	-1.471.525,96	78%
MT	1.098.991,31	94.289,90	-609.346,21	51%
NL	68.278.567,49	-8.404.665,32	-22.412.316,13	37%
PL	76.552.801,10	-18.200.833,65	-20.828.529,00	36%
PT	74.157.053,83	-18.372.972,46	-33.131.034,21	59%
RO	32.701.152,07	101.972,80	-13.283.090,40	40%
SE	26.775.230,35	-4.035.112,50	-18.915.230,33	83%
SI	15.920.317,99	-1.928.023,03	-4.812.964,76	34%
SK	2.798.710,26	-799.197,55	-618.913,23	31%
Totals	1.658.493.299,94	-86.327.870,39	-703.260.402,60	44,7%

Table: Annex 10 – 5.6

Recoveries by the Member States from the final beneficiaries of unduly paid amounts**5.5 DG AGRI Audits**

During the period 2008-2014, DG AGRI audited the correct application of the new clearance mechanism through 32 audit missions in 19 Member States (including all EU-15 Member States with a low recovery rate for the cases detected since 2007). Except for two cases (IT and IE), in general the Member States' authorities have adequate procedures in place to protect the financial interest of the European Union. Deficiencies found during these audits are being followed in the context of conformity clearance procedures.

The diligence of the Member States' authorities in the recovery of the most significant individual irregularity cases is assessed in the context of a further 25 on-going conformity clearance procedures (desk audits).

In 2012, an OLAF investigation revealed for the Italian Paying Agency some serious issues regarding the completeness of the debtors' ledger, the prescription of certain debts, and some national schemes allegedly funded by the EU budget.

In addition, the European Court of Auditors, in the framework of the DAS 2013 exercise, also raised serious concerns regarding the debt management systems implemented in IT (AGEA), and IE (DAFF). DG AGRI took this into account in its risk analysis and carried out an audit mission in Italy in September 2014 while an audit to Ireland will take place in the 2015-2016 audit year.

Concerning the audit of the debt management system implemented by the Italian Paying Agency AGEA (IT01), the audit confirmed the serious concerns regarding the management of irregularities and other debts for financial year 2010 and earlier, and more generally all irregularities and debts for which the payment of origin was made in financial year 2007 or before. A number of weaknesses concerning the accreditation criteria for debts were noted (improper internal environment; insufficient control activities and monitoring mechanisms). Based on its findings, DG AGRI considered that the non-recovery of the debts in financial year 2010 and earlier was attributable to the negligence of the Italian authorities in the recovery procedure and therefore intends to propose financial corrections for these financial years.

6. Cross Compliance

Cross-compliance is a mechanism by which farmers are penalised when they do not respect a series of rules which stem in general from policies other than the CAP and apply to EU citizens independently of the CAP.

The respect of cross-compliance obligations does not constitute an eligibility criterion for CAP payments and, therefore, the controls of these requirements do not pertain to the legality and regularity of the underlying transactions. Thus, penalties imposed for violations of cross-compliance requirements are not taken into account for the calculation of the error rates for the CAP.

The control statistics referred to below do not therefore correspond to errors in underlying transactions. See also part 2.3.3 European Court of Auditors reports, under "2013 Annual Report".

The results of the controls on cross-compliance are shown in Table: Annex 10 – 6.1 for claim year 2013 (financial year 2014). It shows that 2.31 % of all claimants were controlled on cross-compliance requirements in claim year 2013, and thereby the minimum control rate of 1 % was globally respected. The rate of farmers checked on-the-spot and subject to a subsequent sanction for cross-compliance was 24.61 % of all farmers checked for claim year in 2013.

According to the control statistics, total cross-compliance sanctions in respect of 2013 claim year amounted to 52.2 million EUR, (42.9 million EUR for EAGF and 9.3 million EUR for EAFRD). Sanctions following regulatory on-the-spot-checks amounted to 29.9 million EUR in total (24.5 million EUR for EAGF and 5.3 million EUR for EAFRD).

A further analysis reveals the sanctions applied in case of negligence of the farmer, i.e. excluding the sanctions for repetition and intentional non-compliance. Those sanctions amount to 23.9 million EUR (2.48 % of the aid covered by OTSC) and 5.0 million EUR (2.46 % of the aid covered by OTSC) for the EAGF and the EAFRD respectively. An additional 23.6 million EUR was applied as sanctions following repetition and intentional non-compliance.

Control data on results of on-the-spot checks for cross compliance
Claim Year 2013 - Financial Year 2014

Member State	Population		Result of all checks		Result of on-the-spot checks			
	Total aid claimed EUR A	Total number of beneficiaries B	Aid reduction EUR C	As share of total aid claimed % D=C/A	Number of beneficiaries checked OTS G	As share of total number of beneficiaries % H=G/B	Beneficiaries sanctioned for non-compliance I	As share of total number of OTSC % J=I/G
AT	1.235.330.150	125.845	948.674	0,08%	2.871	2,28%	555	19,33%
BE	310.407.641	38.902	-392.756	-0,13%	5.445	14,00%	535	9,83%
BG	52.675.232	91.512	416.178	0,79%	3.265	3,57%	1.002	30,69%
CY	68.171.582	34.210	89.293	0,13%	417	1,22%	178	42,69%
CZ	1.205.572.801	30.169	606.920	0,05%	2.059	6,82%	67	3,25%
DE	6.010.234.923	337.252	10.748.509	0,18%	9.971	2,96%	3.214	32,23%
DK	936.424.498	44.673	1.484.015	0,16%	1.280	2,87%	173	13,52%
EE	164.076.399	21.003	547.625	0,33%	673	3,20%	51	7,58%
ES	5.055.691.443	931.740	2.112.002	0,04%	15.426	1,66%	3.105	20,13%
FI	1.329.799.621	57.409	1.531.832	0,12%	1.900	3,31%	361	19,00%
FR	8.775.766.002	357.830	5.566.729	0,06%	17.712	4,95%	3.914	22,10%
GB	3.789.161.779	181.369	5.454.291	0,14%	7.517	4,14%	1.506	20,03%
GR	2.227.731.382	746.276	1.269.732	0,06%	7.870	1,05%	2.706	34,38%
HR	1.753.558	99.043	19.329	1,10%	1.011	1,02%	338	33,43%
HU	1.605.422.662	181.903	1.427.990	0,09%	7.596	4,18%	1.304	17,17%
IE	1.577.381.270	115.128	2.101.422	0,13%	1.170	1,02%	529	45,21%
IT	5.215.421.969	1.220.440	3.936.044	0,08%	42.185	3,46%	3.817	9,05%
LT	454.871.385	151.001	5.645.835	1,24%	5.118	3,39%	2.122	41,46%
LU	62.387.666	1.989	324.653	0,52%	290	14,58%	114	39,31%
LV	221.714.144	62.381	922.490	0,42%	1.580	2,53%	406	25,70%
MT	908.839	6.583	94.490	10,40%	109	1,66%	160	146,79%
NL	779.025.439	53.614	159.811	0,02%	772	1,44%	214	27,72%
PL	3.545.146.807	1.354.153	3.216.233	0,09%	19.690	1,45%	10.488	53,27%
PT	895.933.399	198.663	214.513	0,02%	3.601	1,81%	672	18,66%
RO	1.933.313.005	1.104.369	0	0,00%	15.574	1,41%	5.596	35,93%
SE	1.068.639.737	66.822	2.155.762	0,20%	1.274	1,91%	309	24,25%
SK	461.407.881	17.147	1.275.015	0,28%	388	2,26%	84	21,65%
SI	225.358.107	59.048	312.649	0,14%	691	1,17%	156	22,58%
Total	49.209.729.318	7.690.474	52.189.281	0,11%	177.455	2,31%	43.676	24,61%

Table: Annex 10 - 6.1

Cross delegations – table complementing section 2.2.2

In 2014, DG AGRI has cross-delegated activities to seven other DGs (JRC, ESTAT, EMPL, SANCO, PMO, DIGIT and REGIO). In addition, a sub delegation was given to DEVCO only to allow recoveries in a specific file (no credits involved so not included in the table).

Crossed Subdeleg. To:	JRC		ESTAT		EMPL		SANCO		PMO	DIGIT	REGIO
	05.080300	05.088000	05.080200	05.080300	05.040502	05.046002	05.040502		05.040502		05.046002
CD Budget Line:	05.080300	05.088000	05.080200	05.080300	05.040502	05.046002	05.040502		05.040502		05.046002
Transferred Comm Credit	1.753.760,00	8.030.000,00	250.000,00	0,00		218.150,72					1.000.000,00
Transferred Pay Credit	1.127.463,00	8.030.000,00	200.000,00	0,00	298.468,67	0,00	171.045,09		270.000,00		400.000,00
Consumed Comm Credit	1.751.497,50	2.973.552,20	249.073,94	0,00		145.043,55					1.000.000,00
Consumed Pay Credit	1.057.709,07	2.973.552,20	175.242,04	0,00	298.468,67	0,00	171.045,09		49.273,52		400.000,00
CND Budget Line:	05.070102						05.010401	05.080600		05.010503	
Transferred CND Credit	6.800.000,00						0,00	400.000,00		183.399,75	
Consumed CND Credit	6.799.667,58						0,00	325.549,94		183.399,75	

ANNEX 11: Specific annex related to "Assessment of the effectiveness of the internal control systems" (Part 3)

Not applicable

Annex 12: AWBM 01 Administrative support

AWBM 01 Administrative support – Specific objective 1

Specific objective 1: To establish, perform, monitor and report on the financing of the CAP and Rural Development so that sound and regular financial management of these policies is assured.		
Indicator: % of budget execution (commitments) with respect to budget appropriations		
Source: DG BUDG budgetary execution reports/ABAC		
Baseline (2013)	Current situation (2014 provisional figures)	Target (mid-term)
99.9 %	99.1 % ⁵⁰	99 % <i>Whereas ideally the result would be 100% of the size of the agricultural budget and taking into account that MS are responsible for paying out the largest part of the budget and the number of budget lines involved, it is realistic to foresee some under execution. However, based on previous experience and in view of procedures in place, a very high degree of execution has been obtained, so a target only allowing for 1 % deviation has been foreseen (no over execution is possible) which is sound budgetary management</i>
Indicator: % of budget execution (payments) with respect to budget appropriations		
Source: DG BUDG budgetary execution reports/ABAC		
Baseline (2013)	Current situation (2014 provisional figures)	Target (mid-term)
99.8 %	99.9 % ⁵¹	99 % <i>Whereas ideally the result would be 100% of the size of the agricultural budget and taking into account that MS are responsible for paying out the largest part of the budget and the number of budget lines involved, it is realistic to foresee some under execution. However,</i>

⁵⁰ Provisional figures taking account of the initial 2014 budget, subsequent transfers and amending budgets. Moreover, the calculation takes into account the Commission decision on carry-over of 2014 commitments to 2015 and the Commission proposal for the revision of the MFF transferring unused 2014 commitments for the 2014-2020 rural development programmes to 2015-2016.

⁵¹ Provisional figures taking account of initial budget, transfers and amending budgets

		<i>based on previous experience and in view of procedures in place, a very high degree of execution has been obtained, so a target only allowing for 1 % deviation has been foreseen (no over execution is possible) which is sound budgetary management</i>
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AWBM 01 Administrative support – Specific objective 2

Specific objective 2: To define, plan, set-up, maintain and develop high quality Information Technology (IT) infrastructures, tools and services so that (i) the staff is adequately supported in their operation, with the appropriate levels of training and security, and so that (ii) a high quality information system life cycle is assured in support of DG AGRI's activities.		
Indicator: Implementation of the relevant parts of the Schéma Directeur (ICT Investment Plan of DG AGRI)		
Source: Financial execution		
Baseline (2013)	Current situation (end 2014)	Target
100 %	100% (end 2014)	95 %
Indicator: Servers' availability (averaged over one year)		
Source:		
Baseline (2013)	Current situation (end 2014)	Target
>99 %	>99%	≥ 99 %
Indicator: Information Systems User Satisfaction		
Source: Survey DG AGRI		
Baseline (April 2013)	Current situation (end 2014)	Target (mid-term)
83 %	81 %	> 80 %

AWBM 01 Administrative support – Specific objective 3

Specific objective 3: To attract, deploy, develop and retain highly qualified staff and provide them with working conditions that support them in the accomplishment of their tasks		
Indicator: Average vacancy rate of available permanent posts Source: HR Dashboard		
Baseline (2013)	01/01/2014-01/12/2014	Target (mid-term)
7,3 %	8.2 % ⁵²	Vacancy rate < or = Commission average (Jan 14-Dec 14: 6,8 %) <i>Target agreed at level of resource director</i>
Indicator: HR capacity utilisation ⁵³ Source: HR Dashboard		
Baseline (December 2012- November 2013)	December 2013-November 2014	Target (mid-term)
89,3 %	89.7 %	Utilisation > or = Commission average (Dec.13-Nov 14: 90.4 %) <i>Target agreed at level of resource director</i>
Indicator: Management positions held by women ⁵⁴ Source: HR Dashboard		
Baseline (01 December 2013)	01/12/2014	Target (mid-term)
24,5 % MM 21.4 % SM	22.9 % MM 23.5 % SM	Reach targets set by DG HR MM AGRI target 2014: 29.6 % SM Commission target 2014: 25 % SM Commission average 01/12/2014: 27,5 % <i>(target agreed at level of resource director)</i>

⁵² Vacancy rate at a relative high level due to impact of 2014 reorganisation and due to number of posts in the reserve to prepare for post transformations and staff reductions.

⁵³ Staff time available for allocation to activities after deducting absences (except annual leaves and flexitime Recuperation) and use of flexible working arrangements from the total number of available working days.

⁵⁴ Calculation of targets according to the Commission's Equal Opportunities Strategy 2010-2014: DG specific targets for middle management (MM) baseline is 2010 (in AGRI: 14 female MM=25.9 %; 8 MM retirements expected until end 2014 (2F+6M), target of 50/50 replacement => recruitment of 4 female MM; end value would be 16 female MM=29.6 %). Senior management (SM) targets are for the Commission as a whole. The targets have been adapted to the Commission's Equal Opportunities Strategy 2010-2014.

Indicator: Staff satisfaction with: - job - private/ professional life balance Source: DG HR staff survey 2013			
Baseline (2013)	31/12/2014		Target (mid-term)
Results for very satisfied & satisfied Job satisfaction: 75,6 % Life balance: 66 %	Results of the staff survey 2014 to be published in spring 2015		Equal or better results than Commission average <i>(target agreed at level of resource director)</i> COM average: Job satisfaction: 72,2 % Life balance: 66 %
Indicator: Local Overheads Source: HR Dashboard			
Baseline (2013)	Milestone (2014)	20/01/2014	Target (2016)
18 January 2013 12 %	Equal or below family average: 10.0 %	9.1%	Commission average: 7.7 % (Jan 2014) <i>(target agreed at level of resource director)</i>

AWBM 01 Administrative support – Specific objective 4

Specific objective 4: To maintain effective document management system; ensure compliance with personal data protection rules in force, and ensure a high level of transparency and security in DG AGRI.		
Indicators: 1. Percentage of filing of documents in DG AGRI 2. % percentage of files in NOMCOM where no documents are filed within the last 12 months from the total number of active files in AGRI (including subfiles)⁵⁵ Source: ARES, Composite Indicator		
Baseline (2013)	Current situation	Target (mid-term)
1. 99.85 % 2. 7.25% files in NOMCOM where no documents are filed within the last 12 months from the total number of active files in AGRI (including subfiles)	(2014) 99% 6.99%	1. 100 % of documents ARES filed 2. 0% files in NOMCOM where no documents are filed within the last 12 months <i>e-Domec rules, Composite Indicator, ARES. NOMCOM</i>

⁵⁵ New indicator proposed further to the recommendation included in the IAC Audit report on document management.

Indicator: Respect of deadlines in answering requests for documents Source: Gestdem (application for managing access to documents requests)		
Baseline (2013)	Current situation	Target (mid-term)
100 % (199 requests)	(2014) 100% of 310 requests dealt with within established deadlines ⁵⁶	100 % of request for documents answered within established deadlines <i>Regulation (EC) 1049/2001; Gestdem</i>
Indicator: Notification of identified personal data processings in DG AGRI Source: DPO register		
Baseline (2014)	Current situation	e-Target (mid-term)
96 % (30 identified personal data processings, of which 29 are in the register)	(2014) 94% (34 identified personal data processings, of which 32 are in the register)	100 % of identified processings included in the register of the DPO <i>DPO register</i>

Additional information

Access to information – registration, sending acknowledgements of receipt, sending replies and attribution to DG AGRI units and follow up ([instructions](#)). R.6 registers and allocates to the respective DG AGRI units the requests for information received via the Europa website to be processed in accordance with the Code of Good Behaviour by the responsible DG AGRI unit. In the course of 2014, **2250** inquiries have been handled.

CHAP (“Complaints Handling / Accueil des Plaignants”) – attribution of complaints and follow up ([procedure](#)) – in 2014 DG AGRI treated 111 files with AGRI chef de file (104 complaints, 7 inquiries) and 18 cases where AGRI is associated (17 complaints, 1 inquiry).

Good functioning of the BCP, proven by updates and tests of the BCP; implementing the decisions of the Security Committee of DG AGRI

- The BCP was updated in the beginning of April 2014 – note [Ares\(2014\)1117364](#).
- Regular participation in the BC Network meetings at Commission level.
- Successful participation in the Corporate Duty Officer test in July 2014.
- Telephone cascade test for DG AGRI organised in December 2014 – successful outcome 88% of staff reached within 2 hours.
- Good functioning of the Duty Officer system in DG AGRI.

⁵⁶ Prolongations based on Art. 6 (2 and 3) and Art. 7(3) of Regulation 1049/2001 were needed for some complicated requests in order to complete the search for the documents in cooperation with different services of the Commission involved. Those requests require an extensive search and verification of the documents and in most cases numerous consultations with third parties.

AWBM 01 Administrative support – Specific objective 5

<p>Specific objective 5: To implement, maintain and report on an effective and reliable internal control system so that:</p> <ul style="list-style-type: none"> ○ the control procedures put in place give the necessary guarantee concerning the legality and the regularity of the underlying operations; ○ risk of errors in operations is minimised and; ○ reasonable assurance can be given that resources assigned are used according to the principles of sound financial management. 		
Internal Control		
<p>Indicator: Formal compliance with internal control standards: - Degree of compliance Source: Yearly assessment of ICS compliance (ICS n° 15)</p>		
Baseline (2013)	Current situation	Target (mid-term)
100%	100 %	100 % (Internal Control objective)
<p>Indicator: Effective implementation of the internal control standards⁵⁷Source: Yearly assessment of ICS compliance (ICS n° 15)</p>		
Baseline (2013)	Current situation	Target (mid-term)
100% (December 2013)	94 %	100 % (Internal Control Objective)
<p>Indicator: Support and coordination of the risk management process: Establishment and maintenance of a DG Risk Register with the critical and significant risks Source: Risk Register exercise</p>		
Baseline (2013)	Current situation	Target (mid-term)
Risk Register finalized	2015 Risk register finalised (December 2014)	Keep up-to-date DG Risk Register
Assistance and Central Financial Control, Executive Agencies		
<p>Indicator: Respect of deadline put in the vademecum of Direct management for analysing and giving/refusing visa to incoming dossiers related to financial transactions, financial issues, public procurement and grants Source: DG AGRI</p>		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2014	Target (mid-term)
427 entries (292 for second level ex-ante control and 135 for compliance control) Within 2 days to check the file	<p>- 996 entries* for second level ex-ante control - on average within less than 2 working days to check the file</p> <p>* A file/transaction may be required to several entries if it has been returned to the AOSD for corrections.</p>	<p>within 5 working days for financial issues (for second level ex-ante control) within 10 working days for public procurements and grants (for second level ex-ante control) <i>Target defined in conformity</i></p>

⁵⁷ The indicator has been adjusted to refer to the effectiveness of all internal control standards in the DG.

		<i>with the rules of the vademecum on Direct management of DG AGRI</i>
Indicator: Respect of deadline put in the vademecum of Direct management for the launching, coordination and adoption of financing decisions Source: DG AGRI		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2014	Target (mid-term)
Ad hoc financing decisions : 4 for operational lines and 2 for administrative lines Adoption within set delays	<ul style="list-style-type: none"> • 6 Financing Decisions for operational lines (1 global for 2015; 4 Ad hoc for 2014 and 1 ad hoc for 2015) and • 3 Financing Decisions for administrative lines (1 global 2015 and 2 ad hoc 2014) Adoption within set delays	2 months maximum <i>Target fixed for the preparation of the consolidated documents and the launching of the procedure for the adoption of the financing decisions</i>
Indicator: Respect of deadline put in the vademecum of Direct management for the attribution of designations and sub delegations in the financial circuits		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2014	Target (mid-term)
Within 2 days	Within an average of 2 days	5 working days maximum <i>Target fixed taking into account the necessary time to deal with such files</i>
Indicator: Timely adoption of the documents necessary for the delegation to CHAFEA executive agency ⁵⁸ Source : DG AGRI		
Baseline	Data available as of 31/12/2014	Target
<i>New indicator</i>	The Establishment and Delegation Acts of CHAFEA were adopted by Commission Decision in December 2013. Following the agreement on the reform of the agricultural promotion policy, the Establishment and Delegation Acts were modified in December 2014 to allow the delegation of a number of promotion activities to CHAFEA. Furthermore, in the course of 2014, Unit R2 has actively contributed to the preparation of a range of documents which would be adopted in the course of 2015 in order to externalise	01/01/2016 (for CHAFEA) <i>Indication by the Director of the External Agency during the Steering Committee</i>

⁵⁸ Indicator updated.

	effectively the activity to CHAFEA and to allow it to be fully operational by the beginning of 2016.	
Indicator: Respect of the deadline in the preparation of the briefing(s) for the participation of DG AGRI representative in the Steering Committees (in charge of the monitoring of the activities of the Agency) ⁵⁹ <i>Source: DG AGRI</i>		
Baseline	Data available as of 31/12/2014	Target
<i>New indicator</i>	For REA: 4 Steering Committees were held in 2014: 21/02; 17/06; 17/10 and 16/12. For each of them briefings were prepared in due time.	31/12/2015 The Steering Committee meetings are organised at least four times a year
Indicator: Number of trained staff on financial issues <i>Source: DG AGRI</i>		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2014	Target (mid-term)
0	77 (5 trainings in total : 1 "welcome day" training and 4 expenditure lifecycle)	100 <i>Target fixed in order to decrease the risk of errors in financial files due to a lack of training</i>
Key indicators on legality and regularity		
Indicator: Adjusted Error Rate and corrective capacity ⁶⁰ <i>Source: DG AGRI AAR 2014</i>		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target (Financial year 2014)</i> ⁶¹
EAGF Residual Error Rate: 2.70% Corrective capacity: 1.37%	EAGF adjusted Error Rate: 2.61% Corrective capacity: 1.48%	Improve the accuracy and transparency of reporting The level of error is not under the control of DG AGRI as the CAP is implemented in shared management by the Member States.
EAFRD Residual Error Rate: 5.19% Corrective capacity: 1.69%	EAFRD adjusted Error Rate: 5.09% Corrective capacity: 1.87%	
Indicator: Reception of certificates and reports of certification bodies on functioning of paying agencies' internal control systems <i>Source: DG AGRI AAR 2014</i>		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target 2015 (financial year 2014)</i>

⁵⁹ Indicator replacing the previous one "Establishment of the internal structure for the management and follow up of the administrative and financial issues related to the implementation of the DG AGRI research activities".

⁶⁰ Terminology for "adjusted Error Rate" (previously called "Residual Error Rate") and "corrective capacity" as defined by DG AGRI in 2014 AAR.

⁶¹ The AAR signed in the year N+1 reports on the financial year N.

100 % for financial year 2013	100% ⁶²	100 % received to be able to be taken into account for the AAR Required by Regulations 1306/2013 & 885/2006
Indicator: Reception of management declarations⁶³ signed by the directors of paying agencies Source: DG AGRI AAR 2014		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target 2015 (financial year 2014)</i>
100 % for financial year 2013	100%	100 % received to be able to be taken into account for the AAR Required by Regulations 1306/2013 & 885/2006
Indicator: Reception of opinions of certification bodies on statements of assurance Source :DG AGRI AAR 2014		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target 2015 (financial year 2014)</i>
100 % for financial year 2013	100%	100 % received to be able to be taken into account for the AAR Required by Regulations 1306/2013 & 885/2006
Indicator: Percentage of expenditure (EAGF + EAFRD) with statistics or 100 % check Source: DG AGRI AAR 2014		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target 2015 (financial year 2014)</i>
91.7% for financial year 2013	90.5%	95 %
Indicator: Reception of opinion of certification bodies on the quality of the on-the-spot controls Source: DG AGRI AAR 2013		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target 2015 (financial year 2014)</i>
For financial year 2013 and (2012): EAGF – IACS 100 % (100%) EAGF – non IACS 84 % (91 %) EAFRD – IACS 97 % (98 %) EAFRD – non IACS 96% (96 %)	For financial year 2014 and (2013): EAGF – IACS 97% (100%) EAGF – non IACS 90% (84%) EAFRD – IACS 92% (97%) EAFRD – non IACS 98% (96 %)	100 % received to be able to be taken into account for the AAR Required by DG AGRI guidelines.
Indicator: Reception of opinions of certification bodies on the accuracy of the control statistics⁶⁴ Source: DG AGRI AAR 2013		
<i>Baseline (Financial year 2013)</i>	Current situation	<i>Target 2015 (financial year 2014)</i>
For financial year 2013 and (2012): EAGF – IACS 97 % (95 %)	For financial year 2014 and (2013): EAGF – IACS 95% (97%)	100 % received to be able to be taken into account for the AAR Required by DG AGRI guidelines.

⁶² CB report of one paying agency was received well after the deadline. Please refer to Annex 10 Part 2 for more details. This is valid also for the 2 following indicators.

⁶³ Previously "statements of assurance."

⁶⁴ The indicator "Reception of annual summaries from the coordinating bodies" has been deleted.

EAFRD 95 % (91 %)	EAFRD 97% (95%)	
Sound financial management		
<i>Indicator: Level of financial corrections</i>		
<i>Source: Conformity clearance decisions (EUR-Lex)</i>		
<i>Baseline (2013)</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
<p>Conformity clearance decisions adopted for 1116.8 mio €</p> <ul style="list-style-type: none"> - 2013/123/EU of 26/02/2013 for 397.4 mio € - 2013/214/EU of 02/05/2013 for 227.3 m € - 2013/433/EU of 13/08/2013 for 177.8 m € - 2013/763/EU of 12/12/2013 for 314.3 m €) 	<p>Conformity clearance decisions adopted for € 443.12million</p> <ul style="list-style-type: none"> - Decision 44: 2014/191/EU of 04/04/2014 for € 314.98 million - Decision 45: 2014/458/EU of 09/07/2014 for € 51.59 million - Decision 46: 2014/950/EU of 19/12/2014 for € 76.55 million 	<p>700 mio €</p> <p>N.B. While around 700 mio € is clawed back to the EU budget each year via conformity clearance decisions, the attainment of a certain level of financial correction is not an objective per se – rather, the aim is to ensure that management and control systems function correctly and that EU funds are thus spent correctly. 700 mio € is the best available estimate of financial correction based on historic averages.</p>

AWBM 01 Administrative support – Specific objective 6

<p>Specific objective 6: To implement and develop the DG AGRI Anti-fraud Strategy by</p> <ul style="list-style-type: none"> - Raising awareness for fraud against the CAP budget and sharing intelligence on fraud cases, their detection and among staff of the DG, - Sharing intelligence on fraud cases, their detection and prevention with the relevant authorities in Member States, - Maintaining operational contacts with the European Anti-fraud Office (OLAF) and disseminate the relevant reports within DG AGRI as appropriate. 		
<p><i>Indicator: Development and implementation of DG AGRI's anti-fraud strategy</i></p> <p><i>Source: DG AGRI Anti-fraud Strategy</i></p>		
<i>Baseline (2012)</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
Continued development of the DG AGRI Anti-fraud Strategy (AFS)	<p>In 2014, the AGRI AFS has been updated on two occasions: On 13/05/2014 in order to integrate the new legislation governing the CAP and to update and streamline the action points; on 18/11/2014 to integrate DG AGRI's direct expenditure under Horizon 2020 and to update EU legislation recently entered into force.</p> <p>The internal rules in DG AGRI on the handling of allegations of fraud, and of OLAF cases have been updated on 04/02/2014 by integrating rules on the handling of internal cases and rules on the handling of allegations of food fraud.</p>	<ul style="list-style-type: none"> • Revise the DG AGRI Anti-fraud Strategy and its action plan and – if a revision proves necessary - present the revised version for adoption (target date: 30 June 2015) • Revise and complete the internal rules in DG AGRI on the handling of allegations of fraud, and of OLAF cases, and – if a revision proves necessary - present the revised version for adoption (target date: 30 June 2015) <p><i>These targets are laid down in the DG AGRI Anti-fraud Strategy and its action plan</i></p>
<p><i>Indicator: Prevention of fraud</i></p> <p><i>Source: DG AGRI Anti-fraud Strategy</i></p>		
<i>Baseline (2012)</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
Continued implementation of the DG AGRI Anti-fraud Strategy	<p>On 24/06 and on 01/07/2014, dedicated training has been provided to desk officers in RD geographical units.</p> <p>On 19/11/2014, a fraud awareness training has been held for unit AGRI.H.5 in the context of the responsibilities in the implementation of Horizon 2020.</p> <p>On 08/12/2014, an information seminar has been provided to unit AGRI.J.5 with the aim to inform them on the new anti-fraud obligations of Paying Agencies under the legislation for the CAP 2014-2020.</p>	<ul style="list-style-type: none"> • Deploy further training to raise fraud awareness among general staff of DG AGRI. Target: 1 SYSLOG training by the end of 2015 • Deploy specific training to raise fraud awareness among desk officers of geographical units for Rural Development of DG AGRI. Target: 1 SYSLOG training by 30 June 2015. • Develop an interactive IT platform for Paying Agencies for fraud awareness and the exchange of fraud-related information. Target date: end

	From February through December 2014, 20 seminars on fraud detection and prevention have been delivered to operational staff of Paying Agencies in 19 Member States (Poland, Sweden, Austria, Germany, Slovak Republic, Cyprus, Denmark, Latvia, Czech Republic, Sweden, Greece, Ireland, Slovenia, Finland, Belgium (Flanders), Spain, Estonia, Portugal and Bulgaria).	of 2015. <ul style="list-style-type: none"> • Continue deploying specific fraud detection and prevention training to operational staff of Paying Agencies in the Member States. Target: Cover all Member States by the end of June 2015. • Disseminate OLAF reports to the relevant units inside DG AGRI and record the follow-up actions undertaken. These targets are (without quantification) laid down in the DG AGRI Anti-fraud Strategy and its action plan.
Indicator: Timely referral of denunciations to OLAF for investigation		
<i>Source: DG AGRI Anti-fraud Strategy</i>		
<i>Baseline (2013)</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
100% (33 cases referred)	In 2014, 13 denunciations were referred to OLAF (100% timely referral).	100 % <i>Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF)</i>

AWBM 01 Administrative support – Specific objective 7

Specific objective 7: To establish, perform, monitor and report on the accounting execution of the CAP and Rural Development so that reliable and timely production of the accounts of DG AGRI is assured.		
Indicator: % of accounting execution (charges 1 year) with respect to cut-off EAGF + EAFRD - entitlements		
<i>Baseline</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
<i>New indicator</i>	EAGF:98,44% EAFRD: 86,6%	80-120 %
Indicator: % of accounting execution (charges 6 months) with respect to cut-off EAFRD - investments		
<i>Baseline</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
<i>New indicator</i>	116%	80-120 %

ANNEX 13 Abbreviations

Abbreviation	Full text
A	
AAR	Annual Activity Report
ABB	Activity-Based Budgeting
AMIS	Agricultural Market Information System
ARES	Advanced Records System
AT	Austria
AWBM	Activity Without Budgetary Measure
B	
BE	Belgium
BG	Bulgaria
BiH	Bosnia-Herzegovina
C	
CAP	Common Agricultural Policy
CB	Certification Body
CETA	EU-Canada Free Trade Agreement
CNDPs	Complementary National Direct Payments
COAM	Common Organisation of Agricultural Markets
COMAGRI	Committee on Agriculture and Rural Development in the European Parliament
CWP	Commission Work Programme
CY	Cyprus
CZ	Czech Republic
D	
DDA	Doha Development Agenda
DE	Germany
DG	Directorate-General
DG AGRI	Directorate-General for Agriculture and rural development
DG DEVCO	Directorate-General for Development and cooperation – EuropeAid
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG ELARG	Directorate-General for Enlargement
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG ENTR	Directorate-General for Enterprise and Industry
DG ESTAT	Eurostat
DG JUST	Directorate-General for Justice
DG REGIO	Directorate-General for Regional and Urban Policy
DG SANCO	Directorate-General for Health and Consumers
DG TRADE	Directorate-General for Trade
DK	Denmark
E	
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
ECA	European Court of Auditors
EE	Estonia
EFA	Environmental Focus Area
EIP	European Innovation Partnership

Abbreviation	Full text
EL	Greece
ENRD	European Network for Rural Development
EP	European Parliament
ES	Spain
ESIF	European Structural and Investment Funds
EU	European Union
EUR (€)	Euro
F	
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FI	Finland
FTA	Free Trade Agreement
FR	France
FVO	Food and Veterinary Office
fYRoM	Former Yugoslav Republic of Macedonia
G	
GAEC	Good Agricultural and Environmental Conditions
GI	Geographical Indications
GR	Greece
GVA	Gross Value Added
H	
HNV	High Nature Value
HR	Croatia
HR	Human Resources
HU	Hungary
I	
IACS	Integrated Administration and Control System
IAC	Internal Audit Capability
IAS	Internal Audit Service
ICT	Information and Communication Technology
IE	Ireland
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance Rural Development
IT	Italy
IT	Information Technology
J	
JRC	Joint Research Centre
L	
LAG	Local Action Group
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LPIS	Land Parcel Identification System
LT	Lithuania
LU	Luxemburg
LV	Latvia

Abbreviation	Full text
M	
MAFA	Multi Annual Financing Agreement (SAPARD)
ME	Montenegro
MEP	Member of the European Parliament
MFA	Multi Annual Financing Agreement (IPARD)
MFF	Multi-annual Financial Framework
MoU	Memorandum of Understanding
MS	Member State
MT	Malta
N	
NAO	National Authorizing Officer
NIPAC	National 'Instrument for Pre-accession Assistance' Coordinator
NL	Netherlands
NRN	National Rural Networks
O	
OJ	Official Journal
OLAF	Office de Lutte Antifraude
P	
PA	Paying Agency
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland
PMO	Office for Administration and Payment of Individual Entitlements
POSEI	Programme d'Options Spécifiques à l'Éloignement et l'Insularité
PPS	Purchase Power Standards
PT	Portugal
R	
RD	Rural Development
RDP	Rural Development Programme
RO	Romania
S	
SAPARD	Special Accession Programme for Agriculture and Rural Development
SAPS	Single Area Payment Scheme
SE	Sweden
SI	Slovenia
SK	Slovakia
SPS	Single Payment Scheme
SR	Special Report
T	
TFEU	Treaty on the Functioning of the European Union
ToR	Terms of Reference
TR	Turkey
TSG	Traditional Specialities Guaranteed
U	
UK	United Kingdom

Abbreviation	Full text
W WTO	World Trade Organization