

## Belgian Court of Audit



### European investment aid and setting-up aid in Flanders

Presentation by Mr Jan Vervoort, Senior Auditor

at the Joint Training Event of the Contact Committee and the EUROSAI  
Experience with the development and carrying out CAP audits  
Prague, 25-27 October 2010



- In the course of 2007 the Belgian Court of Audit carried out an audit of *investment aid to existing agricultural holdings and setting-up aid to facilitate the establishment of young farmers in Flanders.*

- The report was published in January 2008.



# Outline

- Introduction
- Administrative organization of the payment cycle
- Publicity and enforceability of the subsidy regulation
- Internal control of the granting cycle
- Decision-making processing time
- Efficiency of the payment cycle
- Compliance with the subsidy conditions afterwards
- Second phase installation and take-over of second agricultural holding
- Overestimation of assets
- Minister's response



# 2 pillars of the CAP

- Single payment scheme
  - Costs entirely met by the EU budget
  - Not examined by the Belgian Court of Audit
  
- Rural development
  - Cofinanced by the European Union and Member States
  - Examined by the Belgian Court of Audit



## Rural development 2000-2006

Belgian budget 379 million EUR

Flanders received 193 million EUR

45% of this amount goes to investment aid and setting-up aid

- investment aid : 25% European cofinancing
- setting-up aid : 50% European cofinancing

Both: capital premium or interest subsidy



# Administrative organization of the payment cycle

Aid granted through budgetary fund: Flemish Agricultural Investment Fund (*Vlaams Landbouwinvesteringsfonds* VLIF)



# Publicity and enforceability of subsidy regulation

- Wide range of information channels: website, trade press, etc.
- Specialized accounting firms know the aid measures
- 4,000 new applications per year show recognition and enforceability

Minus point: retroactivity of Flemish Government decree of 24 November 2000 which came into force on 1 January 2000



# Internal control of the granting cycle

File administrator ⇨ engineer ⇨ central administration

## Checks

- VLIF : 1% of all current files
- Internal quality control: 5% of new payments (1% random, 4% based on risk analysis)

## Results:

- 1% check: 8 files (out of ± 200) (partially) stopped
- 5% check: 10 files (out of ± 200) support reviewed

# Decision-making processing time

Standard for provincial units: 120 days from application's submission ⇒ transfer to central administration

	Less than 120 days	More than 240 days
Antwerp	11%	67%
Limburg	34%	24%
East-Flanders	54%	13%
Flemish-Brabant	38%	11%
West-Flanders	20%	46%



# Efficiency of the payment cycle

Payment cycle:

Approval by the minister  $\Rightarrow$  payment through the paying agency

1° phase : approval of granting decision  $\Rightarrow$  invoice control

Average: 51 days (3% more than 100 days)

- Average too high
- Great differences

2° phase : invoice control  $\Rightarrow$  payment through the paying agency

invoice control  $\Rightarrow$  payment authorization by VLIF, average: 11 days  
payment authorization by VLIF  $\Rightarrow$  payment to the farmer through paying agency

- Average acceptable
- Still room for improvement



# Compliance with the subsidy conditions afterwards

## **Beneficiary's main obligations after receiving the subsidy**

- He may not sell the good
- He must keep practising farming as his main occupation

Farmer and bank (in case of loan) are to report end of activity or sale of good

1% control in 2006: support reviewed in 8 files out of 200

⇒ No systematic control

⇒ Subsidy recovered, but no real sanction

The Belgian Court of Audit's recommendation:

- ⇒ Claim default interests from the moment the beneficiary does not meet the conditions anymore
- ⇒ Impose a sanction (fine) on the farmer or the bank who omits to report that the agricultural holding has stopped its activities.



# Second phase installation and take-over of second agricultural holding

**Some of the examined files concerned subsidies for the second phase of a take-over (e.g. agricultural holding goes from father to son) also called 'second phase installation'**

⇒ **Subsidizing not possible**

- Does not qualify for setting-up subsidy (only possible once)
- Does not qualify for investment subsidy (no new capital goods)

**Similar observation for the take-over of a second agricultural holding**

⇒ No aid possible because no new investment goods



# Overestimation of assets

**The European Commission recommends an evaluation system on the basis of reference costs**

**⇒ No evaluation system in Flanders**

- Maximum prices for property investments
- No price control for movable assets



# Minister's response

- ⇒ The minister agreed with the findings of the Belgian Court of Audit
- ⇒ He promised to take recommendations into account



More information :

**European investment aid and setting-up aid in Flanders  
(January 2008)**

*A copy of the abstract in English is available on our website:*

[http://www.rekenhof.be/DOCS/REPORTS/2008/2008\\_04\\_EUPEESPLATTELANDSBEL EID\\_ABSTRACT.PDF](http://www.rekenhof.be/DOCS/REPORTS/2008/2008_04_EUPEESPLATTELANDSBEL EID_ABSTRACT.PDF)

*A copy of the original report in Dutch is available on our website:*

[http://www.rekenhof.be/docs/Reports/2008/2008\\_04\\_EuropeesPlattelandsbeleid.pdf](http://www.rekenhof.be/docs/Reports/2008/2008_04_EuropeesPlattelandsbeleid.pdf)

**Thank you for your attention!**

**Any questions?**

