



# Report on the National Declaration 2019

Opinion on the Netherlands' accountability as an EU member state for the use of EU funds under shared management

2019





# Report on the National Declaration 2019



## Preface

The Netherlands issues an annual National Declaration to account for the management and regularity of expenditure declared to the European Commission for EU projects carried out in the country and for the support awarded by the EU. The *National Declaration 2019* renders account for € 1,202.5 million in total. The money was spent via EU funds that are managed jointly by the European Commission and the Netherlands, the so-called ‘funds under shared management’.

In the Netherlands Court of Audit’s opinion, the government’s preparation of a National Declaration is a positive step. As the government accepts political responsibility for the declaration’s contents, it has greater value than other documents that render account for the use of EU funds.

We express an opinion every year on the attestations made in the National Declaration. The Minister of Finance subsequently informs the European Commission of our opinion. This report presents our opinion on the *National Declaration 2019* and identifies points for improvement. It then considers the effectiveness of European farm income support.

The text of this document was adopted on 9 May 2019 and the document was submitted to the House of Representatives on 15 May 2019.

## Inhoud

|          |   |           |
|----------|---|-----------|
| <b>1</b> | <b>Our conclusions</b>  | <b>6</b>  |
| <b>2</b> | <b>Facts and figures</b>  | <b>9</b>  |
| 2.1      | Accountability for EU funds in the National Declaration                   | 9         |
| 2.2      | Funds under shared management   | 13        |
| 2.3      | Competent authorities   | 16        |
| 2.4      | The funds   | 16        |
| <b>3</b> | <b>Management and control systems</b>                                     | <b>25</b> |
| 3.1      | Opinion of the Netherlands Court of Audit                                 | 25        |
| 3.2      | Functioning of management and control systems                             | 25        |
| 3.3      | Agricultural funds  | 26        |
| 3.4      | European Regional Development Fund  | 29        |
| 3.5      | European Social Fund and Fund for European Aid to the Most Deprived       | 29        |
| 3.6      | European Maritime and Fisheries Fund                                      | 30        |
| 3.7      | Migration and security funds  | 31        |
| <b>4</b> | <b>Regularity and preparation</b>   | <b>32</b> |
| 4.1      | Court of Audit's opinion on the reliability and regularity qualifications | 32        |
| 4.2      | Opinion on the preparation of the National Declaration                    | 33        |
| <b>5</b> | <b>Effectiveness of EU farm income support</b>                            | <b>34</b> |
| 5.1      | Introduction  | 34        |
| 5.2      | The farmers analysed  | 34        |
| 5.3      | Insight into farmers' standard of living                                  | 37        |
| 5.4      | Breakdown by sector and farm size   | 42        |
| 5.5      | Conclusion  | 47        |
| <b>6</b> | <b>Response of the government and the Court of Audit's afterword</b>      | <b>49</b> |
| 6.1      | Response of the government to the Court of Audit's recommendations        | 49        |
| 6.2      | Response of the Minister of LNV to the analysis of EU farm income support | 50        |
| 6.3      | Court of Audit's afterword  | 51        |

|  |           |
|--|-----------|
| <b>Appendix I - Points for improvement and consideration</b>   | <b>52</b> |
| <b>Appendix II - Follow up to the points for improvement and recommendations from the<br/><i>Report on the National Declaration 2018</i></b> | <b>54</b> |
| <b>Appendix III - Audit methodology</b>  | <b>55</b> |
| <b>Appendix IV - Abbreviations</b>   | <b>63</b> |
| <b>Appendix V - Bibliography</b>   | <b>64</b> |
| <b>Appendix VI - End notes</b>   | <b>65</b> |



# 1 Our conclusions

In our opinion, the *National Declaration 2019* gives a sound qualification of the functioning of the management and control systems in place for EU funds spent in the Netherlands. The declaration also gives a true and fair view of the reliability of the accounts submitted by the Netherlands to the European Commission and of the regularity of net expenditure down to the level of the final beneficiaries. Furthermore, preparation of the declaration as a whole was sound. The *National Declaration 2019* therefore gives a true and fair view of the management and regularity of EU funds and the Netherlands' accountability for them. In summary, the management and control systems in place for EU funds functioned adequately and the funds were spent regularly and accounted for correctly.

In the European agricultural funds, two points for improvement require attention.

1. Checks of the reasonableness of expenditure funded from the European Agricultural Fund for Rural Development (EAFRD) are inadequate, particularly regarding:

- the cost of weather insurance taken out by farmers (€ 5.5 million accounted for in the *National Declaration 2019*);
- the cost of farmers' participation in a quality scheme for the calf sector (€ 5.3 million accounted for in the *National Declaration 2019*); and
- the costs reimbursed under provincial rural development schemes (€ 8.8 million accounted for in the *National Declaration 2019*).

The shortcomings in the checks of these costs could lead to the inefficient use of EU and national funds (see also, EAFRD Improvements: checks of the reasonableness of costs, in section 3.3).

2. The availability of open data on land parcels revealed a weakness in the European Agricultural Guarantee Fund (EAGF). By claiming support for parcels that are not claimed by other farmers, farmers can apply for more income support than they are entitled to. An audit found that farmers had applied for and received an estimated € 0.3 million in 2017 in respect of land that was not at their disposal. The audit findings for 2018 are not yet known (see also EAFRD Improvements: New risk revealed by open data, in section 3.3).

We recommend that the Minister of Agriculture, Nature and Food Quality (LNV) have the paying agency (the Netherlands Enterprise Agency) carry out further checks. The government has accepted this recommendation.

This report also looks at the importance of accounting for the results and impact of EU funding. In chapter 5, we consider the effectiveness of the farm income support awarded by the European Commission from the EAGF. We analyse the information available on both gross and net incomes, including EU income support, of a substantial group of farmers who received € 426 million of EU income support in 2014.

In our opinion, policy makers could use this information to form an opinion on the effectiveness of EU farm income support. The information reveals which groups of farmers receive income support, their disposable income and the income support they receive.

This information provides an insight into the standard of living of farmers in the Netherlands. We found indications that income support was only partially effective at providing farmers with a reasonable standard of living. Our analysis revealed, for instance, that without income support the farmers' gross income was less than the statutory minimum wage in just over half the cases studied. With income support the proportion earning less than the statutory minimum wage fell to just over a third of cases. These are only indications of effectiveness because the European Commission and the member states have not given a precise definition of 'a reasonable standard of living'. We concluded from our analysis, however, that in 2014 more than a third of EU farm income support was received by farmers whose gross farm income was at least twice the modal income. The information on net household income also says something about the farmers' disposable income. We found, for instance, that the gross farm income of 13% of all the farmers in our analysis who received income support in 2014 was less than the statutory minimum wage but their net household income was higher than the median household income of the working population of the Netherlands. A scenario we worked out shows what impact the switch from production-based income support to area-based income support would have on the support received by a range of farmers. Starch potato and veal calf farmers would potentially see a fall in their income support as a percentage of their overall income.

Questions that arose from our analysis include:

- What is a 'reasonable' standard of living? Should standard of living be defined in terms of gross farm income or net household income?
- Is EU income support efficient if it is received by farmers who earn at least twice the modal income?
- Is EU income support effective if a third of the recipients still earn less than the statutory minimum wage?

These questions are relevant to the policy makers negotiating the reform of the common agricultural policy for the period 2021-2027. The Dutch position in the negotiations is to switch from direct income support to support for innovation, greening and the achievement of social goals.

The Minister of LNV replied that the government was seeking measures to strengthen the position of farmers and make more effective use of CAP funding. Farm incomes were determined by other factors apart from EU income support, she wrote, and many farmers had only a modest income yet were being urged to work more sustainably. The minister referred to measures to strengthen the farmers' earning capacity and to cap the amount of income support per farm.



## 2 Facts and figures

The Netherlands issues an annual National Declaration to account for expenditure on European projects that is declared to the EU. The *National Declaration 2019* (which covers expenditure declared in the 2018 financial year) accounts for total expenditure of €1,202.5 million. This money was spent in more than one accounting period (in 2017 and 2018) on projects in a variety of policy fields: agriculture, rural development, fisheries, maritime affairs, employment, economic development, migration, security and support for the vulnerable elderly.

In section 2.1 we first look at the account rendered in the National Declaration for the management and use of EU funds. In section 2.2 we consider EU funds that are managed jointly by the Netherlands and the European Commission and the expenditure the Netherlands claimed from the funds. In section 2.3 we look at the bodies responsible for managing and auditing the funds in the Netherlands and in section 2.4 we explain the objectives and financial importance of the funds.

### 2.1 Accountability for EU funds in the National Declaration

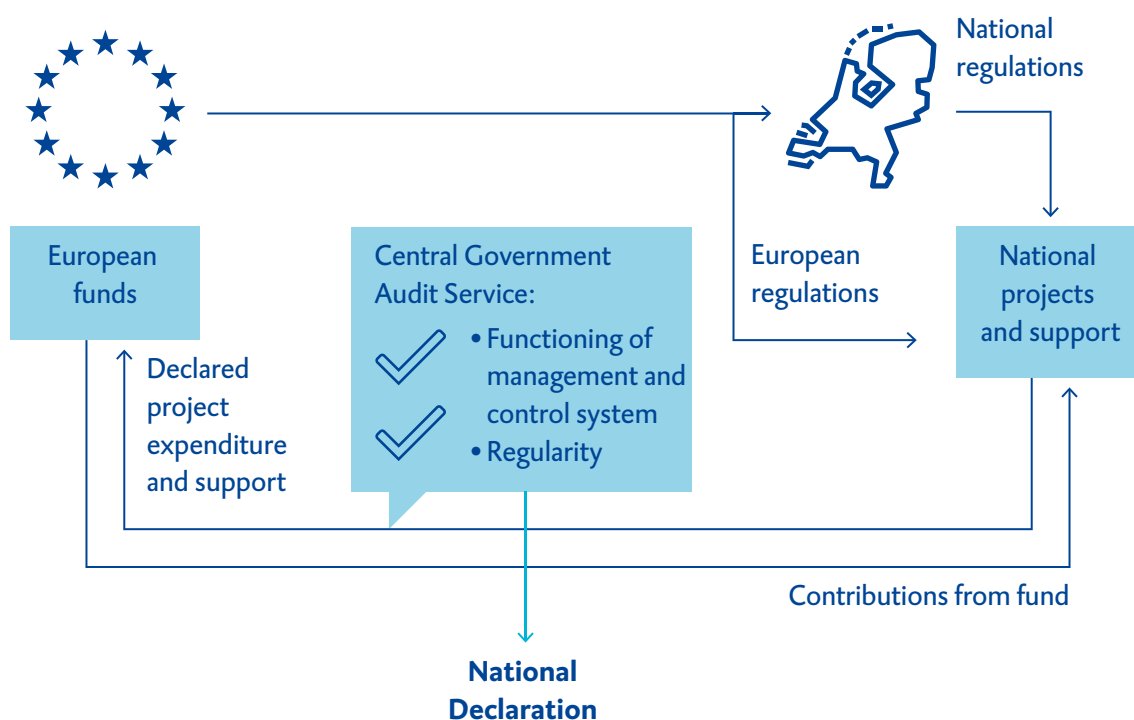
#### Scope of the National Declaration

The Dutch government issued its first annual National Declaration to account for the management and use of EU funds in the Netherlands in 2007. The National Declaration reports on:

- the functioning of management and control systems;
- the true and fair view given by the accounts submitted to the European Commission;
- the regularity (legality and regularity, in EU terms) of the net expenditure statements submitted to the European Commission for payment, as adopted in accordance with European and national laws and rules.

The Netherlands Court of Audit issues an opinion every year on the soundness of the National Declaration, in accordance with its statutory task as laid down in sections 7.31 and 7.32 of the Government Accounts Act 2016. The situation is shown in the diagram below.

## The Dutch government renders account for the management and spending of EU funds in the annual National Declaration



**Figure 1** The National Declaration

The Netherlands is not the only EU member state to issue an annual National Declaration. Sweden and Denmark have also prepared National Declarations in recent years. A National Declaration is a transparent means to inform the national parliament and the European Commission of the use and control of EU funds and to strengthen the quality of financial management. The scope of the National Declaration is wider than that of the accounting documents that EU member states must submit to the European Commission every year, such as annual summaries of audit findings and statements on the financial management of EU projects prepared by implementing organisations. The added value of the National Declaration in comparison with the annual summaries can be summarised as follows:

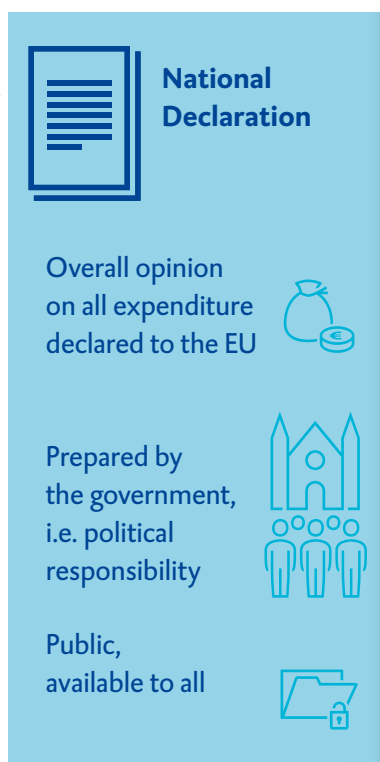
## The scope of the National Declaration is wider than that of the annual summaries

### Characteristics of the annual summaries



**Accountability to the European Commission**

### Characteristics of the National Declaration



**Accountability to the House of Representatives and the European Commission**



**Provides additional assurance on the National Declaration to the House of Representatives**  
The Minister of Finance informs the European Commission of the opinion

**Figure 2** A comparison of the annual summaries and the National Declaration

## Information content of the Central Government Annual Financial Report

The Minister of Finance has appended the *National Declaration 2019* to the *Central Government Annual Financial Report 2018*. The annexes to the National Declaration contain further information on the individual funds and have been posted on the Ministry of Finance's website. The annexes contain additional information per fund on:

- opinions on the management and control systems;
- irregular payment rates; and
- management statements of the authorities responsible for the EU projects.

The Central Government Annual Financial Report includes policy information on the EU funds awarded to the Netherlands and on the Netherlands' financial contributions to the EU.

## Implementation costs for funds under shared management

The *Central Government Annual Financial Report 2018* discloses the aggregate cost incurred by the public authorities in the Netherlands to implement all the EU funds: on average € 148 million per annum. This means that between 13% and 15% of EU funding is spent on implementation costs; if we allow for provincial and other co-financing sources, implementation costs account for between 10% and 13% of the total.

We have noted in the past that more flexible and simpler financial management would increase the efficiency of the EU (Netherlands Court of Audit, 2016). The authorities could make more use of the single audit principle and rely on each other's work. Implementation costs would be lower, moreover, if EU regulations contained fewer detailed rules. The European Parliament and the member states' line ministers could perhaps bring some pressure to bear in this area, as they are responsible for adopting the rules that lay down the main features of the EU funds and their general standards and principles. The European Commission sets further rules (implementation regulations and directives).

## Information on the results and impact of EU funding

The *Central Government Annual Financial Report 2018* does not contain any information on the results and impact of the Dutch programmes cofinanced by the EU. The *Central Government Annual Financial Report* would be of greater value if it included information on the results and impact of EU funding. Such information could be taken from the research reports, evaluations and annual reports already available on EU programmes implemented in the Netherlands. The government could thus make a telling contribution to the European Commission's ambition of providing more insight into the 'added value' of EU funding.

The government believes such information should be provided by the relevant ministers and the *Central Government Annual Financial Report* is not the appropriate place to report on the benefits of EU funding (House of Representatives, 2017). We believe, however, that the *Central Government Annual Financial Report* would generate greater value at fund level if it considered the main points of the research reports, evaluations and annual reports on EU programmes in the Netherlands.

In chapter 5 we take a closer look at the results and impact of EU funding in one specific area. We ask whether the information available on the use of EU funds can provide an insight into the impact of income support awarded from the European Agricultural Guarantee Fund (EAGF) and whether the support contributes to a reasonable standard of living, one of the main goals of the common agricultural policy.

## 2.2 Funds under shared management

The expenditure the Netherlands declares to the EU in respect of European projects is reimbursed from the EU budget. The 2017 budget contained approved expenditure of € 137.4 billion and the 2018 budget reserved € 144.6 billion for expenditure (European Commission, 2017; 2018). The European Commission and the EU member states manage about 80% of this money jointly and share responsibility for its regular, efficient and effective use. The funds are said to be ‘under shared management’ (European Commission, 2018). Both the Commission and the member states are accountable for their spending. This report considers the management and spending of the funds received by the Netherlands.

### Eight funds

The Netherlands will receive money from eight funds under shared management in the 2014-2020 programming period. The *National Declaration 2019* presents the funds in three categories:

- *Agricultural funds*: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD);
- *Structural and investment funds*: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Fund for European Aid to the Most Deprived (FEAD) and the European Maritime and Fisheries Fund (EMFF);
- *Migration and security funds*: the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF).

The European Commission has reserved multiannual budgets from these funds for each member state. The EAGF is slightly different in that it reserves funds not only at member state level (for direct farm income support) but also at EU level (for general market and price policy). The European Commission can reduce the direct farm income support awarded to the member states every year if, for example, it forms a reserve for agricultural crises. It cannot do this in the other funds

Figure 3 shows the multiannual budgets reserved for the Netherlands for 2014-2020. It can be seen that the country receives funding chiefly from the agricultural funds: 80% of all multiannual budgets.

### 80% of the multiannual shared management budgets for the Netherlands in 2014-2020 are reserved for agriculture and rural development

Total: €7,330.9 million



**Figure 3** Multiannual budgets per fund in the Netherlands, 2014-2020



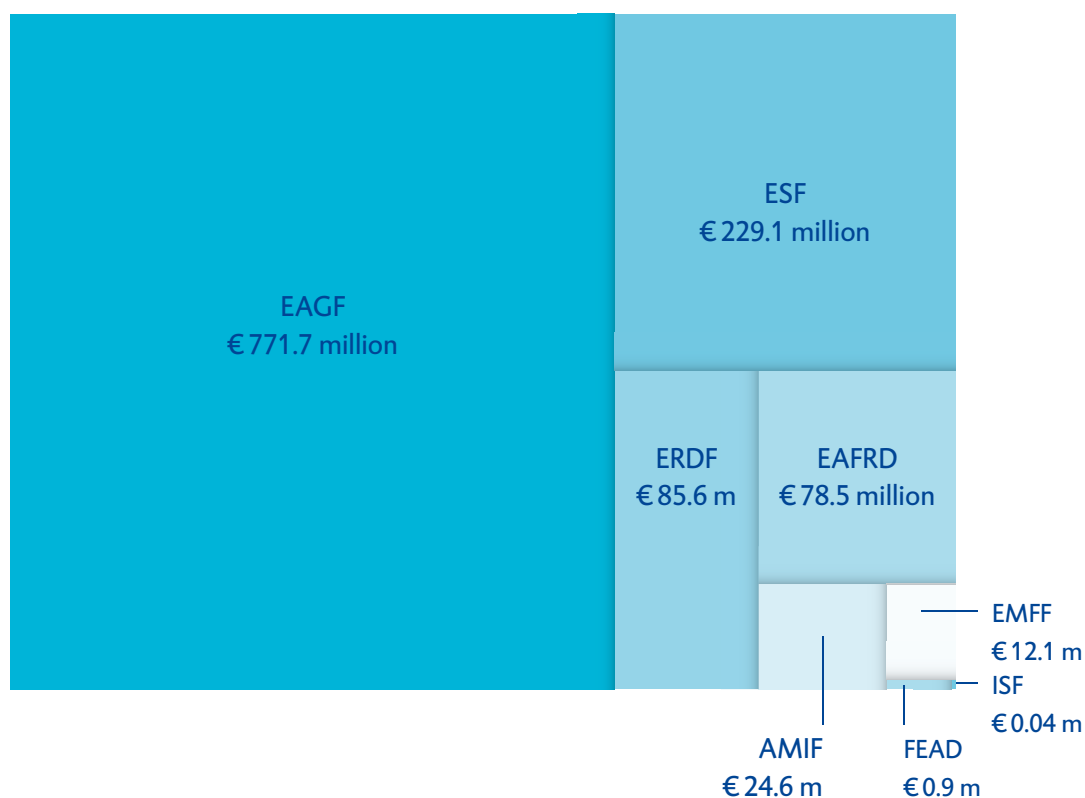
## Declared expenditure

In the *National Declaration 2019* the government accounts for a total of € 1,202.5 million in net expenditure declared to the European Commission. Of this total, the Netherlands received € 1,028.9 million in the form of EU funding. The remainder related to the compulsory national cofinancing of EU programmes under the FEAD, the EMFF, the ERDF and the ESF.

The figure below shows that most of the expenditure declared to the European Commission related to the EAGF agricultural fund.

### 64% of the expenditure disclosed in the National Declaration 2019 related to the EAGF

Total: €1,202.5 million



**Figure 4** Expenditure declared by the Netherlands as disclosed in the National Declaration 2019, by fund

## 2.3 Competent authorities

Many authorities are responsible for managing and controlling EU funds in the Netherlands. Their titles differ from one fund to another owing to the use of different titles in the various EU regulations. There are basically three types of authority:

1. Authorities that are responsible for the *management of a fund*. In the agricultural funds, these authorities are known as *paying agencies*; in the ERDF, ESF, FEAD and EMFF they are known as *managing authorities*, and in the migration and security funds as the *responsible authorities*.
2. Authorities that are responsible for *certifying* the expenditure statements submitted to the European Commission. Only the ERDF, ESF, FEAD and EMFF have a *certifying authority*. The certifying authority in the Netherlands is the Netherlands Enterprise Agency (RVO).
3. Authorities that are responsible for the external audit of a fund. In the agricultural funds these authorities are known as *certification bodies*; in all other funds they are known as *audit authorities*. In the Netherlands, the Central Government Audit Service (ADR) acts as both the certification body and the audit authority.

## 2.4 The funds

On the basis of the *National Declaration 2019*, the funds' objects and financial volume (including the use, or exhaustion, of the budgets) are summarised below. The accounting reference period differs from one fund to another. The figures for the agricultural funds and the migration and security funds in the National Declaration, for example, relate to the period from 16 October 2017 to 15 October 2018, and the figures for the structural funds (ERDF, ESF and EMFF) relate to the period from 1 July 2017 to 30 June 2018. The aggregate budgets given for each fund for all member states are based on regulations or statements issued by the European Commission.

## EAGF



### Object

To provide food security for European citizens and price and income stability for European farmers by stabilising incomes and market and price policies



### Supports

- Direct income support
- Export refunds
- Market interventions
- Production support
- Grants for joint marketing by producer organisations



### Responsible for the use of the EAGF in the Netherlands

Minister of Agriculture, Nature and Food Quality

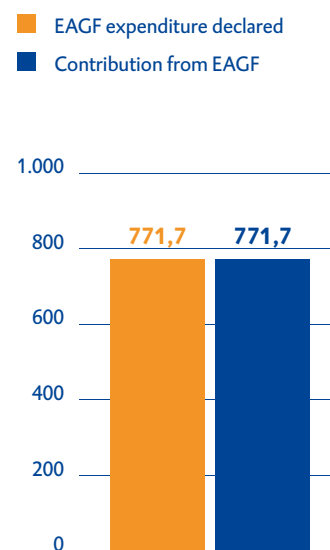
**Total EAGF budget 2014-2020 direct income support in the EU: € 290.4 billion**

**Total EAGF budget 2014-2020 direct income support in the Netherlands: € 5.0 billion**

cumulative spending (2014-2020 budget): n.a.\*

### Financial volume in National Declaration 2019

(in millions of euros)

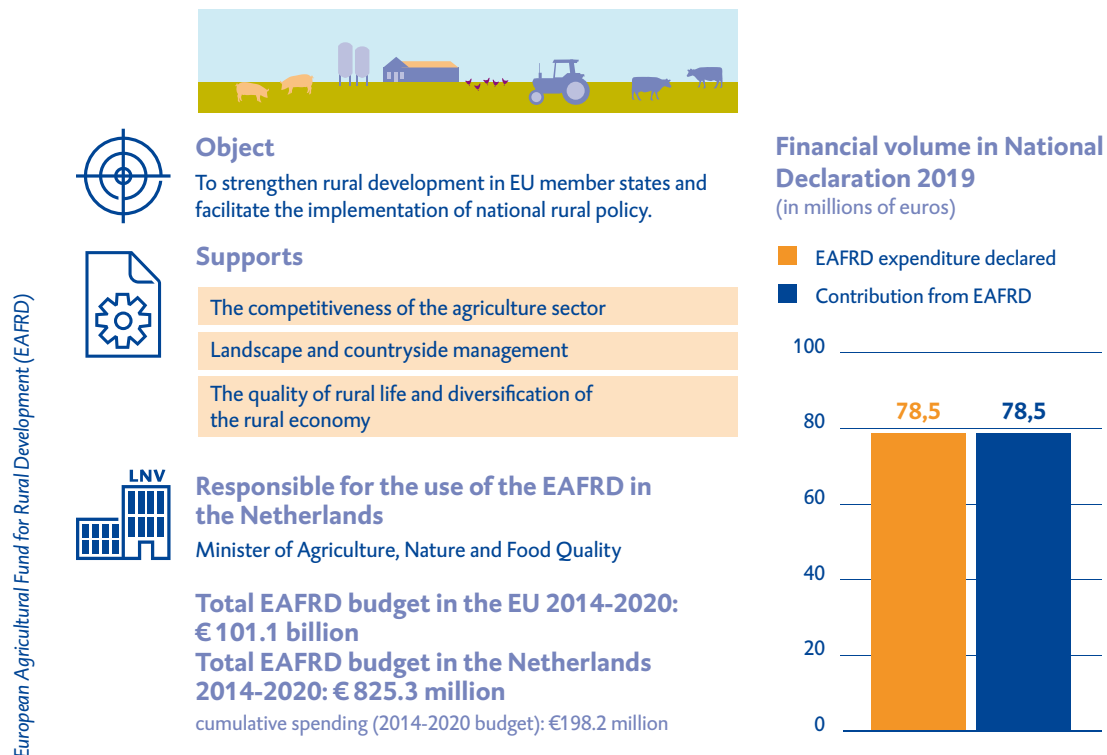


European Agricultural Guarantee Fund (EAGF)

**Figure 5.1** EAGF summary information

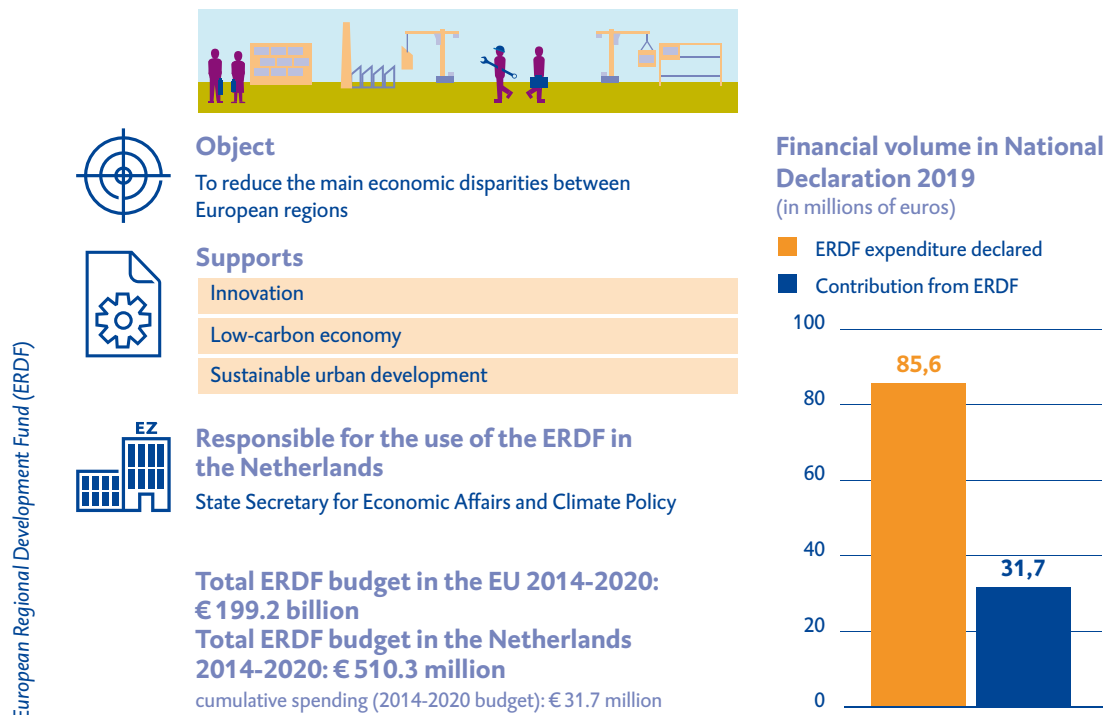
\* Annual budgets apply to direct income support

## EAFRD



**Figure 5.2** EAFRD summary information

## ERDF



**Figure 5.3** ERDF summary information

## ESF

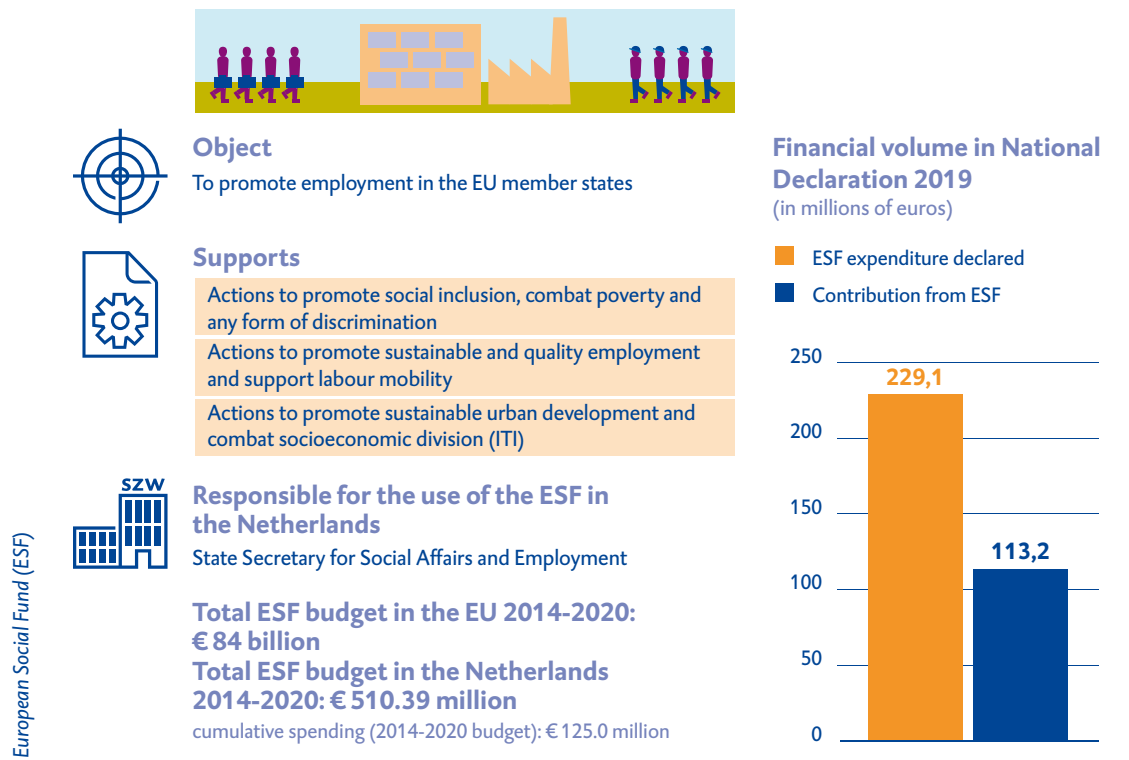


Figure 5.4 ESF summary information



## FEAD



### Object

To combat the social exclusion of low-income elderly people who have reached retirement age



### Supports

Measures to activate vulnerable elderly people and make them visible in municipal services



### Responsible for the use of the FEAD in the Netherlands

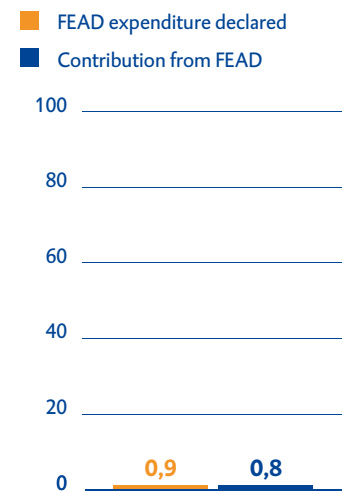
State Secretary for Social Affairs and Employment

**Total FEAD budget in the EU 2014-2020: € 3.8 billion**

**Total FEAD budget in the Netherlands 2014-2020: € 3.9 million**

cumulative spending (2014-2020 budget): €0.9 million

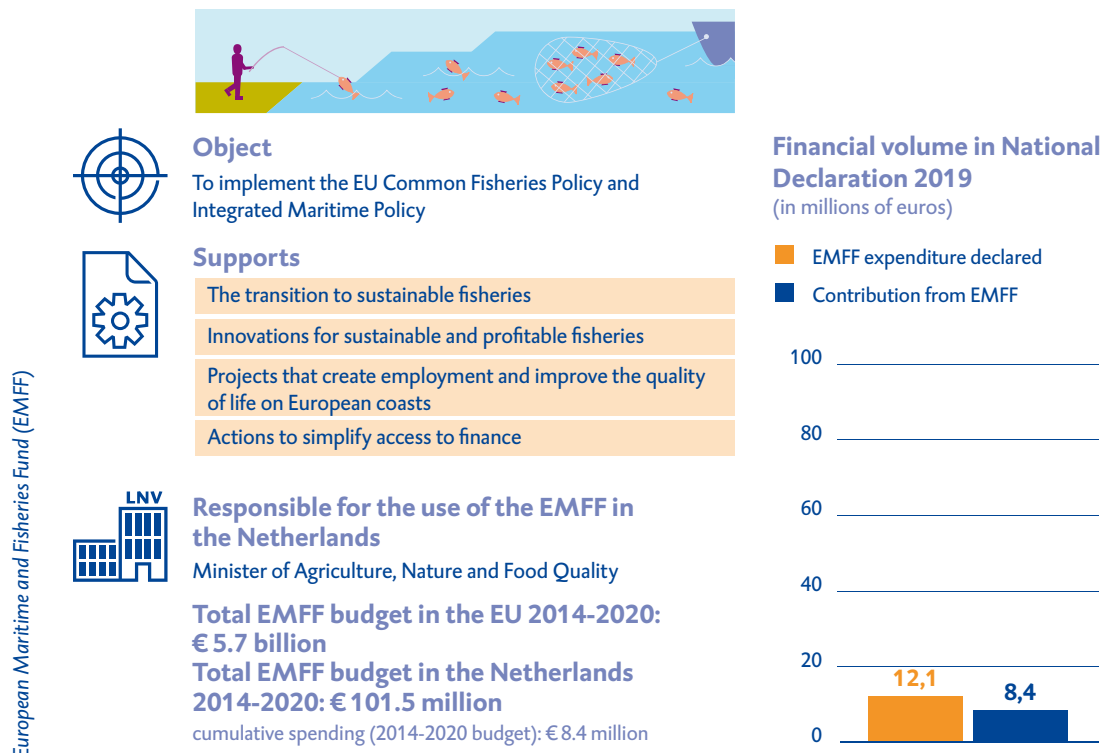
### Financial volume in National Declaration 2019 (in millions of euros)



Fund for European Aid to the Most Deprived (FEAD)

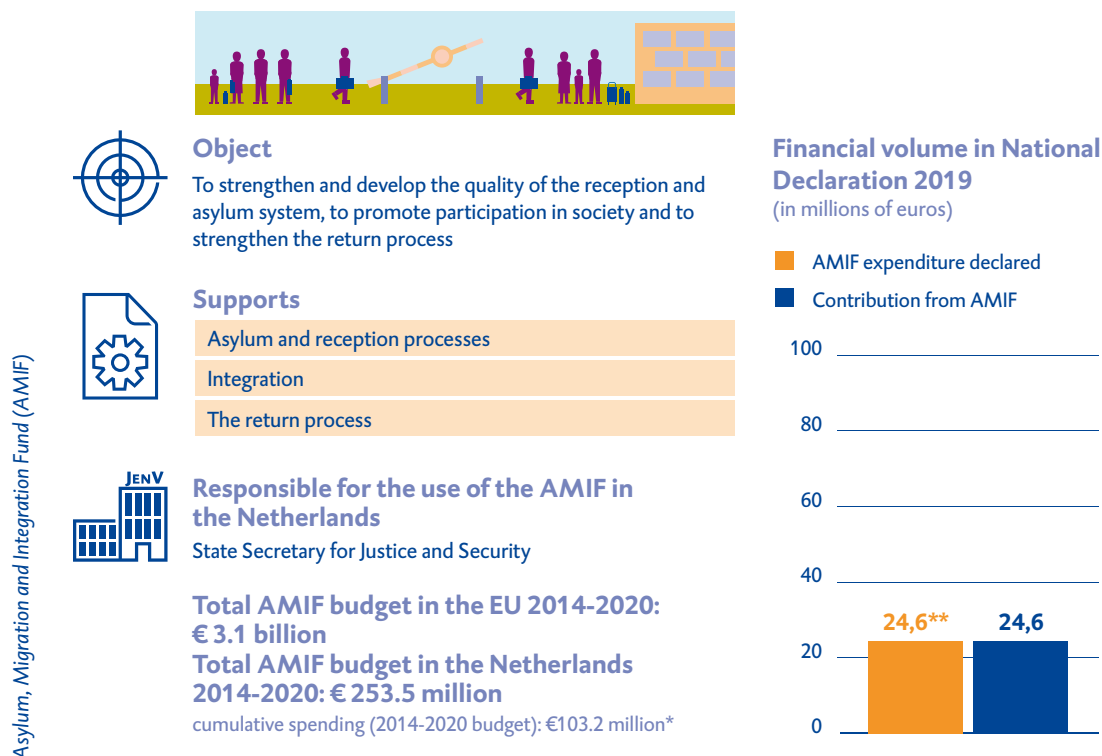
**Figure 5.5** FEAD summary information

## EMFF



**Figuur 5.6** EMFF summary information

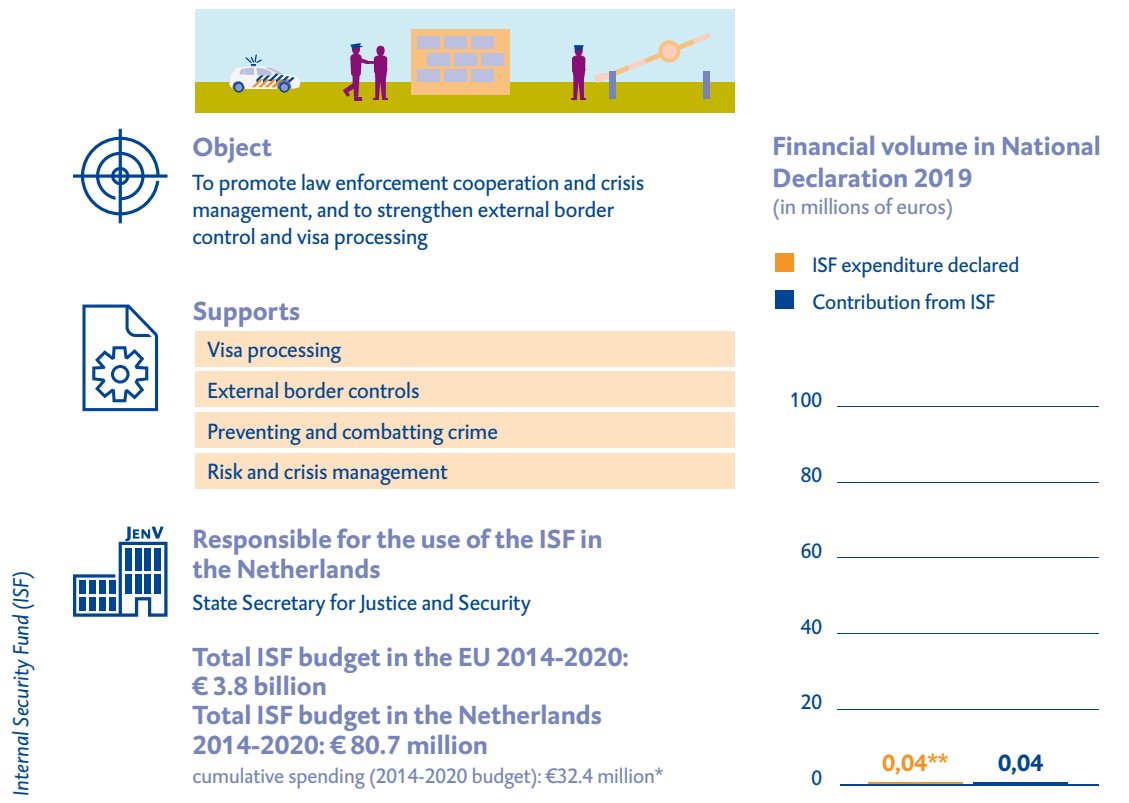
## AMIF



**Figure 5.7** AMIF summary information

- \* Including € 55.2 million declared in respect of advance payments to beneficiaries. This sum was included in the expenditure statement submitted to the European Commission but has not yet been accounted for in the National Declaration because the expenditure has not been audited at the beneficiaries. Additionally, a lump sum payment of € 48 million has been declared in technical assistance for people receiving international protection.
- \*\* The declared amount of € 24.6 million relates to lump sum payments for people receiving international protection who have transferred from a third country and settled in an EU member state where they are permitted to reside with a defined status ('resettlers') and for those who have relocated from Italy, Greece or Turkey to another member state ('relocators'). The 2017/2018 expenditure statement submitted to the European Commission also included an amount of € 20.3 million in advance payments to project beneficiaries that has not yet been accounted for in the National Declaration because the expenditure has not been audited. Final payments have not yet been included in the expenditure statement submitted for the AMIF.

## ISF



**Figuur 5.8** ISF summary information

- \* This amount relates for € 30.2 million to cumulative payments to project beneficiaries, of which € 6.6 million in the form of advance payments. The advance payments were included in the expenditure statement submitted to the European Commission but have not yet been accounted for in the National Declaration because the expenditure has not been audited at the beneficiaries. Declared expenditure also included € 2.2 million in technical assistance.
- \*\* The declared expenditure of € 0.04 million relates to projects where final payment was made in 2017/2018. The 2017/2018 expenditure statement submitted to the European Commission also includes an amount of € 6.6 million in advance payments. The advance payments were included in the expenditure statement submitted to the European Commission but have not yet been accounted for in the National Declaration because the expenditure has not been audited at the beneficiaries.

## 3 Management and control systems

### 3.1 Opinion of the Netherlands Court of Audit

In our opinion, the *National Declaration 2019* gives a sound qualification of the functioning of the management and control systems (and the measures they contain) in place in the Netherlands for transactions financed from the EU funds accounted for in the *National Declaration 2019*.



### 3.2 Functioning of management and control systems

Effective systems must be in place to award, manage and control the EU funds granted by the authorities designated to do so under EU regulations. The figure below shows that the management and control systems in place for all the funds audited functioned adequately in the period concerned.

Improvements can still be made in the management and control systems in place for two of the eight funds audited. We consider the points for improvement in each fund in the following sections. Specific areas of concern are then considered separately. [Appendix II](#) presents the recommendations we made in our *Report on the National Declaration 2018* that have since been followed up or are no longer relevant. [Appendix III](#) explains how the standards we applied led to our opinion.

## The management and control systems for all funds functioned either adequately or well

### Agricultural funds





|       | Paying agency   |
|-------|---|
| EAGF  |  |
| EAFRD |  |

### Structural funds/EMFF

|            | Managing authority  | Certifying authority  |
|------------|---|---|
| ERDF North |  |  |
| East       |  |  |
| South      |  |  |
| West       |  |  |
| ESF        |  |  |
| FEAD       |  |  |
| EMFF       |  |  |

### Migration and security funds

|      | Responsible authority   |
|------|---|
| AMIF |  |
| ISF  |  |

-  system functions well, minor improvements necessary
-  system functions adequately, some improvements necessary
-  system functions partially, substantial improvements necessary
-  system essentially does not function
- not yet audited

**Figure 6** Functioning of management and control systems per fund

## 3.3 Agricultural funds

The management and control systems we audited for the EAGF and EAFRD agricultural funds functioned well in the 2018 financial year. However, we identified a point for improvement in each fund.



## EAFRD point for improvement: checks of reasonableness of costs

In the 2018 financial year, the Netherlands declared € 78.5 million in EAFRD expenditure to the European Commission. Of this amount, € 34.3 million related to the remuneration of costs incurred by beneficiaries. With a view to the economic use of EU funds, EU rules require the paying agency (in the Netherlands, the paying agency for the EAFRD is the Netherlands Enterprise Agency) to check the reasonable of the costs declared by the recipients.

The reasonableness of some of the costs declared to the European Commission was not adequately checked. In particular, poor checks were carried out of costs declared in respect of the weather insurance taken out by farmers (€ 5.5 million in financial 2018) and of the costs declared for farmers' participation in a quality scheme in the calf sector (€ 5.3 million in financial 2018). The absence of adequate checks can lead to the uneconomic and thus inefficient use of European and national funds (see box).

### Inadequate checks of the reasonableness of costs: quality scheme for the calf sector

The 'Vitaal Kalf' quality guarantee scheme was introduced for the veal sector in 2017. One of its aims is to reduce the use of antibiotics in the sector. Participants receive up to € 3,000 a year for five years to cover the costs incurred to be certified by an accredited agency. The *Vitaal Kalf* certificate strengthens the national and international market position of the calf sector as a whole and of the individual calf farmers. The Netherlands Enterprise Agency (RVO) did not check whether the fees charged by the agency were reasonable. It could have done so by, for example, comparing them with the certification fees charged in other quality schemes. The RVO could also have had the certification agencies demonstrate that their fees were based on the actual cost of the quality scheme and that they were competitive and appropriate.

The checks made of certain other costs reimbursed by the EU also displayed weaknesses. There were shortcomings in, for example, the checks of costs reimbursed under the provincial POP3 grant schemes. In the 2018 financial year, these costs amounted to € 8.8 million in EAFRD expenditure.

We recommend that the Minister of LNV have the Netherlands Enterprise Agency carry out checks of the reasonableness of the costs declared.

### **EAGF point for improvement: new risk arising from the use of open data**

EU farm income support is paid from the EAGF. Under European rules, farmers receive income support on the basis of the parcels of land at their disposal. The RVO checks that the parcels declared are actually at the farmers' disposal and are not claimed by other farmers. The Netherlands Food and Consumer Product Safety Authority (NVWA) also carries out on the spot inspections on behalf of the RVO. If there is any uncertainty, the NVWA asks farmers to produce evidence that a parcel is at their disposal. A parcel may be at a farmer's disposal in several ways: the farmer can own or lease it or he may have a right to use it under a written or oral agreement. In response to a report issued by the European Court of Auditors, in 2016 the European Commission wrote that the combination of checks currently in place was adequate (European Court of Auditors, 2016a).

In May 2018, however, the RVO concluded that the current administrative checks could be avoided. Acting on an external tip, the RVO found that a subsidy applicant had possibly misused the scheme as information on land parcels was available to everyone in the form of open data. The open data showed which parcels in the Netherlands were not claimed for income support. Farmers could claim those parcels to apply for more income support than they were entitled to. The applicant in question had requested income support based on parcels that were spread across three provinces and far from his home address. The NVWA determined that the applicant did not own the parcels or have a right to use them.

Given the risk of the misuse of open data, the certification body (the Central Government Audit Service) carried out a further investigation. In particular, it sampled the right to use parcels in respect of which income support had been requested in 2017 and accounted for in the National Declaration 2019. It estimated that a total of approximately €0.3 million in support had been requested for the year 2017 and paid out in respect of parcels that were not actually at the applicants' disposal. The RVO will recover undue payments made in respect of the falsely claimed parcels. In some cases, it was uncertain (owing to the complex rules) whether the parcels were actually at the farmers' disposal.

The RVO investigated the 2018 income support applications made by farmers who claimed to farm relatively small parcels spread over a large area (known as 'stamp collectors') in retrospect (i.e. after the support had been paid). We are pleased the RVO carried out this investigation because it is a means to recover undue payments. We are not yet aware of the outcome of the investigation; we will take it into consideration in our opinion on the *National Declaration 2020*.

Farmers recently (between 1 March and 15 May 2019) submitted their income support applications for 2019. The RVO will carry out additional checks before the income support is paid out so that undue payments made to farmers who try to sidestep administrative checks by misusing open data do not have to be recovered.

We recommend that the Minister of LNV have the RVO carry out such additional checks.

### 3.4 European Regional Development Fund

The ERDF managing authorities submitted the first Dutch payment applications for the period 2014-2020 to the European Commission in the 2017-2018 financial year. The management and control systems we audited in respect of the ERDF functioned well during the financial year. We found no specific points for improvement or consideration. A positive development we would like to mention relates to the assessment of ERDF project proposals. Funding is regularly awarded from the ERDF for innovative projects. It is often difficult to determine its effectiveness. The ERDF managing authorities have been engaging an external expert committee for several years (see box) to increase the efficiency and effectiveness of the funds awarded for innovative projects.

#### Assessment of project proposals by expert committee

With effect from the 2014-2020 programming period, the ERDF managing authorities have engaged a committee of external experts to assess project proposals. Previously, staff from the provincial and municipal authorities had decided whether projects qualified for financing. External experts now assess each proposal by means of five criteria, for example the project's innovative content and the quality of the business case.

The managing authorities have found that the quality of the proposals had increased in recent years, thanks in part to the external committee. An evaluation by the University of Groningen confirmed this impression: by objectively separating strong proposals from weaker proposals the expert committee had contributed to a more effective assessment process. Only the most promising projects with the highest likelihood of success were considered for funding.

### 3.5 European Social Fund and Fund for European Aid to the Most Deprived

The management and control systems we audited in respect of the ESF and FEAD functioned adequately in the 2017-2018 financial year. We found no points for improvement or consideration in these funds.

### 3.6 European Maritime and Fisheries Fund

The management and control systems we audited in respect of the EMFF functioned adequately in the 2017-2018 financial year. Last year we noted that there was a risk that committed fisheries budgets would be ‘decommitted’ if EMFF expenditure statements were not submitted to the European Commission on time. We also drew attention to the functioning of the management and control system in place for the EMFF.

We found no points for improvement in the EMFF management and control system this year. The managing authority has made the necessary improvements. Although the risk of decommitment in the near future is relatively small, we would note that there is always a risk that committed EMFF budgets will not be spent. Measures were taken last year to increase the use of EMFF funding. The number of funding applications has increased but the fisheries sector still makes little use of the funding opportunities available for, for instance, projects to promote the sustainability of the fisheries. As a result, parts of the 2018 programme again failed to reach the interim milestones agreed with the European Commission (performance agreements). There is therefore a risk that the Commission will suspend the release of the 6% performance reserve as the performance agreements will not have been met.

In anticipation of the landing obligation, the Den Helder auction is carrying out a study of North Sea bycatches that is being funded from the EMFF (see box).

#### EMFF-funded study of the landing obligation

An EU landing obligation is about to come into force. Bycatches must in future be landed instead of discarded. This measure is intended to make the fisheries more selective and sustainable. The underlying idea is that fishing techniques will be improved in order to avoid bycatches. The landing obligation will require a restructuring of the fleet and a switch to other fishing techniques. The Dutch flatfish fleet in particular will be affected as there will be a landing obligation for plaice and sole.

As part of the EMFF ‘Best Practices II’ project, the bycatch will first be sorted by type of fish, crustacean and shellfish on board the fishing vessel and then by size at the fish auction in Den Helder. The project’s aim is to increase understanding of the size of the bycatch and to map out the consequences of the landing obligation, such as the increase in the on-board crew necessary to sort the bycatch, technical changes to the vessel and the additional on-board storage space required for the bycatch.

### 3.7 Migration and security funds

Our audit of the management and control systems in place for the AMIF and ISF migration and security funds found that they had functioned adequately in the 2018 financial year. We did not detect any specific points for improvement but we would draw attention to the following.

The competent authority for the AMIF/ISF submitted its first final payment applications to the European Commission during the 2017/2018 reporting year. Checks of the functioning of the management and control system found that data were not always recorded. In particular:

- beneficiaries did not keep transparent project accounts;
- decisions and reasons were not recorded unambiguously;
- reliable performance indicators were not monitored; and
- document version management was not accurate.

If these points are not rectified, more time and effort will have to be spent on ex-post checks. Furthermore, there is a risk that less funding can be declared if the grant conditions are not satisfied.

## 4 Regularity and preparation

### 4.1 Court of Audit's opinion on the reliability and regularity qualifications

The *National Declaration 2019* gives a sound qualification of, (a) the reliability of the accounts submitted by the Netherlands to the European Commission, and (b) the regularity of the financial transactions charged to the European funds down to the level of the final beneficiaries.

'Financial transactions' are flows of funds to and from the final beneficiaries of EU funding. They comprise funds awarded on the one hand and corrections on the other. The corrections are amounts recoverable from beneficiaries who receive undue payments.

The European Commission needs to know whether the funds received by a member state were awarded in accordance with its rules and conditions. For it to do so, the member states must set up effective management and control systems and take all measures necessary to prevent and recover undue payments. If the percentage of irregular payments per fund exceeds 2%, the European Commission can impose sanctions. One sanction is to suspend future payments. Like the *National Declaration*, we therefore report error rates that are higher than 2% (see also Appendix III, Audit methodology).

Table 4.1 below summarises the opinions on the error rates in expenditure reported by the Netherlands in the *National Declaration 2019* and checked by the audit authority.

**Table 4.1** *Error rates in expenditure*

| Expenditure        | Irregularity* |
|--------------------|---------------|
| Agricultural funds | less than 2%  |
| ERDF               | less than 2%  |
| ESF                | less than 2%  |
| FEAD               | less than 2%  |
| EMFF               | less than 2%  |
| AMIF               | less than 2%  |
| ISF                | less than 2%  |

\* The tolerable threshold is 2%.

It can be seen from table 4.1 that the error rate was less than 2% in all funds.



We noted that the audit authority's calculation of the error rate in the ERDF had not taken account of a finding at the East and North managing authorities relating to the use of the Integrated Cost System for salary costs. The audit authority explained in its annual audit report that the managing authorities concerned had acted in accordance with national agreements on the Integrated Cost System. In our opinion, however, the audit authority should have taken this finding into account in its calculation of the error rate. The finding was not only based on an audit by the audit authority but had also led to corrections in the managing authorities' annual accounts. The corrections were so small that even if they had been taken into account the error rate would have remained comfortably below the 2% threshold.

## 4.2 Opinion on the preparation of the National Declaration

*In our opinion, the National Declaration 2019, as issued by the Minister of Finance on behalf of the government, was on the whole prepared in a sound manner.*

We have no further comments on our opinion.

## 5 Effectiveness of EU farm income support

### 5.1 Introduction

Sections 3.3 and 4.1 considered the management and regularity of expenditure charged to the EAGF and EAFRD agricultural funds. This chapter looks at the *results and impact* of the EU funding. In particular, we consider the effectiveness of farm income support awarded by the European Commission from the EAGF. Farm income support is intended primarily to ensure that farmers enjoy a *reasonable standard of living*. To what extent does it achieve this goal? To answer this question we analysed the standard of living of Dutch farmers who receive EU farm income support and the proportion of farm income support they received using information that was already in the public domain. We did not request information from the beneficiaries. In so far as possible we attempted to identify where the income support ended up. We did not draw any conclusions on the farmers' exact or future income nor did we draw any conclusions on the required amount of income support, which is determined by many factors. Our analysis clarified who received income support (the beneficiaries), how much disposable income they had and what part of that income consisted of income support.

This information is relevant to the negotiation of the reform of the common agricultural policy for the period 2021-2027. The Netherlands' stance in the negotiations is to bring about a shift from direct income support to support for innovation, greening and the achievement of social goals. Parliament can use our findings in its appraisal of the government's ambition.

Section 5.2 of this chapter begins with a description of the farmers we analysed. Section 5.3 takes a closer look at the standard of living in the farming industry. Section 5.4 then presents a further description of two classifications used to inform policy: classification by sector and classification by farm size.

### 5.2 The farmers analysed

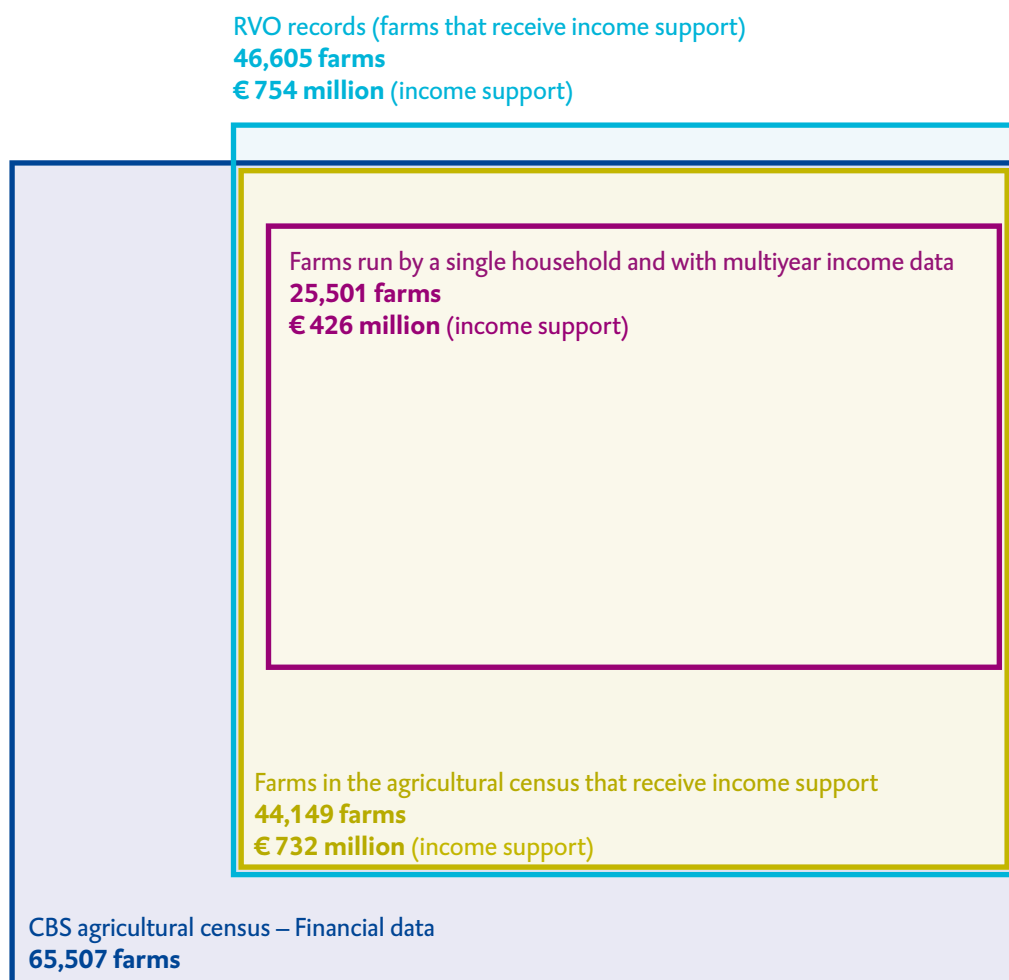
To carry out our analysis we used the agricultural census carried out by Statistics Netherlands (CBS) and the RVO's records of income support payments. We found this information to be more useful than the current monitoring information available on farm income support in the Netherlands. The sample used for the monitoring contains information on gross farm income but insufficient relevant information on farmers' disposable net income. In both

our opinion, and in the European Court of Auditors', disposable net income is the most appropriate measure to determine the standard of living (European Court of Auditors, 2016b). We explain this further in Appendix III.

Figure 7 summarises the information we used from the CBS and RVO. We did not draw a random sample from the information but selected a substantial group of farms that we analysed as a whole. This group is the pink block in figure 7. It comprises 25,501 of the 44,149 farms that received income support in 2014. Together, they received €426 million in EU farm income support (out of a total of €732 million). The group analysed therefore received more than 58% of all income support awarded.

We considered only farms whose owner or owners were members of a *single household*. If a farm is owned by more than one household it is difficult to determine how much farm income support is received by which household and it is harder to estimate the farmer's income reliably. To avoid distorting the income pattern, we considered only farms whose multiyear income data were included in the CBS's agricultural census. The reasons for these decisions are explained in Appendix III.

**Our analysis covered nearly 60% of the income support received by farmers included in the agricultural census**



**Figure 7** Information sources and data used

The data in figure 7 relate to 2014. That was the final year in which farm income support was based solely on the volume of production. Since 1 January 2019 it has been based on the area of the land owned by farmers. A transitional phase was in effect in the intervening years.

Our analysis provides an impression of farm incomes in 2014 and a simulation of the new situation in 2019. Income data are not yet available on 2019 but the overall amount of income support and how it will be awarded to farmers is known. We applied the new

system to the income enjoyed by farmers in 2015, not to the 2014 multiyear average, as 2015 provides a better basis for comparison with the new system to award income support. Such a simulation does not predict actual farm incomes, but it does provide an *indication* of how income support will be awarded in the new system as from 2019. It is intended to show the impact of the new basis to award income support. We refer to it in various figures as the ‘2019 system’. Our reasons are explained in the methodological appendix.

## 5.3 Insight into farmers’ standard of living

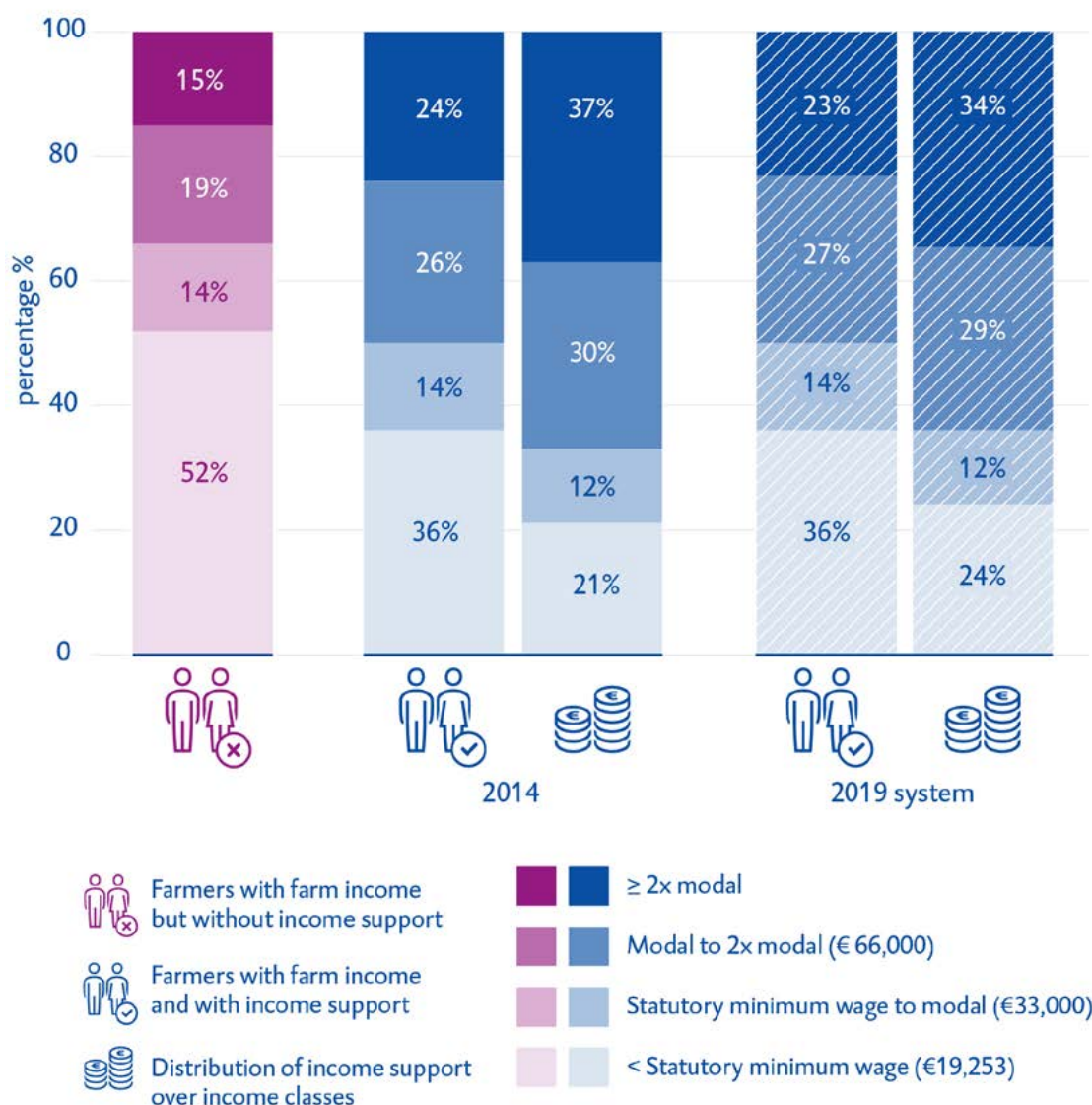
Farmers’ standard of living can be expressed by means of *gross farm income* and the *net standardised household income*. Using gross farm income has the benefit that we can see exactly what proportion of a farmer’s income consists of income support. It cannot be said what proportion of the net standardised household income consists of income support. This measure of net income, however, is the best indicator of a farmer’s standard of living as it is the disposable income available for consumption. We therefore need both income measures to gain a good insight into farmers’ standard of living.

To relate the farmers’ gross or net income to a certain standard of living, we used comparative incomes that are generally accepted for policy and research purposes in the Netherlands. The comparative incomes for the gross income are the statutory minimum wage, the modal income and twice the modal income. The comparative income for the net income is the median income of the working population (‘median’ income).

### 5.3.1 Gross income

Figure 8 shows the various classes of gross farm income earned by the famers in our analysis.

**With income support, 36% of the farmers earned a gross income that was less than the statutory minimum wage**



**Figure 8** Percentage of farmers per income class with and without income support in 2014 and with area-based income support as from 2019

**Spread among farmers**

The left-hand column shows the income earned in 2014 by the farmers we analysed, after the deduction of income support. Without farm income support, more than half the farmers (52%) earned less than the statutory minimum wage (€19,253 per annum). The second column shows farm incomes *including* income support. The gross income of

just over a third of the farmers we analysed (36%) was less than the statutory minimum wage in 2014. That is 16 percentage points fewer than the number of farmers without income support. The second column also shows that the situation at the other end of the range is different. When income support is taken into account, more than a quarter of the farmers (26%) earned between the modal and twice the modal income (€ 33,000 to € 66,000) in 2014, and nearly the same number (24%) earned at least twice the modal income ( $\geq$  € 66,000).

The penultimate column shows the farmers' income in 2015, with income support calculated in accordance with the 2019 system. We see the change brought about by the introduction of the uniform hectare payment in 2019. At first sight, there seems to be little change in the impact of income support on gross income: the spread is virtually the same as in 2014. This is not the case, however, if we zoom in on individual sectors. As we will explain in section 5.4.1, there are significant changes in certain sectors between the 2014 production-based system and the 2019 uniform hectare payment. It should be noted, though, that we have not corrected for other changes that can influence farm incomes, such as fluctuations in costs, market prices or farm diversification, and we therefore cannot draw any conclusions on actual farm incomes in 2019.

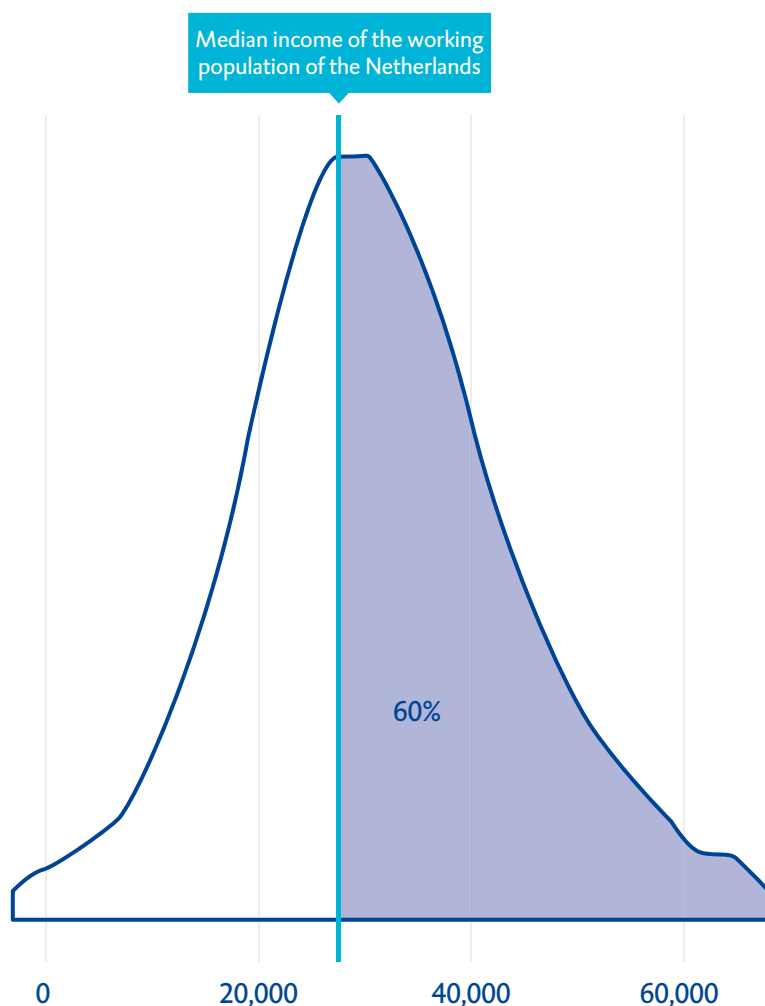
#### *Distribution of income support*

More than a third of the income support received in 2014 by the farmers we analysed was paid to farmers whose gross income including income support was at least twice the modal income ( $\geq$  € 66,000). In total, 67% of the support was received by farmers with a gross income of at least the modal income ( $\geq$  € 33,000). Just over a fifth (21%) of the support was received by farmers who still earned less than the statutory minimum wage. The simulation based on the uniform hectare payment in the right-hand column shows a similar situation.

### 5.3.2 Net income

The farmers' net disposable income comprises *all household income* after the deduction of taxes and social insurance contributions. To compare the net income of households of different sizes and composition we made a series of adjustments to standardise the farm incomes. We then compared this household income with the *median* household income of the working population of the Netherlands: € 27,400. Half the households of the working population of the Netherlands can dispose of more than this amount and the other half less. We refer to this income as *the median income* of the working population of the Netherlands.

## 60% of the farmers had a higher net income than the working population



**Figure 9** Distribution of farmers' household incomes in 2014

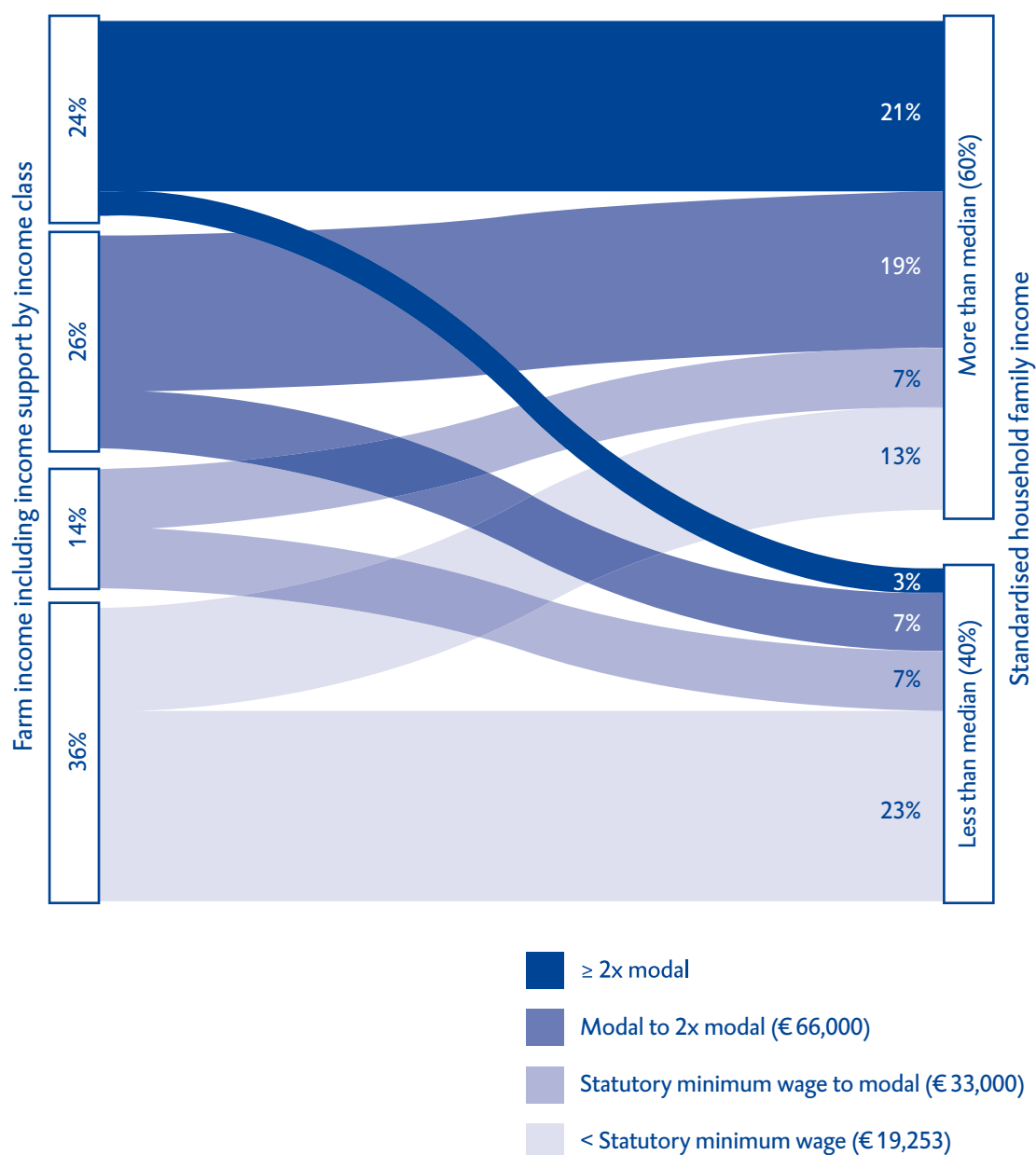
Figure 9 shows that 60% of the farmers we analysed enjoyed a higher net income in 2014 than the median income of the working population of the Netherlands. A comparison with the median income of the self-employed paints a similar picture (not shown in figure 9).



### 5.3.3 Difference between net and gross income

In figure 10 we compare the gross incomes of three groups of farmers (those earning less than the statutory minimum wage, those earning the modal income and those earning twice the modal income) with their net household incomes. All amounts include income support.

#### Significant differences between the farmers' gross and net incomes including income support



**Figure 10** The relationship between farm income and farmers' standardised household income in 2014

The figure shows that some farmers have a relatively high household income despite their relatively low farm income. The farm income of 13% of the farmers, for example, is less than the statutory minimum wage but their ultimate net household income is higher than the median income of the working population of the Netherlands. The gross farm income of a small proportion of the farmers (3%), by contrast, is at least twice the modal income but their net household income is less than the median income of the working population of the Netherlands.

The picture that emerges from our analysis is consistent with the European Court of Auditors' recommendation (European Court of Auditors, 2016b), which we support, that the net incomes of EU farmers should be taken into consideration, not only their gross income. Taking account of both measures of farmers' income produces a fuller picture.

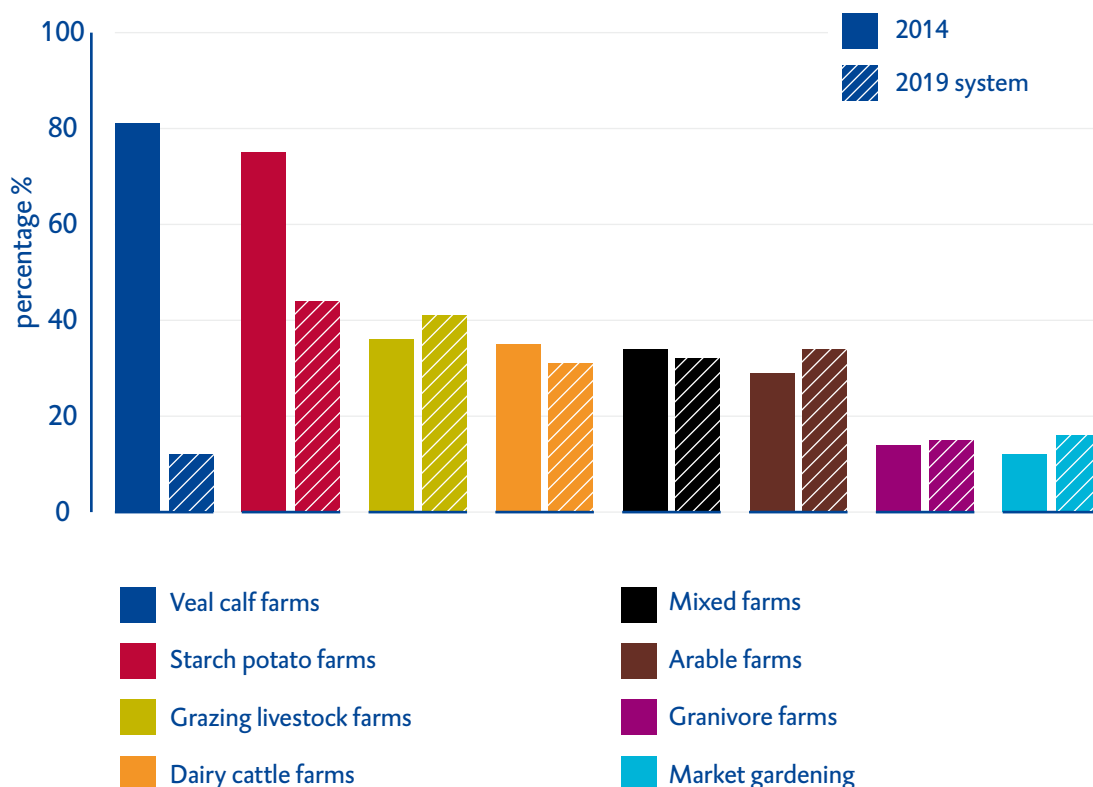
## 5.4 Breakdown by sector and farm size

To gain a fuller picture of the incomes earned in agriculture as a whole it is necessary to look at the income support and income position in *specific* farming sectors. A breakdown by farm size also produces relevant information. The data we used allowed for a variety of breakdowns. Some of them are presented in this section.

### 5.4.1 Breakdown by farming sector

Specific schemes have been introduced in recent years for farmers in 'problem sectors', such as the starch potato and veal calf sectors, to provide them with compensation during the transition to uniform hectare payments. A clear understanding is therefore needed of the impact of income support on farm incomes in various sectors. Figure 11 shows to what extent farmers in various sectors depend on income support and the measures taken in the problem sectors.

## Largest impact of system change on the starch potato and veal calf sectors

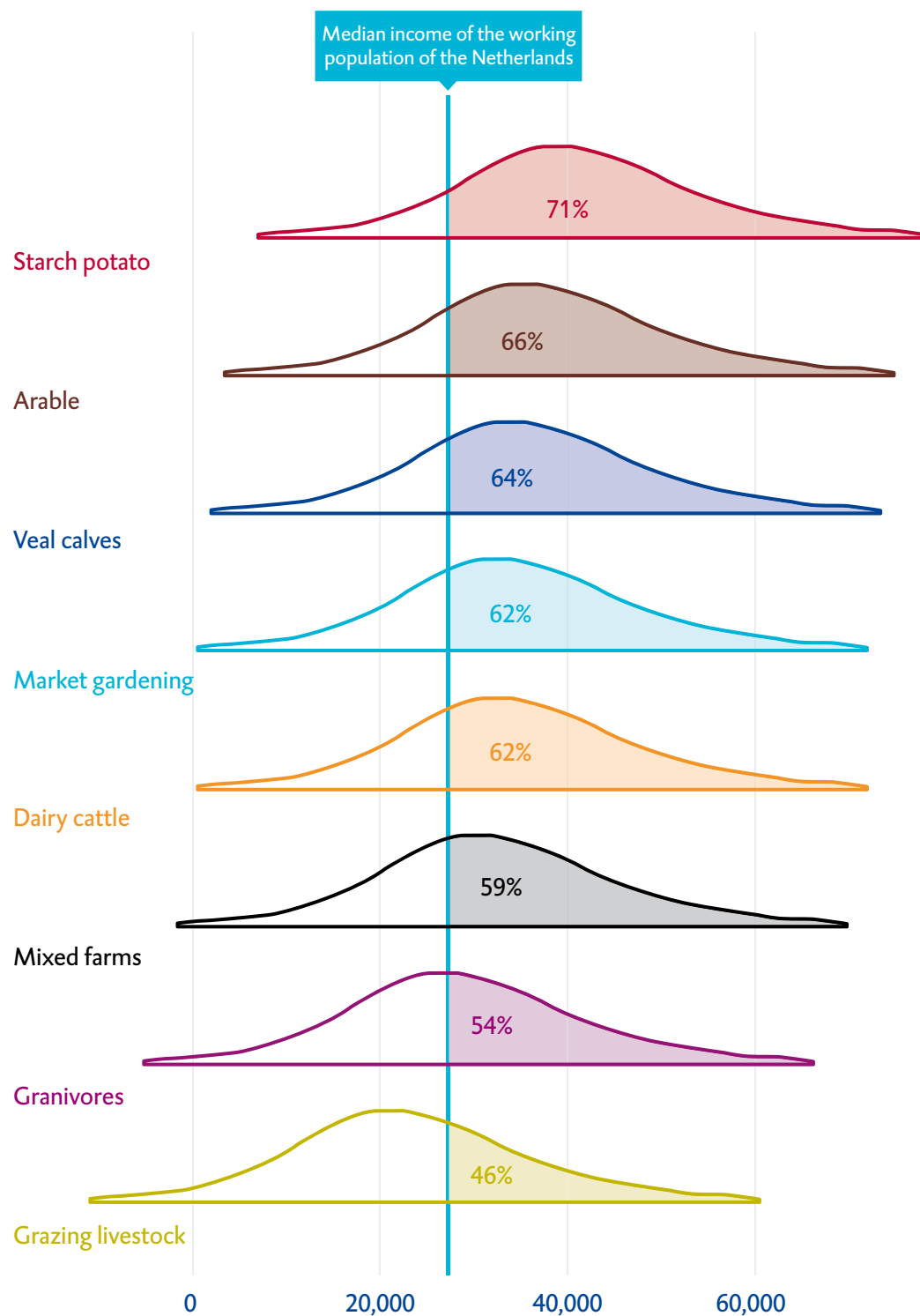


**Figure 11** Income support as a proportion of farm income by type of farm

It can be seen from figure 11 that starch potato farms and veal calf farms are particularly reliant on income support: income support accounted for 75% and 81% respectively of these farmers' income in 2014. Our simulation indicated that their reliance would fall significantly under the 2019 system. At the same time, the uniform hectare payment for the other sectors will cause a fractional increase or decrease in income support as a proportion of farm income.

We observed in section 5.3.2 that on the basis of net household income, the majority (60%) of the farmers had a higher disposable income in 2014 than the median income of the working population of the Netherlands (€27,400). Figure 12 below shows the situation by sector.

## The net income of most farmers in 2014 was higher than the median income of the working population of the Netherlands



**Figure 12** Comparison of household incomes of farmers in 2014 with the median income of the working population of the Netherlands

The net household income of most farmers in nearly all sectors was higher than the median income of the working population of the Netherlands. This was not the case in the grazing livestock sector, where only 46% of the farmers earned more.

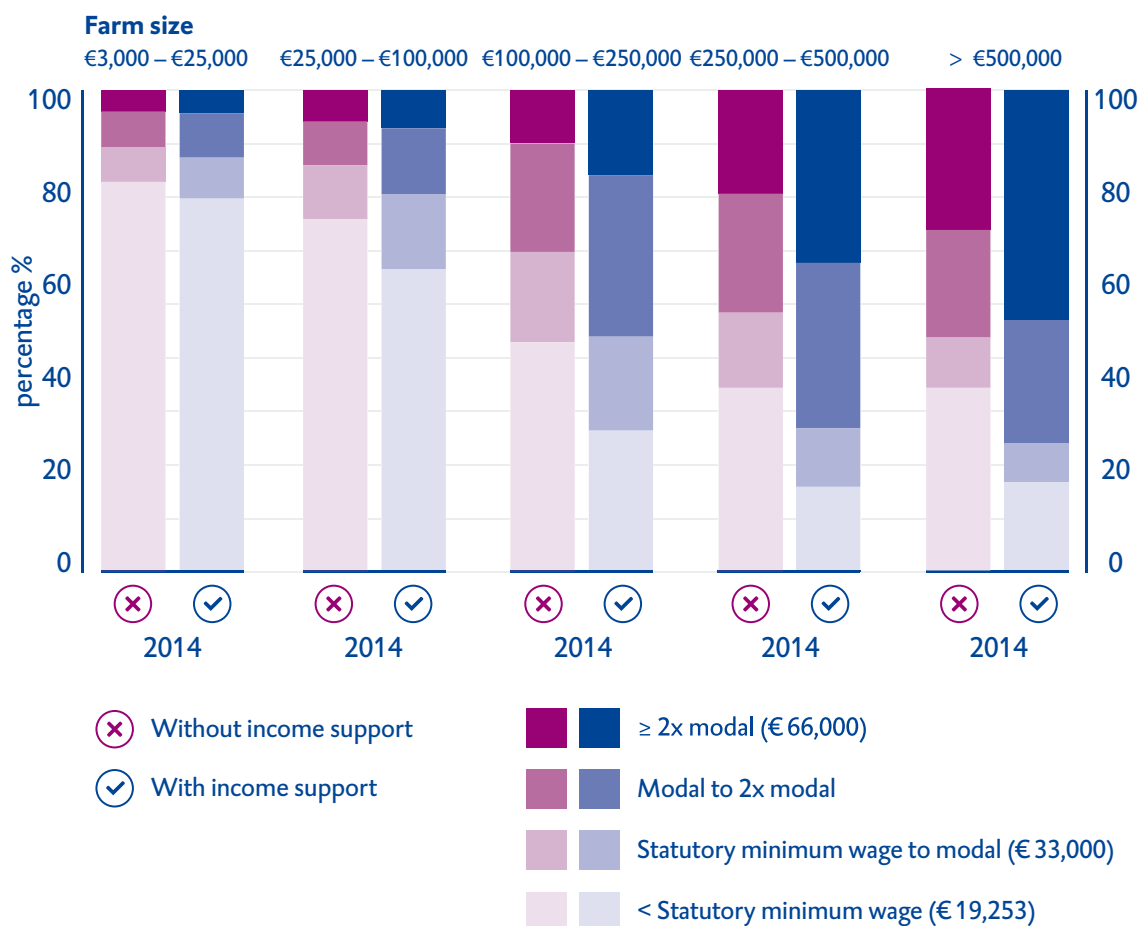
#### 5.4.2 Breakdown by farm size

There is a trend towards consolidation in the agriculture sector, with smaller farmers increasingly deciding to cease their activities. At the same time, the European Commission has proposed to cap the income support awarded to larger farms after 2020. Against this background, we looked at the impact of income support in relation to farm size.

##### Impact on gross income

Our analysis found a relationship between a farm's size, based on its 'standardised yield', and the amount of gross income. The standardised yield is a measure of the economic size of a farm that expresses a farm's revenue. As can be seen from figure 13, in 2014 the farm income of more than 80% of the farmers with a small farm was less than the statutory minimum wage, whereas the income of 48% of the farmers with the largest farms was at least twice the modal income. The difference between the situation with and without income support increases in direct proportion to farm size. Our calculations indicate that there will be little difference in the spread of income support after the introduction of the uniform hectare payment.

## Income support increases the incomes mainly of larger farms



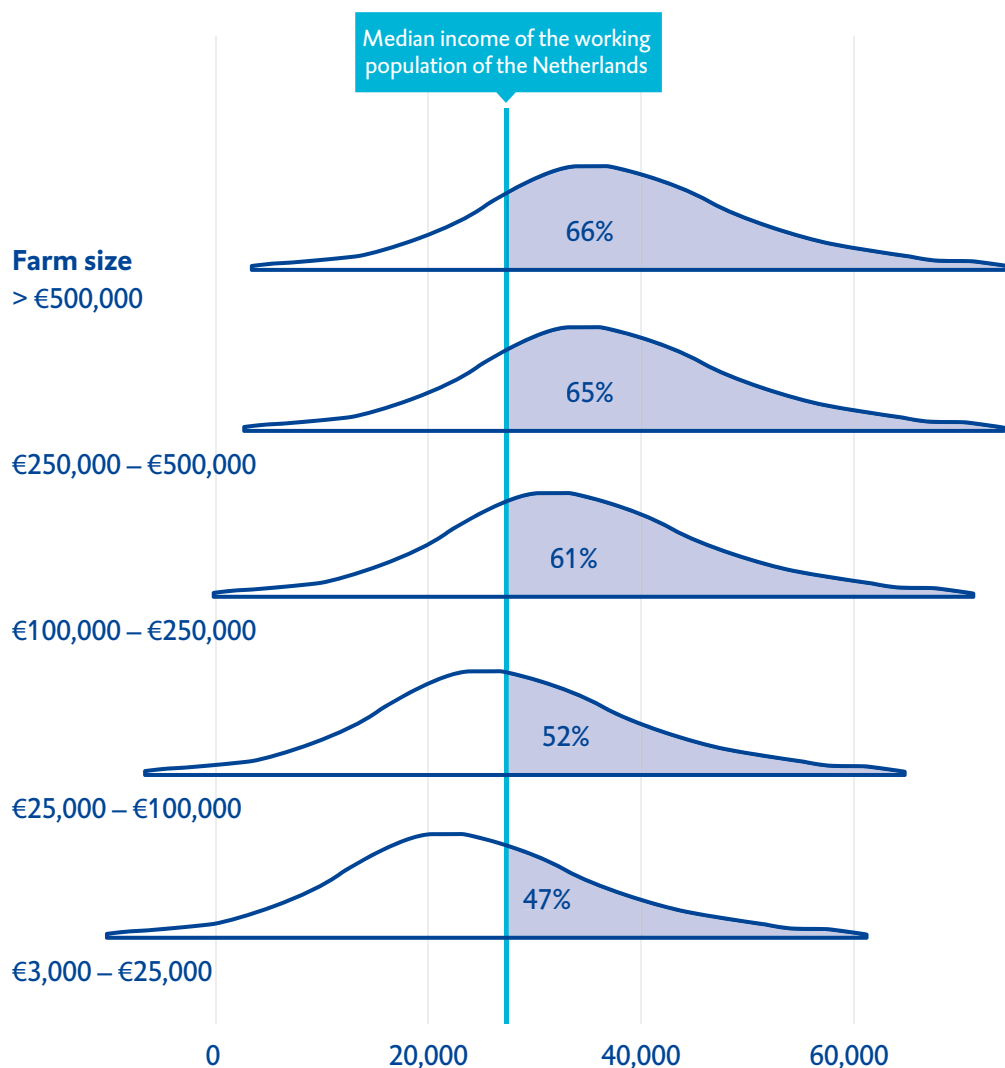
For privacy reasons, all farms with a standardised yield of more than €500,000 have been grouped together

**Figure 13** Income support as a proportion of farm income by farm size

## Impact on net income

A similar picture emerges if we look at the net income of farms of different sizes. Figure 14 shows that net income is also related to a farm's size: the bigger the farm, the more likely the farmer will earn more than the median income of the working population of the Netherlands. Just under half (47%) of the smallest farmers (in terms of standardised yield) have a net income that is higher than the median income of the working population.

## Farmers with large farms tend to have a higher net income than the median income of the working population of the Netherlands



**Figure 14** Farmers' household incomes in 2014, by size of farm, in comparison with median income of the working population of the Netherlands

## 5.5 Conclusion

In our opinion, the information available on incomes and EU farm income support in the Netherlands is sufficient for policy makers to draw conclusions on the effectiveness of EU income support. It provides an insight into which groups of farmers receive farm income support, how much this group's disposable income is and what part of that income consists of income support.

The information can be used to inform future policy on the standard of living of farmers in the Netherlands. We found indications that income support is partially effective to provide farmers with a reasonable standard of living. Our analysis revealed that the gross farm income of just over half the farmers without income support was less than the statutory minimum wage, whereas the proportion of farmers who earned less than the statutory minimum wage fell to just over a third if they received income support. These are only indications of effectiveness because neither the European Commission nor the member states have defined a reasonable standard of living.

Our analysis also found, however, that in 2014 more than a third of EU income support was received by farmers with a gross farm income of at least twice the modal income. We conclude from the information available on net household income that the gross farm income of 13% of all the farmers we analysed who received income support in 2014 was less than the statutory minimum wage but their ultimate net household income was higher than the median household income of the working population of the Netherlands. Finally, we calculated the impact of switching from income support based on production to income support based on farm size. Income support might account for a smaller proportion of the farmers' income particularly in the starch potato and veal calf sectors.

Questions that arose from our analysis include:

- What is a 'reasonable' standard of living? Should standard of living be defined in terms of gross farm income or net household income?
- Is EU income support efficient if some farmers earn at least twice the amount of the modal income in the Netherlands?
- Is EU income support effective if a third of the farmers who receive it still earn less than the statutory minimum?

These questions are relevant to policy makers in the light of the negotiations to reform the common agricultural policy for the period 2021-2027. The Netherlands' position in the negotiations is to replace direct income support with support for innovation, greening and the achievement of societal goals.



## 6 Response of the government and the Court of Audit's afterword

We received the government's response to our report from the Minister of Finance on 29 April 2019. The Minister's letter considered the points for improvement and consideration and explained how the government would address them. The response to the recommendations is presented in full in section 6.1. The government also thanked the Court of Audit for its analysis of EU farm income support. The Minister of Agriculture, Nature and Food Quality (LNV) responded to the analysis by letter of 8 May 2019. Her response is presented in full in section 6.2. Both letters have been posted on our [website](#). We close this chapter with our afterword in section 6.3.

### 6.1 Response of the government to the Court of Audit's recommendations

The government responded to our points for improvement and consideration as follows:

#### **'European Agricultural Fund for Rural Development (EAFRD)**

Recommendation: checks of the reasonableness of some of the costs declared are inadequate. We recommend that the Minister of LNV have the Netherlands Enterprise Agency carry out further checks.

#### **Response**

*The government accepts the recommendation. The Minister of LNV will have the Netherlands Enterprise Agency further improve checks of the reasonableness of costs. The assessment of the reasonableness of costs incurred for comprehensive weather insurance will take the loss ratio into account (a key factor in weather insurance). In the Vitaal Kalf quality scheme and the creation of eco-friendly river banks, further consideration will be given to how the cost of certification and investments can be objectified, compared and checked.*

#### **European Agricultural Guarantee Fund (EAGF)**

Recommendation: An existing administrative check can be avoided if open data are misused. We recommend that the Minister of LNV have the Netherlands Enterprise Agency carry out timely additional checks to prevent undue payments due to the misuse of open data.

## Response

*The government accepts the recommendation. This recommendation relates to the declaration of farm parcels. The Minister of LNV will consult the Netherlands Enterprise Agency to determine how additional checks can be carried out to prevent the misuse of open data.'*

## 6.2 Response of the Minister of LNV to the analysis of EU farm income support

The Minister of LNV responded as follows to our analysis of EU farm income support:

'In chapter 5 of the Report on the *National Declaration 2019*, the Netherlands Court of Audit (NCA) presents an analysis of the contribution of income support from the Common Agricultural Policy (CAP) to a reasonable standard of living of farmers. The NCA observes that the income of a considerable proportion of farmers is less than the statutory minimum wage. This requires attention. Partly for this reason and in keeping with the coalition agreement, the government will seek to strengthen the position of farmers and use the CAP funds more effectively.

As the NCA notes, income support from the CAP does indeed contribute to net farm income. The NCA correctly states that its analysis of the actual impact of farm income support cannot be predicted because no account is taken of second-order impacts, such as the discounting ('leakage') of income support in the price of land or in the market price of products. These impacts mean the income support benefits not only the farmers but also – in these examples – land owners, consumers and other parties in the supply chain.

The NCA found that the income from farming of a considerable number of the farmers was less than the minimum wage even with income support. Furthermore, the net disposable income of 40% of farm households is less than the median income of all households in the Netherlands. This indicator, however, does not explain how much the income from farming is supplemented from other income sources. It is clear that many farmers must accept a modest income. At the same time, farmers are under social pressure to adopt more sustainable production methods. The one is at cross-purposes with the other.

The government has already concluded that there is an imbalance between the market position of the various links in the agri-chains and it intends to strengthen the farmers' earnings model, especially where sustainability is required and is being delivered. For the measures the government is taking, I refer you to the coalition agreement<sup>26</sup> and my letters

to the House of Representatives of 29 June 2018<sup>27</sup> and 1 April 2019 on strengthening the position of farmers in the supply chain and on unfair commercial practices in the food supply chain.<sup>28</sup>

With regard to the income support provided under the CAP itself, in the coalition agreement the government announced a shift from generic income support to targeted payments for innovation, sustainability, food security and food safety. This is expected to limit the 'leakage'.

The government is also seeking to cap income support per farm. As the NCA noted, farms with higher incomes currently receive more income support. Large farms seem to receive more support than necessary for a reasonable income. This is because the support is awarded as a fixed amount per hectare: farms with more land therefore receive more income support, whereas they also tend to generate more turnover and income. Capping income support would limit this effect.

In summary, I believe your report contains much useful information, which I regard as support for the government's policies and would like to consider in the further development of policy.'

### 6.3 Court of Audit's afterword

We are pleased the government accepts and will implement the recommendations we made further to our audit of the *National Declaration 2019*.

We further note that the Minister of LNV will use the findings of our analysis to inform her policy efforts to improve EU farm income support. In doing so she underlines our premise that reliable information is needed to assess the effectiveness of EU income support. It seems likely, as the minister writes, that large farms receive more support than necessary for a reasonable standard of living but it cannot be said precisely how much until firm agreements have been made on what a reasonable standard of living is for farmers. The minister also refers to our observation that farm incomes depend on many factors apart from EU income support. Parliament would be in a better position to assess the reform of the common agricultural policy if it received sufficient empirical data on all relevant factors.

## Appendix I

### Points for improvement and consideration

#### Points for improvement, recommendations, government's response and afterword

##### Agricultural funds (EAGF and EAFRD)

|                                  |  |
|----------------------------------|--|
| <b>Point for improvement:</b>    | <b>In the EAFRD, checks of the reasonableness of some of the costs declared are inadequate.</b>  |
| Recommendation:                  | We recommend that the Minister of LNV have the Netherlands Enterprise Agency further implement the checks.   |
| Response of the Minister of LNV: | The government accepts the recommendation. The Minister of LNV will have the Netherlands Enterprise Agency further improve checks of reasonableness. |
| Court of Audit's afterword:      | We are pleased the government accepts and will implement the recommendation.   |

|                                  |   |
|----------------------------------|---|
| <b>Point for improvement:</b>    | <b>In the EAGF, an existing administrative check can be avoided if open data are misused.</b>   |
| Recommendation:                  | We recommend that the Minister of LNV have the Netherlands Enterprise Agency carry out timely additional checks to prevent undue payments due to the misuse of open data.   |
| Response of the Minister of LNV: | The government accepts the recommendation. This recommendation relates to the declaration of farm parcels. The Minister of LNV will consult the Netherlands Enterprise Agency to determine how additional checks can be carried out to prevent the misuse of open data. |
| Court of Audit's afterword:      | We are pleased the government accepts and will implement the recommendation.  |

#### Points for consideration

The points for consideration raised in chapter 3 are summarised below.

| ERDF                       |      |
|----------------------------|------|
| Point(s) for consideration | None |

| ESF                        |      |
|----------------------------|------|
| Point(s) for consideration | None |

## FEAD

|                            |      |
|----------------------------|------|
| Point(s) for consideration | None |
|----------------------------|------|

## EMFF

|                            |   |
|----------------------------|---|
| Point(s) for consideration | Risk of decommitment as fisheries still make too little use of funding opportunities. |
|----------------------------|---|

## Migration and security funds (AMIF and ISF)

|                            |                                     |
|----------------------------|-------------------------------------|
| Point(s) for consideration | More attention to recording of data |
|----------------------------|-------------------------------------|

## Appendix II

### Follow up to the points for improvement and recommendations from the *Report on the National Declaration 2018*

The conclusions and recommendations we made in the *Report on the National Declaration 2018* that have been followed up and/or are no longer relevant are summarised below.

#### 1 Agricultural funds (EAGF and EAFRD)

|                        |  |
|------------------------|--|
| Point for improvement: | The management and control system for weather insurance (EAFRD) is in breach of EU rules.                              |
| Recommendation:        | To avoid financial corrections, bring the management and control system for weather insurance into line with EU rules. |

#### 2 ERDF

|                        |   |
|------------------------|---|
| Point for improvement: | Improvements are needed in the common electronic information system and the IT organisation of the managing authorities, particularly regarding information security management and privacy protection. |
| Recommendation:        | Ensure that the managing authorities make improvements in 2018 to safeguard the reliability of the electronic information system.   |

#### 5 EMFF

|                        |   |
|------------------------|---|
| Point for improvement: | There is a risk of decommitment due to the late submission of expenditure statements to the European Commission.  |
| Recommendation:        | Ensure that the managing authority takes the proposed measures for the timely submission of expenditure statements. All projects concerned should be of high quality. |

## Appendix III

### Audit methodology

We audited and assessed the *National Declaration 2019*. Our opinion on it is based on the consolidated statements of expenditure, the accounts of actual expenditures and receipts (net) and open amounts receivable for each EU fund.

#### Opinion on the National Declaration

We express an opinion on:

1. the qualification made on the management and control systems in place for EU funds;
2. the assertion made on the legality, regularity, accuracy and completeness of the transactions accounted for down to the level of the final beneficiaries;
3. the preparation of the National Declaration and the underlying sub-declarations and associated consolidated statements.

#### Audit activities

To arrive at our opinion on the management and control systems and financial transactions, we carried out risk-based audits of each fund. We also relied on the work performed by the Central Government Audit Service (ADR) in its capacity as audit authority and certification body. This is an efficient use of our resources, as the purpose and scope of the ADR's activities were largely the same as ours. To determine whether we could rely on the ADR's findings, we reviewed its work and concluded that we could use it to form our opinion.<sup>29</sup>

Our opinion on the financial transactions is based on our review of the national authorities' interpretation of the applicable laws and regulations. The European Commission can nonetheless interpret the laws and rules differently in its own conformity and so arrive at a different error rate. As a result, there is some uncertainty regarding the sanctions the European Commission can still impose on the Netherlands.

To express an opinion on the preparation of the National Declaration, we reviewed the orderliness and auditability of the National Declaration's preparation and its consistency with underlying documents.<sup>30</sup> The Ministry of Finance based its preparation of the National Declaration principally on sub-declarations issued by the ministers and state secretaries in respect of the funds for which they are responsible. In accordance with the applicable procedure, these sub-declarations are accompanied by assurance reports issued by the Central Government Audit Service. The Minister of Finance also tested the

plausibility of the sub-declarations against the underlying documents. We reviewed the form, content and presence of the sub-declarations and assurance reports and checked their consistency against the underlying documents.

## Report

For each fund, we report our conclusions, recommendations and points for consideration. Our recommendations relate to the more serious points for improvement; less serious points are referred to as points for consideration.

EU regulations make different demands on the management and control of each fund and the accountability for them. The National Declaration therefore has to be tailored to each fund and in some areas the information presented differs per fund. Our report concentrates on areas that are open to improvement.

Section 3.1 presents an overall view of the functioning of the management and control systems during the period audited. Owing to differences in the regulations issued by the European Commission, the organisation and titles of the actors at the various funds differ. The assessment system also differs. Nevertheless, in order to present an overall view of the functioning of the management and control systems we adopted the system used for the structural funds (ERDF, ESF, FEAD and EMFF). We applied the scores reported by the ADR and the European Commission for the agricultural funds and the audit findings for the migration and security funds as accurately as possible to this system.

## Farm income support

### Introduction

Our analysis was designed to provide more insight into the impact of farm income support on farmers' standard of living. Below, we explain what information we used and why we made certain decisions.

The European Commission requires the EU member states to implement a monitoring system. The Netherlands bases its system on the stratified *sample* of 1,500 farms carried out by Wageningen Economic Research (WEcR) using the *Farm Accountancy Data Network* (FADN). The information on the gross income of the farmers sampled is used to express opinions on the entire population of farmers in the Netherlands. As our analysis was also designed to provide an insight into the potential impact of farm income support on *net incomes*, we could not rely solely on the FADN sample. The information available from the sample was not suitable to analyse net disposable household income as the small size of



the sample population could have distorted the outcomes. Furthermore, the sample was voluntary and there was a high non-response rate. We used the CBS's *agricultural census* data because they covered virtually all the population of farmers. We are therefore able to express opinions on 58% of the income support, in total € 426 million of the € 732 million.

We carried out our analysis in order to identify the beneficiaries of income support and determine what part of their income was available for consumption and what part consisted of income support. It is not the purpose of this report to calculate the farmers' precise income; we therefore did not take account of all factors that could influence the farmers' income, such as land costs and product prices.

This appendix takes a closer look at the data used in our analysis, the choices we made and how they influenced our analysis. We also explain how income support is calculated and define a number of terms used in the analysis. We would emphasise that our opinions relate to the income positions of groups of farmers. We cannot express any opinions on individual incomes. We do not say, for example, whether a farmer's income is enough to get by. That depends on several factors, such as consumption pattern, living arrangements, etc. We analyse the living standards of groups of farmers by comparing their incomes with generally accepted income measures, such as the statutory minimum wage, modal income and the median income.

### Data bases analysed

We analysed farms that received income support for their farming activities. We therefore needed information on the farms that received income support and related it to the type of farm (the sector) and the size of the farm. Two data bases were available and suitable for our analysis:

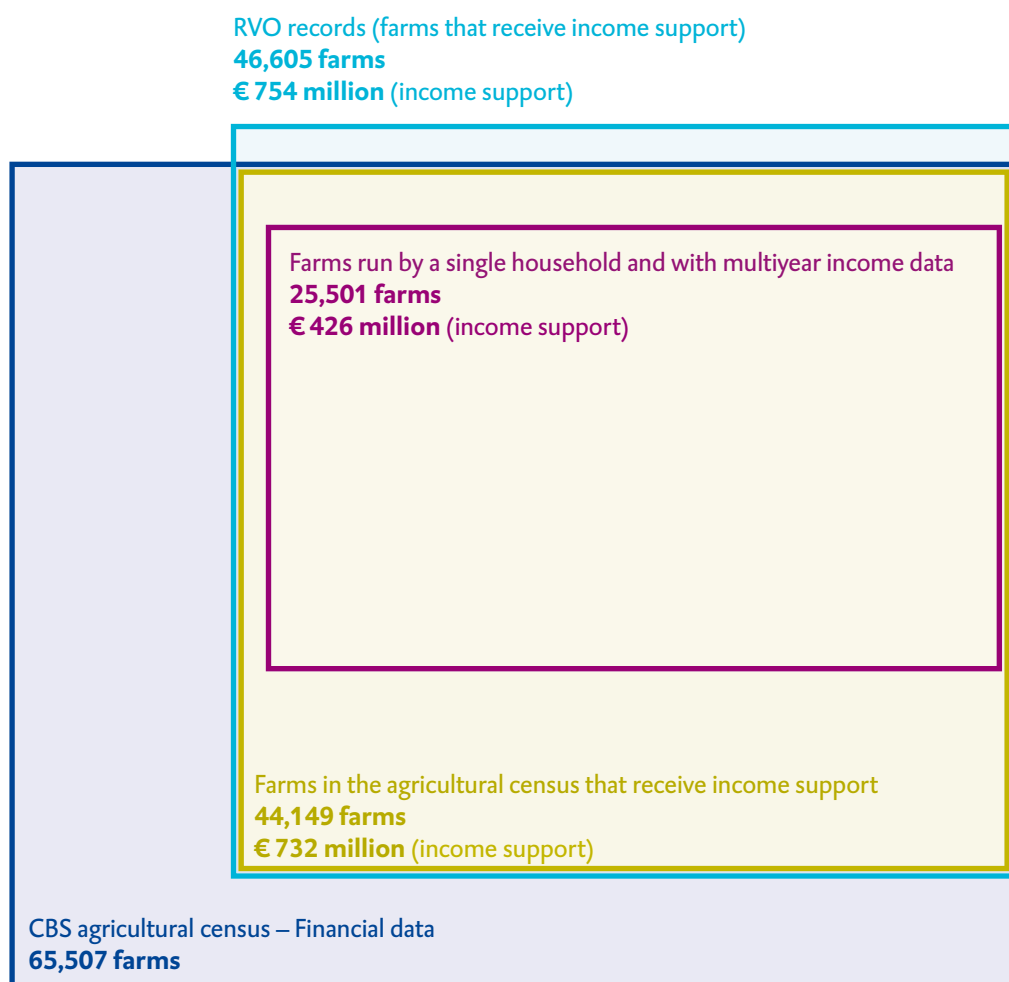
- The agricultural census carried out by Statistics Netherlands (CBS). This database contains information on the structure of the agricultural sector in the Netherlands. The census records what the farms produce and their standard yield (a measure of the economic size of a farm). It should be noted that the census has a lower limit of a standardised yield of € 3,000 and certain (outlying) farms were not covered by the census. The farms not covered by the census received 3% of the support in 2014 and 1.3% in 2015. According to the CBS, the agricultural census had a response rate of more than 96% and the statistical reliability was said to be 'practically 100%'.<sup>31</sup> To calculate net disposable household income, we linked another CBS database (PinkZELFST) to

the agricultural census. PinkZELFST contains fiscal data on the self-employed. If no fiscal data are available, the CBS has imputed (estimated) an average in the microdata if it can be based on at least five returns.

- We also used data from the Netherlands Enterprise Agency (RVO) on the number of farms that receive income support and the amount of income support per farm.

The data bases define the farm population slightly differently, as shown in the figure below.

**Our analysis covered nearly 60% of the income support received by farmers included in the agricultural census**



**Figure A1** Data files and data

The CBS agricultural census covers all farms with a standard yield of more than €3,000. The standard yield is a measure of the economic size of a farm. Some of the farms do not receive income support and were therefore not included in our analysis. The RVO database comprises the population of farms that receive income support, including those with a standard yield of less than €3,000. As these farms are not covered by the agricultural census and no further data are available on them, they were not included in our analysis. As a result, we had a population of 44,149 farms, representing €732 million in income support, which we analysed by combining the two databases. We also made a series of substantive choices that had consequences for the population we analysed.

### Choices

We made two choices that had consequences for our data analysis. Firstly, we thought farm operating profit for one year was a poor indicator of actual turnover and net profit. Farm incomes are often influenced by market fluctuations. We therefore chose to use average *multiyear* income data for all measurements. The two outcome variables (gross farm income and net standardised household income) were determined by calculating multiyear averages of the two income types. The 2014 income was based on the average of the four previous years and the following year. The reason for this is that the incomes fluctuate due to changes in farm prices, depreciation and losses. The data from the years used to calculate the average were indexed to 2014 price levels. As a result, the farms we included in our analysis are those that declared their income to the CBS over several successive years.

As we wanted our analysis to reveal the relationship between income support and farm income, farms owned by several households were not suitable for our analysis as we could not determine what part of the support was received by which household. Our analysis therefore considered only farms that were owned by a *single household*.

It can be seen from figure A1, that our analysis covered €426 million of the €732 million in income support and 25,501 farms. This has the benefit that we can draw specific conclusions on this group. We looked at the income support received by this group in order to draw conclusions on the farmers' standard of living based on both gross farm income and net standardised household income. We were unable to determine what part of net standardised household income consisted of income support as household income is made up of all income and expenditure (such as social insurance contributions and taxes). We could not isolate those income and expenditure components in the available data. But household income is a useful measure of disposable income.

## Calculation of income support

### *Calculation of income support in 2014 and 2015*

The amount we defined as income support is the total of all direct payments made under the Single Payment Scheme (SPS), as applicable in 2014, after allowing for any cross-compliance sanctions. The SPS includes a basic payment, a greening payment, a payment for young farmers and a grazing payment. Farmers can apply for one or more of these payments. Direct payments based on schemes subject to article 68 of the relevant EU regulation,<sup>32</sup> such as the comprehensive weather insurance scheme, the incentive scheme for sustainable farm buildings and GPS techniques, are not covered by the Single Payment Scheme. We also did not take the reimbursement of financial discipline, which totalled € 20 million in 2014, into account.<sup>33</sup>

### *Calculation and simulation of income support based on the uniform hectare payment*

In the first instance we compared the income support provided in 2014 with that provided in 2019 and used 2015 as an intermediate year. We did so as follows. At the time of our analysis farm and income support data were not available for 2019. We therefore relied on farm characteristics from 2015 to simulate income support data for 2019. The simulation involved the use of an allocation ratio for 2019 based on information from the RVO as at November 2018. The simulation aggregated the gross farm incomes for 2015. We used data from 2015 rather than from 2014 because 2015 data were available on, for example, the greening payment and the payment for young farmers, which were necessary to simulate 2019 income support. The 2019 income support is therefore based on relevant characteristics and conditions applicable in 2015, the year in which a gradual transition commenced from income support based on production volume to income support based on area. It should also be noted that the data from 2014 and 2015 may differ from each other owing to new entrants joining the market, farmers ceasing their operations and smaller farms being acquired by bigger farms.

## Terms and definitions

Multiyear averages were used of the income concepts defined below. They were calculated by averaging data from 2011 to 2015 where available for consecutive years. All income concepts were indexed to 2014 price levels using data from the CBS.

### *Farm income (gross income)*

For the purposes of our analysis, 'farm income' is the result (operating revenue minus operating costs) from farming, specifically agricultural activities. The CBS linked this financial information to the agricultural census.

### *Standardised household income (net income)*

The farmers' net income was calculated by deducting certain income transfers, income insurance premiums, health insurance premiums, and income and capital taxes<sup>34</sup> from all gross incomes of all household members (such as income from employment or self-employment, benefit payments) after adjustment for differences in household size and composition. The adjustment was made using equivalence factors to allow for the economies of scale enjoyed by larger households. The equivalence factors reduce all incomes to that of a single-person household so that household prosperity can be compared. The standardised income is a measure of a household's prosperity.<sup>35</sup>

### *Standard yield*

The standard yield is an economic measure of the size of a farm. It is based on the average annual yield in euros per crop or livestock category.<sup>36</sup> It is calculated as the average yield over five years in order to limit the influence of short-term fluctuations in yields and prices.

### *Farm type*

Farms were classified in accordance with the CBS's agricultural census. We highlighted two specific problem sectors (starch potato farms and veal calf farms).

### *Farm size by yield*

The farms were classified by their standard yield in accordance with the classification system used by Wageningen Economic Research (WEcR) and the CBS. For privacy reasons, the data on all farms with a standard yield of more than € 500,000 were combined so that individual farms could not be identified.

### *Statutory minimum wage*

The annual statutory minimum wage is set every six months by order of the Minister of Social Affairs and Employment.<sup>37</sup> Our analysis used the statutory minimum monthly wage as at 1 January 2014: € 1,485.60. The statutory minimum annual wage was obtained by multiplying this sum by 12.96 (based on 12 months plus statutory 8% annual holiday pay) and amounted to € 19,253.38.

### *Modal, twice modal*

The modal income is published annually by the Netherlands Bureau for Economic Policy Analysis (CPB). It is based on the gross salary of individual employees. The term 'modal income' is often used in policy documents. The CPB rounds the amount to the nearest € 500. Modal income in 2014 was € 33,000. Twice the modal income was therefore € 66,000.

### *Median income of the working population of the Netherlands*

The median income of the working population of the Netherlands is based on information from the CBS. Our analysis used the median income enjoyed by the working population in 2014, as we were concerned with farmers' income in 2014. The median standardised household income of the working population of the Netherlands in 2014 was € 27,400. We refer to this amount in this report as the median income of the working population of the Netherlands.

We used this information to calculate the farm income and the standardised household income. The RVO provided information on the level of the income support receivable in 2019 and the method used to calculate the amount of support per hectare in 2019. It was then possible to simulate the support receivable on the basis of farm and income data from 2015.

## Appendix IV

### Abbreviations

|       |  |
|-------|--|
| ADR   | Central Government Audit Service                       |
| AMIF  | Asylum, Migration and Integration Fund                 |
| BZ    | Ministry of Foreign Affairs                            |
| CAP   | Common Agricultural Policy                             |
| CBS   | Statistics Netherlands                                 |
| CPB   | Netherlands Bureau for Economic Policy Analysis        |
| FEAD  | European Fund for the Most Deprived                    |
| EMFF  | European Maritime and Fisheries Fund                   |
| ERDF  | European Regional Development Fund                     |
| EAFRD | European Agricultural Fund for Rural Development       |
| EAGF  | European Agricultural Guarantee Fund                   |
| ESF   | European Social Fund                                   |
| EU    | European Union   |
| EZK   | Ministry of Economic Affairs and Climate Policy        |
| FADN  | EU Farm Accountancy Data Network                       |
| ICS   | Integrated Cost System                                 |
| ISF   | Internal Security Fund                                 |
| IT    | Information technology                                 |
| ITI   | Integrated Territorial Investments                     |
| LNV   | Ministry of Agriculture, Nature and Food Quality       |
| NVWA  | Netherlands Food and Consumer Product Safety Authority |
| RVO   | Netherlands Enterprise Agency                          |
| SPS   | Single Payment Scheme                                  |
| SZW   | Ministry of Social Affairs and Employment              |
| WEcR  | Wageningen Economic Research                           |

## Appendix V

### Bibliography

European Commission (2017), *2018 EU Budget*. Retrieved from:  
[http://ec.europa.eu/budget/library/biblio/publications/2017/EUbudget-factsheet-2018\\_en.pdf](http://ec.europa.eu/budget/library/biblio/publications/2017/EUbudget-factsheet-2018_en.pdf)

European Commission (2018), *EU annual budget life-cycle: figures*. Retrieved from:  
[http://ec.europa.eu/budget/figures/interactive/index\\_en.cfm](http://ec.europa.eu/budget/figures/interactive/index_en.cfm)

European Court of Auditors (2016a), *Special Report no. 25, The Land Parcel Identification System: a useful tool to determine the eligibility of agricultural land – but its management could be further improved*, point 30 on p. 53.

European Court of Auditors (2016b), *Special Report no. 1, Is the Commission's system for performance measurement in relation to farmers' income well designed and based on sound data?*, Luxembourg.

European Union (2012), *Regulation (EU, Euratom) No. 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) no. 1296/2013, (EU) no. 1301/2013, (EU) no. 1303/2013, (EU) no. 1304/2013, (EU) no. 1309/2013, (EU) no. 1316/2013, (EU) no. 223/2014, (EU) no. 283/2014 and Decision no. 541/2014/EU and repealing Regulation (EU, Euratom) no. 966/2012*, Official Journal of the European Union, L 193/1.

House of Representatives (2017). *List of questions and answers*. Questions put to the Minister of Finance by the standing finance committee on 8 June 2017 regarding the letter from the Netherlands Court of Audit of 17 May 2017 on the submission of the Report on the National Declaration 2017, including the minister's answers, House of Representatives, session 2017-2017, 34 725, no. 22.

Netherlands Court of Audit (2016), *EU Trend Report 2016. Developments in the Financial Management of the European Union*.



## Appendix VI

### End notes

1. Amounts declared per fund have been rounded. The totals per fund can therefore differ from the amounts stated in the National Declaration 2019.
2. European regulations often allow for or even prescribe a national interpretation of their implementation.
3. Financial management rules were recently simplified under the omnibus regulation, Regulation (EU, Euratom) No. 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) no. 1296/2013, (EU) no. 1301/2013, (EU) no. 1303/2013, (EU) no. 1304/2013, (EU) no. 1309/2013, (EU) no. 1316/2013, (EU) no. 223/2014, (EU) no. 283/2014 and Decision no. 541/2014/EU and repealing Regulation (EU, Euratom) no. 966/2012.
4. The EAFRD is officially one of the European structural and investment funds. It is placed here, however, with the agricultural funds because its political focus is on agriculture and it has several provisions in common with the EAGF.
5. The FEAD is not officially a structural and investment fund. For convenience's sake it is placed in this category because it is related to the ESF.
6. The Netherlands receives support from the ERDF not only for national programmes but also for Interreg programmes to strengthen regional cooperation among member states, such as the Euregio Maas-Rijn, Netherlands-Germany, Flanders-Netherlands, Two Seas, North West Europe and North Sea Region. The shared funds provided for these programmes are not accounted for in the Netherlands' National Declaration because foreign authorities are usually responsible for their management and control.
7. Net expenditure: the balance of expenditures and receipts.
8. National cofinancing consists of beneficiaries' own financial contributions and financial contributions from private organisations and public organisations other than the EU. In the EAFRD agricultural fund and the AMIF and ISF immigration and security funds, there is also compulsory national cofinancing but the member states declare only that part of the expenditure that is charged to these funds.
9. In the case of the migration and security funds, a 'delegated authority' advises the competent authority on applications for grants. The latter decides on the award. The delegated authority then prepares the award decision and sends it to the applicant. The delegated authority is also responsible for checking the expenditure statements submitted by the beneficiaries.

10. There are three intermediate authorities for the ERDF West: the municipality of Amsterdam, the municipality of The Hague and the municipality of Utrecht. The EMFF also has an intermediate authority since 1 January 2019: the RVO.
11. EAGF: in accordance with Regulation (EU) 2018/162 of 23 November 2017 amending Annex I to Regulation (EU) No 1305/2013 of the European Parliament and of the Council and Annexes II and III to Regulation (EU) No 1307/2013 of the European Parliament and of the Council. ERDF, ESF, EMFF, FEAD: 'Explore by fund' retrieved from <https://cohesiondata.ec.europa.eu> on 28 February 2019; AMIF, ISF: 'Budgets, Multiannual Financial Framework, Programmes' retrieved from <http://ec.europa.eu> on 28 February 2019.
12. The audit authority (for the ERDF, ESF, FEAD, EMFF and migration and security funds) and the certification body (for the EAFRD and EAGF) check compliance with the European Commission's requirements regarding the management and control system. The audit authority and the certification body are therefore not part of the management and control system.
13. We make recommendations on serious points for improvement, we do not make recommendations on less serious points for improvement (points for consideration).
14. POP3 is the third Dutch rural development programme. It implements EU rural development policy in the years 2014 to 2020.
15. Size of the performance reserve per part of the fisheries programme: € 2.0 million for projects that promote sustainable, innovative fisheries, € 0.3 million for projects that promote sustainable, innovative aquaculture and € 0.2 million for projects that promote sales and processing. It is not known whether or not performance reserves will be abolished; the European Commission must still take a decision. The current performance reserves relate to projects implemented by central government itself and amount to € 3.7 million for Common Fisheries Policy projects and Common Maritime Policy projects.
16. The bycatch is the unwanted fish and other marine creatures caught by commercial fishing nets when fishing for a different species.
17. In previous years, only advance payments were declared.
18. Farmers are those persons who grow agricultural crops or keep livestock with a view to selling those crops and/or livestock or products made from them. This agrees with the CBS's definition of farmers in its agricultural census.

19. The monitoring takes place by sampling the Farm Accountancy Data Network (FADN) (see Council Regulation (EC) No 1217/2009 of 30 November 2009 setting up a network for the collection of accountancy data on the incomes and business operations of agricultural holdings in the European Community). According to the European Court of Auditors, there are weaknesses in the sample. Voluntary participation, for instance, leads to a high non-response rate.
20. This simulation does not predict the farmers' actual incomes in 2019. To do so would also require information on changes in market conditions due in part to changes in farm income support in 2016-2018. The analysis did not take account of actual developments in farmers' incomes in 2016-2018 and market changes in the sector.
21. We also compared the median income of the self-employed in the Netherlands. In 2014 it was 5.1% higher than the median income of the working population. There is no fundamental difference between the two. For simplicity's sake, we used only the median income of the working population.
22. If income support had not been provided, market conditions could influence the farmers' income position. We cannot demonstrate such effects from the data at our disposal.
23. In 2014 the median standardised household income of the self-employed was € 28,800. By way of comparison, 55% of the farmers we analysed had a higher net income than the average self-employed income.
24. A comparison with the net self-employed income (not shown in figure 12) produces a similar result.
25. See <https://www.cbs.nl/nl-nl/nieuws/2017/09/sterke-schaalvergroting-in-de-landbouw-sinds-1950>.
26. <https://www.rijksoverheid.nl/documenten/publicaties/2017/10/10/regeerakkoord-2017-vertrouwen-in-de-toekomst>
27. <https://www.rijksoverheid.nl/ministeries/ministerie-van-landbouw-natuur-en-voedselkwaliteit/documenten/kamerstukken/2018/06/29/kamerbrief-over-de-positie-van-de-boer-in-de-keten>
28. <https://www.rijksoverheid.nl/ministeries/ministerie-van-landbouw-natuur-en-voedselkwaliteit/documenten/kamerstukken/2019/04/01/kamerbrief-appreciatie-van-de-europese-richtlijn-oneerlijke-handelspraktijken-in-de-voedselvoorzieningsketen>

29. Our opinion on the financial transactions is also based in part on the results of on-the-spot checks at beneficiaries carried out by the Netherlands Food and Consumer Product Safety Authority, after we first validated the results by means of a review and our own checks. In some of these checks, the results period reported upon to the European Commission (on-the-spot checks of expenditure in year t) did not coincide with the expenditure period reported upon to the Commission (expenditure from 16 October in year t to 15 October in year t+1). In addition, the results of on-the-spot checks of year t+1 were not known when the National Declaration was prepared. In this light, we based our opinion on the financial transactions in the agricultural funds in part on the results of on-the-spot checks of an earlier period (year t).
30. Orderliness means the National Declaration was prepared in accordance with the applicable procedure. Auditability means the procedure followed can be repeated. Underlying documents are the documents that were regarded as building blocks for the National Declaration during the procedure.
31. <https://www.cbs.nl/nl-nl/onze-diensten/methoden/onderzoeksomschrijvingen/korte-onderzoeksbeschrijvingen/landbouwtelling>.
32. Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003.
33. The support received to implement the Common Agricultural Policy has been lowered since 2013 in order to create a crisis fund for the farming sector (financial discipline). Exhaustion of the fund is checked each year and farmers are reimbursed the amount that has not been spent. This is known as the reimbursement of financial discipline. See <https://www.rvo.nl/onderwerpen/agrarisch-ondernemen/gemeenschappelijk-landbouwbeleid/glb-en-kortingen/kortingen-voor-alle-aanvragers>.
34. See <https://www.cbs.nl/nl-nl/onze-diensten/methoden/begrippen?tab=b#id=besteedbaar-inkomen>.
35. See <https://www.cbs.nl/nl-nl/onze-diensten/methoden/begrippen?tab=g>.
36. Zie <https://www.cbs.nl/nl-nl/onze-diensten/methoden/onderzoeksomschrijvingen/korte-onderzoeksbeschrijvingen/landbouwtelling>.
37. Order of the Minister of SZW of 13 November 2013 amending the Order of 30 October 2013, 2013-0000134185, amending the statutory minimum wage as of 1 January 2014 (Government Gazette 31007).



### **Information**

Afdeling Communicatie  
Postbus 20015  
2500 EA Den Haag  
telefoon (070) 342 44 00  
[voorlichting@rekenkamer.nl](mailto:voorlichting@rekenkamer.nl)  
[www.rekenkamer.nl](http://www.rekenkamer.nl)

### **Translation**

#### **Cover**

Ontwerp: Corps Ontwerpers  
Foto: Corbis/Hollandse Hoogte

**The Hague, May 2019**