

AUDIT OF FORESTRY AND AFFORESTATION MEASURES CO-FINANCED UNDER EAGGF-REGULATION 1257/99

IRELAND

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LEGAL FRAMEWORK AND AUDIT SCOPE

Legal framework

1. Forestry measures within rural development support are set out for the period 2000-2006 in art. 29-32 of Council Regulation (EC) No 1257/99 and are financed by EAGGF (European Agricultural Guidance and Guarantee Fund), Guarantee section outside Objective 1 regions and both Guidance and Guarantee section inside Objective 1 regions.

2. The Border-Midland-Western area is an Objective 1 region, therefore some measures are implemented via the Operational Programme and financed under EAGGF-Guidance, while other measures are implemented via the Rural Development Plan and financed under EAGGF-Guarantee.

Audit scope

3. The audit covered forestry measures from Regulation 1257/99. The aim of the audit was to reply to two audit objectives.
 - Audit Objective 1 (legality and regularity, management system): "To what extent it can it be assured that the payments made under forestry measures are legal, regular and efficient ?"
 - -Audit Objective 2 (forestry sustainability) "Has the forest strategy as implemented contributed to sustainable forestry by financing relevant measures, targeting and prioritising crucial areas and in obtaining relevant information on its impact ?"

4. The audit included the analysis of the management systems (Department of Communications, Marine and Natural Resources, Dublin; Forest Service, Wexford), walk-through tests and on-the-spot visits of a selection of beneficiaries. The selection intended to cover different measures (afforestation of agricultural land [EAGGF-Guarantee, 6 projects], reconstitution of woodland [EAGGF-Guidance, 2 projects]) and different types of beneficiaries (private and public), giving priority to the financially important amounts. The visits were carried out in Dublin and Wexford from 11 to 15 November 2002 and in Co Mayo from 6-11 April 2003 with a wrap-up meeting in Dublin at the Department of Communications, Marine and Natural Resources.

5. The visit was prepared in close collaboration with the Forest Service at Wexford and its local representatives at Castlebar, Co Mayo. The auditors would like to take the opportunity to thank the authorities for the assistance received before and during the visits, also acknowledging the efforts made.

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AUDIT FINDINGS

AUDIT OBJECTIVE 1 (MANAGEMENT SYSTEM)

("To what extent can it be assured that the payments made under forestry measures are legal, regular and efficient?")

No clear, objective and verifiable definition of enclosed and unenclosed land

Context

6. Two types of agricultural land are eligible for afforestation in Ireland: enclosed and unenclosed land. Enclosed land is generally described as an area that has been improved (e.g. by fertilisation) and has been fenced and used for agricultural purposes for a long time. Unenclosed land is in most cases of poor quality and used for extensive grazing.

7. The premium rates for both land classifications are different (unenclosed EUR 209, /ha/year; enclosed EUR 336, /ha/year to EUR 499, /ha/year, depending on the previous crop). According to the Forest Service to identify enclosed from unenclosed land, the vegetation is an important indicator.

Findings

8. It was found during the audit that for the sites visited, in particular [details withheld], the distinction was not very obvious, even for the accompanying officials. Abandoned land qualified as enclosed and vice versa. Indeed, in order to assess the vegetation, the ecological plant communities on pastureland have to indicate the nutrient status of the land in question. This identification and recognition of plant

communities and habitat requirements needs highly specialist training, which is not always available and leads to discussions on interpretation.

Justification for loss of income compensation

Context

9. According to Regulation 1257/99, the support for afforestation of agricultural land includes the planting costs, a premium to cover maintenance costs for a period of up to five years and an annual premium per hectare to cover the loss of income resulting from afforestation for a maximum period of 20 years. This compensation for loss of income varies according to the previous use of the afforested land being higher in the case of the more remunerative crops. Care should thus be taken in the verification of the use declared by the beneficiary. While the administration does carry out some on-the-spot checks when applications are made, this is not done systematically and substantial reliance is placed on the declarations made by beneficiaries.

Findings

10. Compensation for loss of income is also granted for afforestation projects in areas of (previous) extensive agricultural use (mostly on unenclosed land). The auditors noted in particular in the area around Derryloughnan East (visited on the first day of the audit), that numerous plantations are funded, where the surrounding area (not yet afforested) is mostly low quality grazing land for sheep. Even if farming was done only for 2 to 3 months per year, with a very low income per hectare, a premium for loss of income was paid at a level of at least 209, EUR/ha/year.

Control on previous agricultural use of the land

Findings

11. Clear evidence was not systematically available to justify the previous land use. Considering the background of the scheme (accompanying the CAP-reform), cross checks should be made systematically to previously paid CAP premia and available IACS data. Such a system has not been introduced.

Investments into forestry

Context

12. As indicated above forestry measures under Regulation 1257/1999 are aimed to compensate for the income lost by growing trees on land that previously had been used for agricultural purposes. In Ireland both non farmers and farmers can benefit from this compensation but the level of compensation is higher for farmers (about twice as high). In general terms investment in forestry was not the overall aim of the Regulation.

Findings

13. None of the beneficiaries visited farmed the land themselves before it was afforested. Two of them, who did not claim to be farmers and therefore only benefited from the low level of compensation, were investment companies that manage the money of private investors. The land was bought with the sole purpose of investment in forestry.

14. The other beneficiaries were indeed farmers and claimed the higher rate of compensation, but they did not farm this land before. They bought the land with the purpose of forestry investment. Being therefor not in essence different from the activities of the investment companies, justification for obtaining the higher compensation seems to be lacking.

Little competition between contractors

Context

15. Most of the afforested areas belong to farmers that do not carry out the work themselves. This is normally done by specialised contractors who plant the trees and ensure maintenance.

Findings

16. There is a very low level of competition among the contractors as they are very few. For example, the state-owned "Coillte" company has sole access to state owned land (see also 1.9) and has closed relations with the Forest Service (normally

occupying the same premises).

"Self assessment" procedures

Context

17. In Ireland, since 1994, a system has been in operation whereby the Forest Service allows contractors to approve the requests that they prepare on behalf of the beneficiaries for subsidies and for which the forest service performs no or limited checks. These companies are called "Self assessment companies". Currently 6 companies are involved in this procedure, and account for the majority of project claims. They are approved by the Department of Communication, Marine and Natural Resources (DCMNR).

Findings

18. Although the self assessment companies have the skills to perform the administrative and on-the-spot checks required, no appropriate assurance could be obtained that all conditions are complied with: Required by the Forest Service Guidelines etc. In the projects visited, which were mostly run by these self assessment companies, considerable freedom is left to these companies and appropriate independent checks are lacking.

Separation of duties of forest inspectors

Context

19. In order to make on-the-spot checks effective, there should be an appropriate separation of tasks between the staff responsible for approving projects and checking them.

Findings

20. There is no separation of duties of forest inspectors. Projects are approved and checked by the same person.

Taking into account the results of the 5 % checks of payments

Context

21. Regulation (EC) No 445/2002 (art. 61) for EAGGF-Guarantee financed measures and Regulation 438/2001 (art. 10) for EAGGF-Guidance financed measures require checks of 5 % of the co-financed projects. The results of these risk-analysis based 5 % checks should identify weaknesses and lead to a better focused management of ED money.

Findings

22. There were records of these checks being carried out but, no documented proof could be obtained of the results. Therefore no assurance could be obtained that weaknesses are properly identified and used to improve administrative procedures and to lead to better management.

The state owned company "Coillte"

Context

23. The eligibility criteria of Regulation 1257/99 state that only private owners and municipalities or their associations could be grant-aided. The only exception are measures under the 6th indent of art. 30 (1) [restoration after natural disasters and fire prevention], where other public bodies are also eligible for grants.

Findings

24. The state owned company "Coillte" (formally working under private law) benefited until 1999 from afforestation grants and compensation for loss of income. The Forest Service suspended the payment of premia for loss of income pending a ruling by the ED Court of Justice on its eligibility.

Work carried prior to approval

Context

25. In "Coillte" project CN 22055 (Guidance, reconstitution of woodland after gale damage) the planned measure was approved by the Forest Service on 14 June 2000,

and according to the file, the work (replanting of 30 ha) was declared completed on 30 June 2000.

Findings

26. During the audit the Forestry Service stated that the work was actually carried out from January to March 2000 and thus completed before approval by the Forest Service. The forest inspector said that a verbal agreement had been given by the Forest Service allowing the work to start prior to formal approval but there was no evidence in the project file. Although the usefulness of the project is not questioned, without a proper application and subsequent approval, the administration can not influence the implementation of the project or indeed, deny approval. The eligibility of the project in such circumstances is doubtful.

Approval of a project contrary to the Forest Service Guidelines

Context

27. The Irish National Forest Standard, "Growing for the Future" and the environmental guidelines stress the fact that the multifunctional Irish forestry shall cover economic, ecological and social issues. Planting a reasonable amount of native Irish broadleaves contributes to achieving these objectives. On adequate soils at least 10 % of the area shall be afforested with oak, birch, alder, sycamore, ash and other species.

Findings

28. In project [details withheld] the Forest Service stated that the area was suitable for a minimum of 10 % broadleaves. Nevertheless it approved the application although the owner did not want to plant any broadleaves. The audit found that about 6 % of the area were planted with broadleaves (still some 4% below the target). The Forest Service whilst approving the application, acted against its own guidelines ("Afforestation Grant and Premium Schemes", App 7, p. 20).

Awareness of project changes

Context

29. A project is approved by the administration on the basis of the description set out in the application. Changes after approval without further explanation and documentation risk that important issues are no longer taken into account or agreed by the administration.

Findings

30. Changes occurred in project [details withheld] after approval, i.e. reduction in area size, but without any review of the original approval procedure although the percentage of broadleaves was significantly reduced. Thus the project was not implemented as approved and payment of aid in such circumstance is questionable. A system should be introduced requiring appropriate official notification to make sure that the Forest Service is informed of changes to the approved project, allowing the Forest Service to take appropriate action, including removal of approval.

Justification of the level of reimbursement

Context

31. In accordance with Article 39 of Regulation 445/2002 in order to justify payments, cost-based invoices have to be submitted by the beneficiary after the work is done. They are the basis for administrative checks and have to contain relevant information.

Findings

32. All the audited projects had insufficient justification for the planting costs claimed (see annex). Invoices were not always included in the files and the information provided was not sufficiently detailed. The availability and the quality of the invoices should be improved in order to justify the costs incurred. The Forest Service informed the auditors that appropriate changes would be made.

Measurements

Context

33. Precise measurements of land area are required in order to justify payments funded by EAGGF-Guarantee . The areas of afforestation projects with an area of less than 20 ha are checked by the Forest Service using maps. An independent measurement has to be carried out for areas exceeding this size.

Findings

34. The maps used for measurement of the projects examined were not appropriate for detailed calculation of eligible surface, for example to take account of sloping land, monuments and archeological sites. Furthermore, when measurements had taken place, no reports of the measurement were available indicating the checks performed. Consequently no assurance could be obtained that field areas were correct.

On-the-spot visits / evidence of controls

Context

35. Commission Regulation 445/2002 on support for rural development from the EAGGF-Guarantee section stipulates [Article 61 of Commission Regulation (EC) No 445/2002 of 26 February 2002 laying down detailed rules for the application of Council Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF)] that on-the-spot checks shall cover at least 5 % of beneficiaries each year and all the different types of rural development measures set out in the programming documents. On-the-spot checks shall be spread over the year on the basis of an analysis of the risks presented by each rural development measure. Checks shall cover all the commitments and obligations of a beneficiary which can be checked at the time of the visit. They shall be made in accordance with Title III of regulation (EC) No 2419/2001.

36. Commission Regulation (EC) No 438/2001 [Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds] (on Structural Funds Management) sets out (article 10) that "Member States shall organise checks on operations on an

appropriate sampling basis, designed in particular to: (a) verify the effectiveness of the management and control systems in place; (b) verify selectively, on the basis of risk analysis, expenditure declarations made at the various levels concerned. The checks carried out before the winding-up of each assistance shall cover at least 5 % of the total eligible expenditure and be based on a representative sample of the operations approved, taking account of the requirements of paragraph 3. Member States shall seek to spread the implementation of the checks evenly over the period concerned. They shall ensure an appropriate separation of tasks as between such checks and implementation or payment procedures concerning operations".

Findings

37. The evidence of checks carried out by the forest inspectors under these two regulations is very limited. Only a date, a signature and a standard sentence indicating that a check had been carried out, can be found in the files.

38. The reports do not clearly state what was verified and how and what was not verified. The quality of the reporting of the on-the-spot visit should be improved. All the differences between the approved project and work actually undertaken should be highlighted, explained and justified. Without proper information the national authorities are unable to judge whether the amounts paid are justified.

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AUDIT OBJECTIVE 2 (FORESTRY SUSTAINABILITY)

("IS THE FOREST STRATEGY CONTRIBUTING TO SUSTAINABLE FORESTRY ?")

Irish forestry policy focuses on economic issues

Context

40. The aim of the Irish National Forestry Strategy is "to develop forestry to a scale and in a manner which maximises its contribution to national well-being on a sustainable basis and which is compatible with the protection of the environment". This indicates that the different aspects of sustainability (economic, social, environmental), should be taken into account. The compatibility with the environment

of the single project is, depending on its size, judged by a preliminary on-the-spot visit or by a desk-check of the application.

Findings

41. The Irish national forestry strategy "Growing for the future" aims at significantly increasing the percentage of broadleaves in Ireland (according to the Forest Service up to 30 % of planted trees by 2006). However, the economic aspect of that strategy focuses on establishing and supplying the Irish timber industry. This has led to a large extent to conifer plantations and broadleaf planting rates of only 10 % of the planted trees. The projects which have been approved contribute to the economic sustainability of woodland (timber supply, return of investment, fast growing species) but may have a negative effect on increasing the broadleaf rate. In contacts with environmental NGO's the Irish policy was highly criticised, claiming to be over focussed on economic aspects, without due regard to the need to maintain biodiversity.

42. Environmental and social criteria are only taken into account when the project exceeds a certain size. The County Council (the responsible body for consideration of environmental aspects) is only consulted if a plantation size is over 25 ha. However, smaller afforestation projects, particularly in areas of ecological value, which is the case in Mayo, the county visited, might have a considerable environmental impact.

43. Limited consideration is given to the social aspects. Issues such as recreation, landscape, footpaths or removal of fences are not considered at all when approving afforestation of agricultural land. Due to the limited average plantation size in County Mayo, almost no impact study has to be carried out. In the projects visited no proof of assessments of the social impact of afforestations was found (e. g. documents about the opinions of local groups or communes). There may be negative social impact of afforestation such as areas may become less attractive to the residents, isolating dwellings from one another and excluding local residents from traditional views and amenities.

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LIST OF PROJECTS EXAMINED DURING THE WEEK 6-11/4/2003**Monday 7 April 2003**

[details withheld] Westport. Co Mayo.

Description: (Guidance financed), reconstitution of woodland after gale damage on 30,2 ha unenclosed land, Sitka spruce, Japanese larch, some Birches, scrub removal, 2500 plants/ha, fertiliser, drainage, fence, weed control.

Finding: The work was carried out properly despite the difficult site conditions (area suffered from gale damage, access to the trees was difficult). However the work was carried out before the approval of the application by the Forest Service. This calls into question the aid granted.

[details withheld] Newport. Co Mayo.

Description: Afforestation of 22,4 ha more severely disadvantaged agricultural land (18,23 ha unenclosed, 4,21 ha enclosed), Sitka spruce, Lodgepole pine, Japanese larch, Birch, Alder, Ash, Rowan; 3000 plants/ha, fertiliser, to be fenced, drainage, silt traps, weed control, road needed, contractor "Greenbelt" LTD.

Finding: The afforestation was in a good state but there was insufficient documentation of the previous agricultural use of the land (verification, general problem). Due to biodiversity reasons, an area along the riverside was not planted with trees and left for natural regeneration of broadleaves. According to the Forest Service, it was about 15 % of the approved area, however, afforestation payments were made for the whole approved area. This calls into question the aid granted.

[details withheld] Co Mayo

Description: Afforestation of 7,7 ha enclosed and 3,5 ha, unenclosed, more severely disadvantaged agricultural land (11,2 ha) Sitka spruce, Lodgepole pine, Japanese larch, Sycamore, Ash, Alder, drainage, weed control. No audit findings

Tuesday 8 April 2003

[details withheld] Co Mayo.

Description: Afforestation of agricultural land, area size 13 ha, agricultural land, enclosed, more severely disadvantaged, 12 ha conifers (Sitka and Norway spruce, Jap. larch), 1 ha broadleaves (oak, sycamore), 60.000 plants, 2m x 2 m, fencing against sheep, weed control, contractor: Greenbelt LTD.

Finding: Respect of buffer zones, but the area actually planted was reduced compared to the application and affected only broadleaf planting. There was no follow-up of this in the project file. This calls into question the Forest Service management and the eligibility of claim as regards 10 % broadleaf planting.

[details withheld] Co Mayo.

Description: Afforestation of 33,5 ha (10,3 ha unenclosed, 23,2 ha enclosed) agricultural land, more severely disadvantaged, Sitka spruce, Lodgepole pine, Japanese larch, Scots pine, some broadleaves, 3000 plants/ha, fencing, fertiliser, drainage, weed control, contractor [details withheld].

Finding: [details withheld] never farmed the afforested land herself. It was bought for investment purposes. The plantation was in a good state.

[details withheld] Co Mayo

Description: Afforestation of 16.94 ha enclosed, more severely disadvantaged, agricultural land, (Sitka spruce, Lodgepole pine, Scots pine, Ash, Alder), scrub removal, 3000 plants/ha, 2 m x 2 m, weed control contractor [details withheld].

Finding: The beneficiary has indicated that at the time of purchase he already had in mind the possibility of afforestation, but in fact he farmed the land for a very short period. Damage to some of the plants by hare or rabbits (biting the bark which causes serious wounds to the young trees indicated, ineffective protection), unnecessary planting of trees very close to a hedgerow so that they have almost no chance of survival due to shading by the mature trees of the hedge. This calls into question the approval given.

Wednesday 9 April 2003

[details withheld] Co Mavo

Description: Afforestation of agricultural land, area size 11,42 ha (1,34 ha unenclosed), Sitka spruce (80 %) and Jap. larch (20%), some broadleaves, 2 m x 2 m, drainage, fence, weed control

Finding: Project in a very good state of maintenance, the area was suitable for 10 % broadleaves, but only about 6 % were actually planted, the Forest Service did not react to the failure to apply the minimum requirement. This calls into question the Forest Service management and eligibility of the claim.

[details withheld] Co Mavo.

Description: (Guidance financed), reforestation after a forest fire on a plantation, 22 ha of more severely disadvantaged enclosed forest land, Sitka spruce, Lodgepole pine, Norway spruce, Japanese larch, 3000 plants/ha, fertiliser, drainage, weed control

Finding: The representative of the Forest service indicated that considering the poor soil quality, previous land use was limited to grazing a couple of sheep per hectare for two or three months per year. The plants were growing badly in some places due to the site conditions (according to the Forest Service it was not suitable for growing broadleaves).

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