Auditing of unpurposeful use of finances allocated for grain subsidies

Summary of the results of the audit

The audit focused on the use of finances allocated for grain subsidies from the national budget in 2001. The purpose of the audit was to assess the risks involved in making the payments and the existence and operation of measures necessary for the prevention of such risks.

The topic of the audit was selected for several reasons. Firstly, in 2001 the producers were paid a large amount - 110 mil. kroons. Secondly, the decisions on the payment of subsidies are based on information received mainly from the interested party. Thirdly, there are few methods for checking the fulfilment of the requirements set for obtaining the subsidies. Another significant circumstance is the need to guarantee to more than 5000 grain growers equal access to the subsidies.

The audit was carried out at the Ministry of Agriculture and the Board of Agricultural Registers and Information (PRIA - Põllumajanduse Registrite ja Informatsiooni Amet) who will be able to dwell on the results of the audit, while developing measures to avoid cases of improper use in the payment of subsidies.

Conclusions

- The State Audit Office found that the most significant sources of abuse and improper use of the grain subsidies were risks connected with the verification of existence and size of the growing areas of agricultural cultures. The decision-makers over the subsidies accepted most of the applications without having satisfied themselves about the correctness of the growing area of the respective agricultural cultures. In the course of the audit 154 subsidy applications in three counties were checked. Of these 18 (12%) involved more material irregularities, in 15 cases of 595 the area of land indicated in the application was not proven by documentation of land use.
- The activity of the Tax Board and the Plant Production Inspectorate in the checking of applicants did not provide assurance that the persons not conforming with the requirements would be removed from the procedures, or that everybody entitled to a subsidy would be submitted for it.
  In establishing tax arrears, the Tax Board had on several occasions taken into account changes introduced after June 1, which made it possible to grant subsidies to applicants.
  After follow-up checks, the Plant Production Inspectorate changed its initial checking results at the end of the year and included some applicants initially left out into the list of subsidy recipients.
  When checking the application data, both the Tax Board and the Plant Production Inspectorate proceeded from different possible interpretations of legislation, which, in turn, put the recipients of subsidies in an unequal situation
- It was not possible to apply sanctions regarding those who had presented erroneous data, because the order of payment of grain subsidies of the previous year had not foreseen any sanctions upon the submission of erroneous data. In accordance with the principle of justified expectation, all producers were in 2001 able to submit their applications without restrictions.
- Paying different types of subsidies for one and the same field, the state covers the expenses of agricultural producers for more than one time, which cannot be seen as efficient use of state subsidies.

According to the assessment of the State Audit Office, the ministry must considerably improve the measures used for the identification and checking of land use and the growing areas of agricultural cultures and manage the risks before the grain subsidies for the next season are disbursed.

Proposals to PRIA

- In cooperation with the Ministry of Agriculture, PRIA should establish mechanisms that would ensure adequate control over the legal grounds of land use and the growing areas.
- Protection of databases should be ensured and subsequent amendments therein avoided.
- To improve the efficiency of on-site checking of the applicants, it is necessary to establish more precise criteria for selecting samples of applicants to be checked on site.

- It is important to set up uniform procedures for the processing of grain subsidies and an efficient follow-up control system.

Proposals to the Ministry of Agriculture

- The Ministry of Agriculture should make proposals regarding the amendment of the Rural Life and Organisation of the Agricultural Market Act and the order of subsidisation of the growing of agricultural cultures in the following respects: requirements for the documentation necessary to prove land use should be defined, different times of control should be established for the Tax Board and the Plant Production Inspectorate in order to prevent unnecessary work, requirements for the accounting for pesticides and herbicides should be regulated.
- It is to be decided, whether the simultaneous payment of several subsidies for the growing of one agricultural culture is justified, and if and how several differentiated unit rates should be applied simultaneously. In order to avoid confusion in the establishment of tax arrears, it should be specified, whether and how the amendments made in the tax declarations after June 1 should be taken into account.
- It is necessary that the ministry set interim objectives for the payment of the grain subsidies, which would make it possible to assess the results achieved.

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