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SUMMARY REPORT

ON THE

***COMMUNICATIONS BY THE MEMBER STATES ON THEIR INSPECTION ACTIVITIES AND
FINDINGS AND QUESTIONS OF PRINCIPLE
IN THE FIELD OF TRADITIONAL OWN RESOURCES***

-1997-

(Article 17(3) of Council Regulation (EEC, Euratom) No 1552/89)

(presented by the Commission)

SUMMARY

The Commission has produced this report in accordance with Article 17(3) of Council Regulation (EEC, Euratom) No 1552/89 which requires it to report to the budgetary authority on all the Member States' inspection activities and findings relating to the collection of traditional own resources.

This report shows that the Member States carry out a considerable volume of activities involving several million transactions but also demonstrates that evaluation sometimes faces problems of comparability due to the non-uniformity of data and different interpretations of the basic data. However, the way the data are treated in this summary report reveals a number of general trends which are becoming more detailed over time.

1. INTRODUCTION

1. Under Regulation No 1552/89¹ the Member States are responsible for collecting "traditional" own resources and are obliged to take all the necessary steps to ensure that debts due to the budget of the European Communities (chiefly import duties) are established, entered in the accounts, recovered and made available to the Commission.

The Commission is kept informed of these activities by various reports it receives from the Member States on the basis of Regulation No 1552/89. As regards *inspection work* in particular, Article 17(3) of the Regulation provided that Member States must keep the Commission informed of their activities by means of half-yearly reports.

With the adoption of Regulation (EC, Euratom) No 1355/96,² the reports became annual and the Commission was required to produce a summary of the reports for the budgetary authority.

2. These summary reports were intended to take stock of inspection activities and findings at national level and provide an overall view of the volume of fraud and irregularities involving the European Union's traditional own resources. They should also enable the Commission to conduct an additional documentary check and make optimum use of risk analysis in drawing up its own inspection programme.

3. These objectives are a long way from being achieved. In view of the disappointing experience with the previous half-yearly reports, it was agreed when Regulation No 1552/89 was amended in 1996 that a solution should be found for the considerable discrepancies between the national reports and differences in the interpretation of various basic concepts. After extensive discussion within the Advisory Committee on Own Resources, a harmonised model annual report was sent to the Member States in March 1997.³ This set out the overall data to be provided on cases of fraud and irregularities and aimed at greater consistency in the accounting data supplied.

As the Member States found it difficult to harmonise the data, there was a considerable delay before the Commission received the annual reports for 1996. When it examined the information it had received, the Commission found that the Member States had failed to follow the model and decided not to publish its summary report. However, a summary document was drawn up in May 1998⁴ and examined by the Advisory Committee on Own Resources on 8 July 1998.

Analysis of the reports for 1997 shows that the results have largely failed to live up to expectations : the Commission feels that it cannot yet reach any completely valid conclusions in view of the absence of comparable or, in some cases, reliable data. As shown further down, this is the case with the inspection activity indicators and interpretation of the concept of "cases of fraud and irregularities". However, this finding

¹ Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 implementing Decision 88/376/EEC on the system of the Communities own resources (new version - Decision 94/728/EC).

² Council Regulation (EC, Euratom) No 1355/96 of 8 July 1996 amending Council Regulation No 1552/89 of 29 May 1989.

³ Commission Decision 97/245, 20.3.97 (C(97) 800 final).

⁴ XIX/24329/98, 27.5.1998.

does not apply to the notification of cases written off under Article 17(2) nor to the cases of fraud, where trends are more distinct.

Some Member States, including Austria, reported they were unable to incorporate the data from the standardised model of March 1997 into their reports for year 1997. More favourable results should emerge next year.

The Commission wondered whether there was any point in publishing this report, given the shortcomings it had detected. However, it considered that publication of even an incomplete and non-standardised report could throw light on current difficulties in connection with traditional own resources and encourage the Member States to improve the quality of the information they supply.

It was also planned that there should be an analysis of questions of principle relating to the problems encountered in applying Regulation No 1552/89, including those raised in matters in dispute. However, from past experience, the Commission has concluded that there is little point in this approach, because the information scarcely lends itself to this type of analysis. Any problems reported by the Member States will therefore be brought to the attention of the ACCOR as they arise rather than be analysed in the summary reports drawn up under Article 17(3).

This analysis tabulates the key elements of the model report which the Commission has sent to the Member States. Each table is accompanied by appropriate explanations and gives the reasons for the production of the indicator.

2. ANALYSIS OF NATIONAL REPORTS

The analysis of national reports is meant to reveal two main types of information; a general picture of the Member States' inspection operations and an assessment of measures to combat fraud and irregularities. For this purpose, data are first compiled concerning inspection activities in the form of the number of entries processed by each national administration at the time of importation and at the time of inspection (ex post) and the number of staff assigned to inspection work. This provides an indication of inspection activity in relation to the volume of traffic in each Member State.

The national reports then provide the information needed to quantify and categorise the results of activities to combat fraud and fraudulent practices. Given the cross-border nature of fraud, and with a view to illustrating the patterns of fraud on the Community's customs territory, the national figures (number of cases, amounts) are expressed in terms of the totals for all the Member States. In this analysis a distinction is made in the data between the different stages of fraud prevention: investigation and detection of cases, determination and entry of amounts, recovery of duties.

These data are also compared with other information supplied by the Member States on the entry in the accounts of uncollected own resources and on the fraud forms. This comparison is intended to throw light on disputes involving own resources and reveal any discrepancies in the establishment and making available of these resources. Finally, the analysis categorises cases of fraud and irregularities by customs arrangement and by type of fraud.

To produce this analysis of national reports, the Commission used some of the data supplied in the national half-yearly reports for 1995 and, for 1996, in the first annual report submitted by the Member States, with due allowance for the fact that some of them were incomplete and that the information supplied by the Member States was not readily comparable.

Although of limited value, this comparison between the years concerned nevertheless allows certain conclusions to be drawn on the development of the Member States' inspection activities and findings and the main trends affecting the collection of own resources.

2.1. Inspections by Member States

A general picture of inspection operations can be provided by comparing the entries accepted, the entries checked after customs clearance and staff specialising in inspections of this kind in each Member State.

This comparison is set out in Annex 1, which also shows the percentage of entries inspected and the ratio of entries inspected per person. At the same time this gives an idea of the volume of transactions on the Community's customs territory.

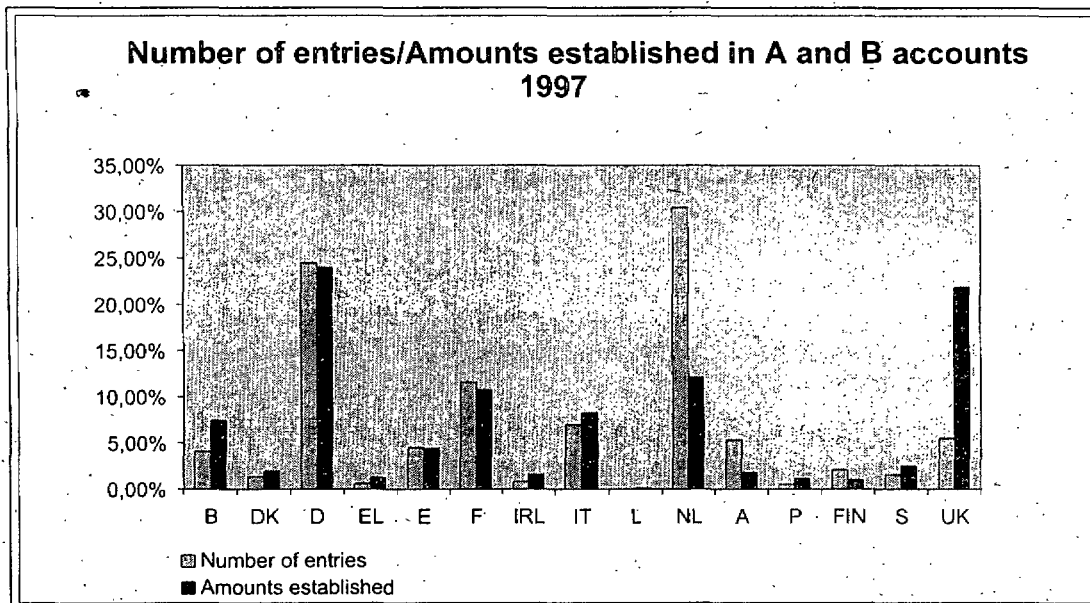
To place these indicators of inspection activity in perspective, Annex 2 compares overall inspection activity in the Member States in 1996 and 1997.

The following **comments** can be made on the two tables in Annexes 1 and 2:

(a) Number of entries accepted

The number of entries accepted has increased in most Member States. In cases where the number has fallen, the reduction cannot be considered significant.

Comparison of 1996 and 1997 figures reveals a wide discrepancy between the number of entries accepted by the Netherlands and Germany and those accepted by the United Kingdom, especially when compared with each Member State's share of established traditional own resources (amounts entered in the "A" and "B" accounts). The ratio between this figure and the number of entries is relatively stable, as the following chart shows:



(b) Post-clearance checks

The data on the number of entries checked cannot be used to make a real comparison between the Member States (proportion of entries checked after customs clearance) since only six Member States (B, EL, I, NL, FIN and S) submitted the actual number of entries checked after customs clearance (see also the explanations in the notes to Table 1 in Annex 1).

Given these limits, it should, however, be pointed out that, apart from in Germany, Spain, Luxembourg and the Netherlands, the number of entries checked after customs clearance did not move in line with the entries accepted in many Member States. In France and Italy in particular, the number of entries checked after customs clearance dropped by 76% and 93% respectively in relation to 1996 without being justified by any change in the number of entries accepted. The same finding, albeit less pronounced, applies to Austria and Finland.

The Commission is now investigating this phenomenon which could reflect a decline in inspection activity.

Similarly, there are, at times, considerable differences in inspection rates between the Member States; this is the case, for example, between Luxembourg (7%) or Denmark (12%) and Sweden (0,1%).

(c) Staff assigned to post-clearance checks

As for the relationship between **staff specialising in post-clearance checks** and the number of entries inspected, it is difficult to make comparisons because of differences in the internal organisation of national government departments.

The changes in the figures contained in Annex 2 show that in six Member States the total staff assigned to the customs services was lower than in 1996. However, in most Member States, the number of inspectors has increased.

2.2. Fraud and irregularities

2.2.1. Amounts established and already recovered in 1997

The annual reports contain two types of statistics on cases of fraud and irregularities, the volume of cases detected and accounting data. The **table in Annex 3** therefore sets out three series of figures; the number of cases detected, the amounts established and the amounts recovered. This gives a picture of the patterns of fraud on the Community's customs territory and the efforts deployed in combating fraud.

A "rate of recovery" is then calculated to give an initial indication, at the end of the first year, of the result of the efforts of each Member State to recover the amounts involved in these cases. The table also shows the amounts established and recovered in each Member State in relation to the totals for the Community.

It should first be pointed out that the number of cases of fraud and irregularities reported in column 2 are far from uniform. Numbers in the thousands may mean that the Member State has reported all infringements handled in the course of the year by its government departments. By contrast, some countries have supplied figures with an order of magnitude of tens or hundreds, which would seem to be at odds with their intensive trade in third-country goods, indicating that only some of the infringements have been reported.

Comparison of the data between Member States reveals major discrepancies which are difficult to interpret. It is striking, for example, that the amounts established in Belgium come to half the figure for the United Kingdom, double that for the Netherlands and the same as for Germany, Spain and Greece combined (column 3). The only explanation for these discrepancies would be that the concept of fraud and irregularities has not been interpreted uniformly or that only the fraud forms have been reported.

It is worth noting that the **recovery rate** indicated in column 7 is a "crude" rate (i.e. the amounts established still have to be adjusted, where appropriate, to take account of corrections and cancellations). The recovery figure for the year also covers amounts which have, in many cases, been established several years earlier. This rate can therefore

serve only as a statistical indicator, giving a fairly broad picture of the recovery situation before any corrections that have to be made.

Given this situation, it can be said that the average recovery rate for all the Member States combined is low (23.26%). It has been dragged down by the figures for a number of Member States (Germany, Greece, Italy, Austria and Portugal) which account for a large proportion of amounts established (ECU 164.8 million, almost 40% of the total): the average rate of recovery corresponding to these amounts comes to only 6.19%.

On the other hand, six Member States (DK, E, IRL, L, NL, FIN) recover 50% or far more of the amounts they establish while the others recover only around 20% (B, F, UK) or fluctuate around 10% (D, A) or less (EL, I, P). At first sight, this phenomenon raises a problem in assessing the efforts made. The shortcomings may be in establishment or in the recovery of entitlements.

Finally, if the amounts established and recovered in each Member State in 1997 are compared with the total amounts for all the Member States (columns 4 and 6 of the table), a strange discrepancy will be found between the relative share of some national administrations in the total amount established and in the overall recovery figures. The United Kingdom and, to a lesser extent, France are the only Member States whose share of amounts recovered and amounts established is comparable. The percentages recorded for three other Member States, however, require some explanation if they are to be interpreted correctly (although for Germany and Austria amounts established concern only cases involving more than ECU 10 000).

2.2.2. Changes in amounts established and the rate of recovery

As treatment of cases of fraud and irregularities is necessarily cyclical, the **table in Annex 4** tries to identify significant trends by examining changes in the volume of fraud over a number of years. However, to a certain extent, this comparison of data on cases of fraud and irregularities reported for 1995, 1996 and 1997 may reveal changes caused by different factors such as an improvement in inspection activity, a temporary increase in fraudulent or irregular operations or the isolated discovery of cases of fraud or irregularities involving a particularly high amount.

a. Cases of fraud and irregularities

The number of fraud cases increased in the majority of Member States (ten). Cases almost doubled in Belgium and Ireland, almost tripled in Portugal and increased sevenfold in Sweden.

The analysis comes up against the problem of the comparability of data, which relate either exclusively to infringements reported in the fraud forms and thus to amounts exceeding ECU 10 000 (Germany and Austria) or to all infringements (the other Member States).

However, the following anomalies should be noted:

- In Denmark the number of cases is ten times lower than last year.
- In Germany the number of cases is constantly falling with the result that the figure for 1997 is only half the figure for 1995. Moreover, this figure (384) relates only to cases involving more than ECU 10 000.
- In Austria the number of cases is very low (64 in 1997 and 28 in 1996) compared with 1995 (47 783). This surprising reduction may be due to a change in the interpretation of the concept of "fraud and irregularity", with only cases involving more than ECU 10 000 being reported.

However, some discrepancies are not merely cyclical and require further explanation from the Member States (decline in Germany, Denmark and the Netherlands)

b. Amounts established

In absolute terms, the amounts established in the Community as a whole increased by 35.5% between 1995 and 1997. The increases were substantial in the United Kingdom and Austria (fourfold) and, to a lesser extent, in Greece and Ireland (where the amounts established doubled).

However, some changes are difficult to explain: in the Netherlands, for example, the 65% fall in the amount established corresponds to a fall of only 22% in the number of cases. Italy should also be mentioned: not only does the amount established each year more than double, but this amount is as much as Germany, Greece, Spain and France combined, which is an anomaly in itself.

The Commission does not have any data to explain these phenomena. The Member States will be asked to provide any further information required.

c. Rate of recovery

Between 1995 and 1997 the amounts recovered increased substantially in all the Member States bar Denmark, the Netherlands and Finland and the national recovery rate increased in four Member States (D, E, I and FIN), disregarding the unchanged 100% rate in Luxembourg. The fall in this rate in the other Member States may be due to a number of reasons such as cyclical factors (types of fraud leading to establishment), changes in establishment procedure and the correction of establishments or, finally, a drop in recovery itself.

In most cases, particularly in the United Kingdom and Portugal, the fall in this rate appears to be due to the change in the level of amounts established, as recovery of the more uncertain entitlements itself becomes more difficult.

2.2.3. Amounts established and amounts entered in the accounts

All traditional own resources established must be entered in the accounts. Amounts recovered or guaranteed and not contested are entered in the "A" account (Article 6(2)(a) of Regulation No 1552/89) and amounts which have not been recovered and are contested, even though a security has been provided, are entered in the "B" account (Article 6(2)(b) of the Regulation). Many of the cases of fraud and irregularities detected are contested or are not covered by a security and are therefore entered in the "B" account.

It is therefore worthwhile comparing the amounts established and mentioned by the Member States in their annual reports for 1997 with the totals entered in the B account (table in Annex 5).

In 1997 the total established as a result of fraud and irregularities differed from the total entered in the B account (containing amounts established but not yet recovered) in five Member States.

In Germany and Austria these differences may be due to the fact that these countries reported only cases of fraud and irregularities involving more than ECU 10 000, contrary to the instructions in the model annual report.⁵

The following table gives more precise details of the differences noted when comparing the amounts established and mentioned by certain Member States in their annual reports with the totals entered in the B account for 1995, 1996 and 1997.

Amounts established < Amounts in B account (ECU)

Member State	Differences		
	1995	1996	1997
D	-93.984.391	-67.692.435	-75.721.840
EL	-17.520	-353.094	
F	-10.711.597	-15.931.675	
IRL	-393.152		
I	-37.253.440	-13.320.715	
NL			-27.985.598
A		-1.760.482	-8.121.325
P	-5.022.805	-7.307.827	-5.226.456
S	-328.095		
UK	-9.395.515	-27.591.278	-57.866.009
TOTAL	-157.106.515	-133.957.506	-202.044.339

⁵ Annex 6, endnote 2, of the Commission Decision of 20 March 1997 laying down the arrangements for the transmission of information by the Member States under the Communities' own resources system (C(97)800 final) states that all cases are to be reported, regardless of threshold value.

In the case of Germany, Austria, Portugal and the United Kingdom, this difference has always been negative; in 1997 it became positive in Greece, France and Italy and negative in the Netherlands.

This situation is obviously abnormal since the total amount established in connection with cases of fraud and irregularities cannot be lower than the amount entered in the separate account as not all the amounts involved in these cases are contested or without a security.

The Commission considers that this anomaly is due to the incorrect interpretation by some administrations of the concept of "fraud and irregularities". In this connection it has repeatedly asked the Member States to apply the definitions of these two concepts set out in Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995⁶ on the protection of the Community's financial interests or in the Convention on protection of financial interests of 27 November 1995.⁷

2.2.4. Annual reports/Fraud forms

Article 17(3) of Regulation No 1552/89 provides for a comparison between the number of cases of fraud and irregularities contained in the report on inspection activity and the fraud forms submitted under Article 6(4) of the Regulation (amounts exceeding ECU 10 000 contained in the IRENE base for the year). This comparison is set out in the **table in Annex 6**.

The table shows that in three cases (DK, D, NL) the amount to be recovered according to the fraud forms received by the Commission (cases involving over ECU 10 000) is higher than the total amount established as a result of fraud and irregularities (irrespective of the amounts involved). The Commission believes that this discrepancy can be attributed to one of the following reasons:

- (a) *either* the amount shown in column 3 does not relate to all fraud and irregularities, because of the way the two concepts are defined at national level (see comment and footnote in previous section),
- (b) *or* the amounts indicated in one or more fraud forms were subsequently changed.

This should be examined by the Member States concerned.

⁶ OJ L 312, 23.12.1995, p. 1.

Irregularity: "Any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the Communities..."

⁷ OJ C316, 27.11.95, p. 49

Fraud: "Any intentional act or omission relating to:

- *the use or presentation of false, incorrect or incomplete statements or documents which has as its effect the illegal diminution of the resources of the general budget of the European Communities or budgets managed by or on behalf of, the European Communities,*
- *non-disclosure of information in violation of a specific obligation, with the same effect,*
- *misapplication of a legally obtained benefit, with the same effect".*

2.3. Breakdown of fraud and irregularities by customs procedure and type of fraud

Not all customs procedures are equally susceptible to fraud and irregularities; their vulnerability may change in the course of time as certain economic sectors are briefly targeted.

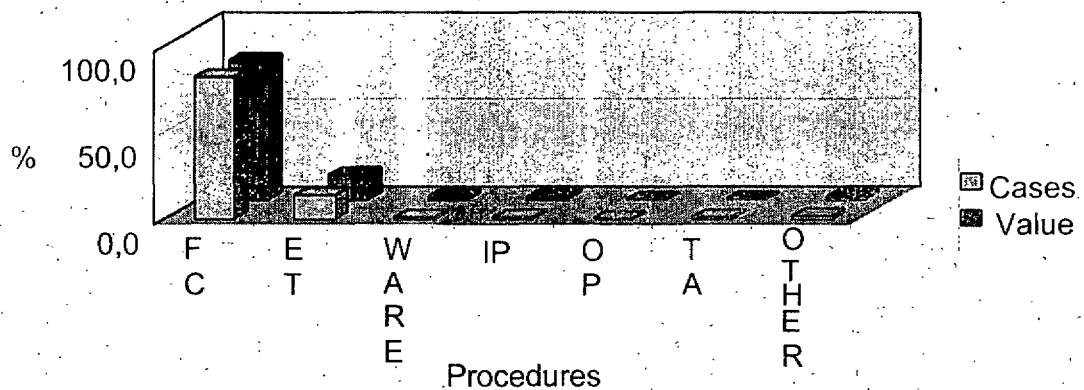
Transit operations have thus been a favourite target of fraud in recent years, particularly as regards certain sensitive agricultural products.

The **table in Annex 7** presents a quantitative picture of how cases of fraud and irregularities break down by Member State and by customs procedure in order to determine how vulnerable each procedure was in 1997.

It shows that **external transit** (14% of cases and 14% of the total amount at stake) and **release for free circulation** (81.3% of cases of fraud/infringements accounting for 80% of the total amount) are particularly affected. By comparison, the **following chart** shows that other customs procedures and end-uses are only marginally affected.

As regards the breakdown of transit infringements by Member State, two findings require further explanation: Belgium alone accounts for almost half the own resources involved (ECU 29.9 million out of ECU 65.7 million) with 4 413 cases noted. With the number of cases approaching 4.180, the Netherlands, by comparison, finds that only ECU 4.8 million in own resources has been evaded under this procedure.

Fraud/irregularities by customs procedure



Legend:

- FC* Free circulation
- ET* External transit
- WARE* Warehousing
- IP* Inward processing
- OP* Outward processing
- TA* Temporary admission
- Other* Other customs procedures and end-uses

If a comparison is now made in this respect between 1996 and 1997, as is done in the **table in Annex 8**, it will be found that the amounts established have increased in the case of free circulation, warehousing and temporary admission, but have fallen for other procedures.

The number of cases of fraud and irregularities in connection with the transit procedure increased by 62%, while the amounts established fell by 29%.

Unfortunately, these figures merely confirm an already known trend.

The breakdown by Member State of cases of fraud and irregularity and of the amounts involved by type of infringement shown in the table in Annex 9 reveals that the most common causes of fraud and irregularity are irregular entry into the customs territory of the Community (14.8% of cases) and, in the case of release for free circulation, false descriptions of the goods declared (23.6% of cases) and false declarations of value (17.7% of cases).

However, in terms of amounts established, it is the incorrect declaration of weight or quantity which is most frequent (24.56%). It should be added that, given the negligible number of such infringements (1.6%), the amounts involved are very high. This type of infringement occurs almost exclusively in the United Kingdom and the Netherlands.

Italy seems to experience a large number of problems with the declaration of customs value.

Infringements against other procedures are divided fairly uniformly between the Member States.

However, attention should be drawn to the fact that Germany and, in part, Denmark record particularly low amounts or no amounts at all for certain categories of infringement.

A comparison between 1996 and 1997 in the **table in Annex 10** reveals a sharp drop in contraband in 1997, both in absolute terms and as a proportion of amounts established, while cases of incorrect declaration of weight or quantity have increased considerably in terms of amounts established from ECU 1.6 million in 1996 to ECU 89.5 million in 1997.

3. APPLICATION OF ARTICLE 17(2) OF REGULATION (EEC, EURATOM) NO 1552/89

Article 17(1) states that the Member States must make available to the Commission all the entitlements they establish and recover. When this is not possible for reasons of *force majeure* or in specific cases when recovery is impossible for reasons which cannot be attributed to the Member State, the entitlement is written off. If the amount of duty exceeds the threshold of ECU 10 000, the case is referred to the Commission for examination in accordance with Article 17(2).

In 1997 four Member States notified the Commission of six cases in which amounts were written off. However, the Commission dealt with 17 cases in all that year since 11 were

still pending from previous years. Similarly, in 1998 two Member States notified the Commission of five cases relating to 1997. The features of all these cases are recorded in the two tables in Annex 11.

The 17 requests to write off own resources shown in the first table in Annex 11 were examined in detail to check all the relevant data which the Member States have to report under Article 17(2) of Regulation (EEC, Euratom) No 1552/89. An interdepartmental working party set up for this purpose in 1997 meets regularly to assess each case as effectively and as quickly as possible. The appropriate Commission departments thus reach a common position.

Of the 17 requests mentioned above, 6 (including one in part) were accepted by the Commission which, after a detailed analysis of all the information supplied, considered that the own resources could not be recovered for reasons which could not be attributed to the Member State concerned. However, 9 requests (including one in part) were rejected as the Commission considered that the Member State concerned has not displayed due diligence and had not availed itself of all the powers offered by Community and national law to protect the Community's financial interests.

In two other cases the Commission considered that the failure to recover the own resources could not be regarded as final and therefore asked the Member State concerned to re-enter the amount in the separate account and continue the recovery procedure. Finally, one case was considered inadmissible since the Community entitlements for which the write-off was requested had not been established even though the establishment of entitlements is a pre-condition for application of Article 17(2). The Member State has been held financially liable.

The Commission has not yet expressed its final position on the five cases shown in the second table in Annex 11 as the information supplied by the Member States concerned does not enable it to do so because it is not in possession of the full facts. It will complete its examination on receipt of the information requested from the Member States concerned.

Despite the Commission's inspections and the continuous dialogue with the Member States, there has been no notable change in the number of cases written off by the Member States. However, two new countries - Belgium and Denmark - have joined the Member States which make regular use of this procedure (Spain, France, Netherlands, United Kingdom).

This is the course advocated by the Commission which considers that this procedure allows a fair and open examination of the collection of own resources by the Member States and benefits the efficient management of Community entitlements.

4. CONCLUSIONS

The Commission concludes from the information supplied that some progress has been made in the way in which the Member States report on their inspection activities and findings. However, despite the efforts which have obviously been made, not all the Member States have made the same progress.

In particular, the Commission notes a clear improvement in producing and reporting data compared with the previous two years. However, the continuing differences in the information reported reflect the difficulties in harmonising the basic concepts between the Member States and, for the Member States themselves, in ensuring the internal consistency of the information supplied. The only conclusion is that the "running-in" period has still not been completed.

The *comparability of data thus suffers from considerable differences* in the interpretation of concepts of "fraud and irregularities" which is often incorrect. This gives a sometimes improbable picture of the volume of fraud detected and makes it difficult to judge the record of the national authorities.

Moreover, the information supplied by some Member States in their annual report cannot be reconciled with figures from other sources such as the separate accounts for own resources and the fraud forms.

As regards inspections, the information supplied shows an overall increase in staff assigned to this activity together with an increase in the number of entries accepted. However, these data do not allow precise assessment of the efforts actually made by administrations.

The quality of the information supplied by the Member States on *their inspection findings* is better than for the previous year. However, progress varies and some Member States have seen their results plummet in terms of both establishment and recovery, further information is required to explain where there is considerable discrepancy with the volume of traffic.

Although Member States' inspection activities and findings cannot easily be compared as the data are still far from uniform, analysis of the national reports since 1995 gives *a fairly clear picture of trends in connection with fraud*. This confirms the information already obtained from the Irene base on the most vulnerable procedures : release for free, i.e. circulation, including preferential schemes, and transit. The Member States should concentrate their inspection activities on these two sectors.

As for the *procedure for writing off* amounts which cannot be recovered, progress remains limited but seven Member States now use this procedure. At least part of this result can be attributed to inspections by the Commission and the Court of Auditors in connection with the separate account and clearance procedures, but it is also the outcome of the continuous dialogue between the Commission and the national administrations on these matters.

Finally, the Commission would point out that the only real point of this report is to give an idea of the efforts which the Member States are making to comply with their obligations under Article 17(3) of Regulation No 1552/89. The document will be mentioned at the Advisory Committee on Own Resources. The Commission will do everything in its' power to ensure that any difficulties arising in the Member States are resolved quickly.

ANNEXES

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ANNEX 1

Inspections by Member States

	Entries accepted	Entries checked after customs clearance	% of entries checked after customs clearance	Total number of staff in customs departments at national level	Total number of staff assigned to post-clearance checks at national level	Average number of entries checked per person
(1)	(2)	(3)	(4)=(3)/(2)	(5)	(6)	(7)=(3)/(6)
B	3.465.188	211.641	6%	3.552	915	231
DK (1)	1.186.024	143.858	12%	816	65	...
D	20.600.000	32.430(2)	0,15%	26.700	5.400	6
EL	572.600	7.833	1,36%	3.962	36	218
E	3.800.064	12.636(3)	...	4.056	240	53
F	9.800.000	738.830(4)	7,54%	19.679(5)	643	1149
IRL	740.501	....	....	1.347	31	....
I	5.940.066	85.096	1,43%	6.491	852	100
L (6)	43.629	3.180	7%	129	15	212
NL	25.657.280	1.538.103	6%	5.373	4.270(7)	360
A (8)	4.536.545	27.988	0,62%	4.584	177	158
P	419.542	(9)	....	891	172	....
FIN	1.736.762	106.727	6%	2.282	148	721
S	1.287.000	1.360	0,1%	2.400	90	15
UK	4.633.921	...	...	429,33(10)	106,87	...

Notes:

- (1) Entries accepted and entries checked and the %: the figure given refers to the number of tariff headings.
- (2) Number of checks on firms' premises ("Betriebsprüfung"), each involving a large number of entries.
- (3) This figure is the number of irregularities established. This means that the number of entries checked is much higher but Spain is not yet in a position to give the number.
- (4) Number of entries subject to deferred inspections (post-clearance documentary checks by specialised regional services (CERDOX)) (not including 6770 comprehensive inspections, each involving an undefinable number of entries).
- (5) Total staff numbers, including senior management and laboratory staff.
- (6) Entries selected by the SADBEL computerised system, manual entries and entries checked by the Inspection d'Audit.
- (7) Excluding FIOD (Special anti-fraud service).
- (8) The figure for post-clearance checks does not include 1 302 comprehensive inspections, each involving several entries.
- (9) There are still no accurate statistics for this type of check, which may take place in various situations, including inspections of firms by the anti-fraud service.
- (10) Person/years.

ANNEX 2**Inspections by Member States**

	Entries accepted			Entries checked after customs clearance			Total number of staff in customs departments at national level			Total number of staff assigned to post-clearance checks at national level		
	1996	1997	Change	1996	1997	Change	1996	1997	Change	1996	1997	Change
			+ -			+ -			+ -			+ -
B	....	3.465.188		....	211.641		....	3.552		....	915	
DK	1.137.522	1.186.024	X	838	143.858	X	815	816	X	66	65	X
D	21.200.000	20.600.000	-X	32.537	32.430	X	27.500	26.700	X	5.180	5.400	X
EL	....	572.600		....	7.833		....	3.962		....	36	
E	3.189.410	3.800.064	X	10.759	12.636	X	4.073	4.056	X	240	240	= =
F	8.423.471	9.800.000	X	774.384	180.330	X	18.259	19.679	X	441	643	X
IRL	617.485	740.501	X	....	....		1.240	1.347	X	....	31	
I	4.852.713	5.940.066	X	1.262.397	85.096	X	6.135	6.491	X	754	852	X
L	27.041	43.629	X	2.976	3.180	X	129	129	= =	15	15	= =
NL	21.272.970	25.657.280	X	1.032.399	1.538.103	X	5.387	5.373	X	4.202	4.270	X
A	4.845.731	4.536.545	X	45.091	27.988	X	4.769	4.584	X	175	177	X
P	420.775	419.542	X	....	(8)		915	891	X	132	172	X
FIN	1.762.404	1.736.762	X	144.309	106.727	X	2.223	2.282	X	157	148	X
S	1.194.659	1.287.000	X	...	1.360		2.285	2.400	X	91	90	= =
UK	3.933.688	4.633.921	X	...	...	...	462	429	X	118	106	X

ANNEX 3**Fraud and irregularities: amounts established and already recovered***(Amounts in ECU)*

	Number of cases	Amounts established	Establishments as % of EU 15 total	Amounts already recovered	Recoveries as % of EU 15 total	"Crude" recovery rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)=(5)/(3)
B	11.258	65.710.653	13,37%	12.014.933	10,51%	18,28%
DK	657	7.309.440	1,49%	4.536.714	3,97%	62,10%
D ⁽¹⁾	384	28.473.160	5,79%	2.899.006	2,54%	10,18%
EL	1.792	15.733.057	3,20%	579.697	0,51%	3,68%
E	12.636	24.354.357	4,96%	12.740.216	11,15%	52,31%
F	12.752	40.961.412	8,34%	8.180.810	7,16%	19,97%
IRL	1.104	5.887.044	1,20%	4.298.916	3,76%	73%
I ⁽²⁾	4.264	106.587.889	21,69%	4.146.139	3,63%	3,89%
L	21	37.853	0,007%	37.853	0,03%	100%
NL	14.002	36.014.402	7,33%	30.596.931	26,77%	84,96%
A ⁽¹⁾	64	6.036.675	1,23%	642.005	0,56%	10,64%
P	1.002	8.261.544	1,68%	194.354	0,19%	2,59%
FIN ⁽³⁾	3.835	3.712.886	0,76%	3.437.437	3,01%	92,58%
S	23.394	-389.758 ⁽⁵⁾	...	289.479	0,25%	...
UK ⁽⁴⁾	13.093	131.425.991	26,75%	29.661.435	25,95%	22,57%
EUR-15	100.258	491.274.763 ⁽⁶⁾	100,00%	114.253.925	100,00%	23,26%

(Ecu exchange rate used in tables is the average rate for 1997)

Notes:

- (1) Figures are for cases involving over ECU 10 000.
- (2) L'Amministrazione Autonoma Monopoli di Stato reported only cases of cigarette smuggling involving over ECU 10 000 (48 cases totalling ECU 4 914 716). The amount recovered also relates to cases of fraud and irregularities reported in past years.
- (3) Amounts in cases involving less than ECU 10 000 are assumed to have been recovered.
- (4) Columns 3, 5 and 6 relate only to debts of over ECU 10 000.
- (5) Negative amount because of the correction of an error in the value of an item.
- (6) The total does not take account of the negative amount for Sweden.

ANNEX 4

Fraud and irregularities: Amounts established and recovery rate - Change

(Amounts in ECU)

	Number of cases				Amounts established				"Crude" recovery rate			
	1995	1996	1997	Change	1995	1996	1997	Change	1995	1996	1997	Change
B	6.507	6.820	11.258	↑↑	74.151.928	40.532.767	65.710.653	↓↑	8,13%	18,35%	18,28%	↑↓
DK	167	7.052	657	↑↓	26.103.970	17.946.990	7.309.440	↓↓	32,30%	83,40%	62,10%	↑↓
D	726	593	384	↑↓	60.413.609	38.323.565	28.473.160	↓↓	...	3,23%	10,18%	...↑
EL	1.042	1.257	1.792	↑↑	4.095.480	7.868.906	15.733.057	↑↑	8,03%	2,65%	3,68%	↓↑
E	8.617	10.759	12.636	↑↑	21.147.076	21.971.279	24.354.357	↑↑	41,29%	49,42%	52,31%	↑↑
F	9.932	10.870	12.752	↑↑	34.457.403	32.668.325	40.961.412	↓↑	...	21,56%	19,97%	...↓
IRL	500	594	1.104	↑↑	1.424.848	3.204.644	5.887.044	↑↑	80%	84,05%	73%	↑↓
I(1)	1.300	4.232	4.264	↑↓	19.725.560	48.289.595	106.587.889	↑↑	1,53%	6,28%	3,89%	↑↓
L	14	10	21	↓↑	17.866	3.526	37.853	↓↑	100%	100,00%	100%	↔↓
NL	...	17.931	14.002	...↓	...	104.826.310	36.014.402	...↓	...	90,99%	84,96%	...↓
A	47.783	28	64	↓↑	5.937.332	1.344.518	6.036.675	↓↑	...	17,50%	10,64%	...↓
P	415	398	1.002	↓↑	2.964.195	2.855.173	8.261.544	↓↑	8,54%	...	2,59%	↓
FIN	1.811	4.513	3.835	↑↓	1.365.885	6.973.097	3.712.886	↑↓	...	76,77%	92,58%	...↑
S	9.485	3.412	23.394	↓↑	3.975.905	5.572.753	389.758	↑↑	...	...	...	...
UK	12.137	12.115	13.093	↓↑	36.639.485	33.898.722	131.425.991	↓↑	100%	...	22,57%	↓

(1) The figures for 1996 were corrected following a report from Italy (31.8.98).

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ANNEX 5**Amounts established/Amounts entered in the accounts***(Amounts in ECU)*

	Amounts established (Table 3) 1997	Amounts entered in B account 1997 ⁽¹⁾	Difference	Amounts established amounts in B account
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)=(2)-(3)</i>	<i>(5)</i>
B	65.710.653	50.549.000	15.161.653	
DK	7.309.440	3.013.000	4.296.440	
D	28.473.160	104.195.000	-75.721.840	X
EL	15.733.057	15.268.000	465.057	
E	24.354.357	14.654.000	9.700.357	
F	40.961.412	34.625.000	6.336.412	
IRL	5.887.044	1.912.000	3.975.044	
I ⁽²⁾	106.587.889	96.294.672	10.293.217	
L	37.853	30.000	7.853	
NL	36.014.402	64.000.000	-27.985.598	X
A	6.036.675	14.158.000	-8.121.325	X
P	8.261.544	13.488.000	-5.226.456	X
FIN	3.712.886	2.229.000	1.483.886	
S	-389.758	694.000	...	?
UK	131.425.991	189.292.000	-57.866.009	X
TOTAL	491.274.763⁽³⁾	641.818.000	140.335.937	

(1) Amounts corrected because of differences in exchange rates and divergences in quarters.

(2) Amount in B account corrected (by double entry of a fraud form).

(3) The total does not take account of the negative amount for Sweden.

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ANNEX 6

Annual reports/Fraud forms

(Amounts in ECU)

	Annual reports - Article 17(3) of Regulation 1552/89 Fraud and irregularities - Cases/total amounts (irrespective of amount involved in individual cases)		Fraud forms - Article 6(4) of Regulation 1552/89 Fraud and irregularities - Cases/total amounts ⁽¹⁾ (> ECU 10 000)		Amounts given on fraud forms > Amounts given in annual report
	Number of cases	Amounts	Number of cases	Amounts	
(1)	(2)	(3)	(4)	(5)	(6)
B	11.258	65.710.653	405	45.593.000	
DK	657	7.309.440	82	8.244.000	X
D	384	28.473.160	384	28.624.000	X
EL	1.792	15.733.057	5	3.980.000	
E	12.636	24.354.357	75	3.522.000	
F	12.752	40.961.412	233	32.332.000	
IRL	1.104	5.887.044	54	3.990.000	
I	4.264	106.587.889	298	88.398.000	
L	21	37.853	1	12.000	
NL	14.002	36.014.402	453	39.178.000	X
A	64	6.036.675	73	5.966.000	
P	1.002	8.261.544	5	6.037.000	
FIN	3.835	3.712.886	47	2.085.000	
S	23.394	389.758	58	3.505.000	
UK	13.093	131.425.991	455	95.379.000	
Total (2)(3)	100.258	491.274.763(4)	2.628	366.846.000	

(1) Net amount to be recovered, adjusted after corrections, cancellations, etc.

(2) The total given in the annual report on the fight against fraud for 1997 (2 572 cases involving a total of ECU 364 million) was only an estimate for the fourth quarter of the year.

(3) The figures in column (4) refer to cases of fraud and irregularities notified in writing and via the "OWNRES" program.

(4) The total does not take account of the negative amount for Sweden.

ANNEX 7

Vulnerability of customs procedures to fraud and irregularities

(Amounts in ECU)

	Free circulation		External transit		Warehousing		Inward processing		Outward processing		Temporary admission		Other procedures		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
B	6.490	31.215.640	4.413	29.951.512	159	3.985.982	47	216.209	59	311.829	80	22.711	10	6.769	11.258	65.710.653
DK	442	4.330.664	51	2.165.265	15	113.181	70	207.654	14	457.800	7	2.405	58	32.471	657	7.309.440
D	248	16.843.304	105	8.562.234	8	1.571.200	0	0	14	562.851	9	933.571	0	0	384	28.473.160
EL	403	13.446.469	128	851.548	8	134.842	25	378.733	12	29.727	763	134.717	452	757.021	1.792	15.733.057
E ⁽¹⁾																
F	9.487	33.959.278	2.755	3.790.654	79	89.945	51	797.901	9	146.222	53	306.472	318	1.870.940	12.752	40.961.412
IRL	556	2.993.715	176	447.042	5	103.398	353	2.304.917	0	0	14	37.973	0	0	1.104	5.887.044
I	4.007	96.499.159	191	8.778.800	7	20.639	20	1.110.024	10	86.581	7	2.384	22	90.301	4.264	106.587.889
L	19	8.397	1	29.405	0	0	0	0	0	0	1	51	0	0	21	37.853
NL	9.474	23.759.618	4.180	4.863.376	143	1.746.871	56	367.739	6	33.020	39	44.328	104	5.199.452	14.002	36.014.402
A	42	1.598.840	13	4.230.145	0	0	3	49.536	0	0	5	92.884	1	65.269	64	6.036.675
P	716	5.239.107	44	1.140	14	1.854.356	36	1.162.080	3	0	7	13	182	4.847	1.002	8.261.544
FIN	3.222	3.255.997	19	15.579	92	25.130	227	356.788	148	27.845	2	577	125	30.969	3.835	3.712.886
S	23.085	-554.024	237	102.255	8	6.906	35	44.106	0	0	29	10.999	0	0	23.394	-389.758
UK ⁽²⁾	13.093	131.425.991	...	...	...	...	...	...	...	...	...	...	...	...	13.093	131.425.991
Total	71.284	364.576.179⁽³⁾	12.313	63.788.955	538	9.652.450	924	6.995.687	275	1.655.875	1.016	1.589.085	1.272	8.058.039	87.622	456.152.006⁽³⁾
Impact on total	81,3%	80%	14%	14%	0,6%	2,1%	1,1%	1,5%	0,3%	0,3%	1,2%	0,3%	1,5%	1,7%	100%	100%

(1) Spain can supply only overall figures for irregularities established (12 636) and amounts involved (ECU 24 354 357) with no breakdown by customs procedure or type of fraud/irregularity.

(2) The figures relate only to free circulation.

(3) The total does not take account of the negative amount for Sweden.

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ANNEX 8

Vulnerability of customs procedures to fraud and irregularities

(Amounts in ECU)

	Free circulation		External transit		Warehousing		Inward processing		Outward processing		Temporary admission		Other procedures		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
1995 (1)																
Impact																
1996	53.528	210.383.644	7.621	90.366.720	845	2.767.720	300	8.433.675	347	5.893.995	153	1.099.310	5.774	15.690.244	68.568	334.635.376
Impact	78,07%	62,87%	11,11%	27, %	1,23%	0,83%	0,44%	2,52%	0,51%	1,76%	0,22%	0,33%	8,42%	4,69%	100 %	100 %
1997	71.284	364.576.179	12.313	63.788.955	538	9.652.450	924	6.995.687	275	1.655.875	1.016	1.589.085	1.272	8.058.039	87.622	456.152.006
Impact	81,3%	80%	14%	14%	0,6%	2,1%	1,1%	1,5%	0,3%	0,3%	1,2%	0,3%	1,5%	1,7%	100%	100%

(1) The data available are not comparable.

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ANNEX 9

Free circulation: Types of fraud and irregularities

(Amounts in ECU)

	Undeclared imports		Incorrect description of goods or wrong CCT classification		Origin		Value		Weight / Quantity		Other		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
B	371	1.850.175	2.285	8.662.935	170	2.105.402	1.190	724.895	22	15.189	2.452	17.857.044	6.490	31.215.640
DK	391	523.143	25	2.003.712	12	1.368.724	10	282.885	0	0	4	152.199	442	4.330.664
D	157	11.523.936	1	11.658	77	4.514.712	13	792.998	0	0	0	0	248	16.843.304
EL	77	2.037.274	10	25.425	211	7.011.646	5	71.290	2	106	98	4.300.728	403	13.446.469
E (1)													...	...
F	7.155	6.810.925	943	9.623.080	147	2.632.092	570	3.016.070	20	5.920	652	11.871.191	9.487	33.959.279
IRL	2	12.360	433	2.760.695	2	9.483	77	144.763	33	17.253	9	49.160	556	2.993.715
I	697	10.000.724	472	4.230.518	625	18.551.905	1.790	47.725.116	62	10.827	361	15.980.069	4.007	96.499.159
L	3	136	4	3.998	...	...	4	2.256	1	314	6	1.693	18	8.397
NL	1.084	2.882.654	3.320	8.680.529	238	1.068.839	3.626	7.619.379	650	639.585	556	2.868.632	9.474	23.759.618
A	17	635.994	5	98.656	9	306.788	7	505.534	0	0	4	51.868	42	1.598.840
P	63	9.734	101	5.057.014	26	9.386	31	1.830	50	16.344	445	144.799	716	5.239.107
FIN	148	62.459	1.072	1.164.805	589	1.159.747	554	557.487	12	9.616	847	301.884	3.222	3.255.997
S	477	230.004	6.149	4.765.503	3.738	-264.682	374	173.130	34	5.509	12.313	-5.463.487	23.085	-554.023
UK	0	0	1.990	4.044.798	401	55.236	4.354	1.325.400	242	88.792.452	6.106	37.208.105	13.093	131.425.991
TOTAL	10.642	36.579.518	16.810	51.133.326	6.245	38.726.962⁽²⁾	12.605	62.943.033	1.128	89.513.115	23.853	90.787.372⁽²⁾	71.283	364.576.179⁽²⁾
Impact on total	14,8%	10,04%	23,6%	14,03%	8,8%	10,6%	17,7%	17,27%	1,6%	24,56%	33,5%	24,91%	100%	100%

(1) Spain can supply only overall figures for irregularities established (12 636) and amounts involved (ECU 24 354 357) with no breakdown by customs procedure or type of fraud/irregularity.

(2) The total does not take account of the negative amount for Sweden.

ANNEX 10

Free circulation: Types of fraud and irregularities

(Amounts in ECU)

	Undeclared imports		Incorrect description of goods or wrong CCT classification		Origin		Value		Weight / Quantity		Other		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
1995 (1)														
Impact														
1996	14.044	36.318.871	10.819	47.198.747	5.137	48.707.825	10.946	37.295.743	862	1.623.394	11.720	39.239.061	53.528	210.383.641
Impact	26,24%	17,26%	20,21%	22,43%	9,60%	23,15%	20,45%	17,73%	1,61%	0,77%	21,90%	18,65%	100%	100%
1997	10.642	36.579.518	16.810	51.133.326	6.246	38.726.962	12.605	62.943.033	1.128	89.513.115	23.853	90.787.372	71.284	364.576.179
Impact	14,8%	10,04%	23,6%	14,03%	8,8%	10,6%	17,7%	17,2%	1,6%	24,5%	33,5%	24,9%	100%	100%

(1) *The data available are not comparable.*

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ANNEX 11

Cases of written-off own resources handled in 1997

	Reasons given		Amount (ECU)	State of play		
	Bankruptcy	Insolvency		Accepted	Refused	Comments
BE	X		* 35.910	X		
DK	X		* 11.893		X	Amount paid
ES		X	902.857		X	
ES		X	1.555.753		X	
ES		X	401.345			Premature notification
FR		X	* 215.125	X		Old rules
FR	X		* 10.734		X	
FR	X		* 23.734			Premature notification
NL	X		17.311	X		
NL	X		* 140.435	X		
NL		X	675.227	X		Old rules
U.K	X		1.802.954		X	Amount paid
U.K	X		576.925		X	
U.K	X		481.063	X	X	Rejected for 25 728, accepted for 455 335
U.K	X		116.862		X	
U.K	X		88 463		X	Amount paid
U.K		X	* 356.381			Not admissible - amount not established
TOTAL	11	6	7.412.972			

* Cases relating to 1996.

Cases of written-off own resources – 1997 (Reported in 1998)

	Reasons given		Amount (ECU)	State of play		
	Bankruptcy	Insolvency		Accepted	Refused	Comments
BE	-	-	13.390	-	-	Undergoing examination
UK		X	639.434			
UK		X	1.152.850			
UK		X	178.075			
UK		X	16.606			
UK		X	150.622			
TOTAL	4	5	2.150.977			

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