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SECOND REPORT FROM THE COMMISSION

ON

THE OPERATION OF THE INSPECTION ARRANGEMENTS

FOR TRADITIONAL OWN RESOURCES

(FOR THE PERIOD 1993 - 96)

(Article 18(5) of Council Regulation (EEC, Euratom) No 1552/89

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INTRODUCTION

Every three years the Commission compiles a report for the European Parliament and the Council on the operation of the inspection system for Community resources, pursuant to Article 18(5) of **Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 implementing Decision 88/376/EEC/Euratom on the system of the Community's own resources**¹ ("Regulation No 1552/89").

The first report, concerning the period 1989-92, was submitted to the budgetary authority on 4 January 1994². This report presents an analysis and general assessment of the operation of the inspection system for traditional own resources between January 1993 and December 1996. In an attempt to provide a complete overview of inspections that took place over several years, especially as regards inward processing, generalised preferences and external Community transit, the Commission has decided to include in the report the results of the inspections carried out in 1996 and to outline follow-up action on the various cases up to the end of February 1997.

The first part of this report explains its objectives and structure and presents the legal basis for the different inspection methods. The second part is a factual description of the inspection system operating at Community level, taken from the first report and amended where necessary.

In the third part, the Commission gives a summary account both of the procedures and the results of the on-the-spot inspections carried out during the period. It also reports on the follow-up action to these inspections in terms of amendments to rules and accounting adjustments, and on the results of other inspection methods.

The fourth part details the developments underway in the inspection system as a whole, before going on to evaluate the efficiency of the system. It also includes an assessment of the feasibility of carrying out **unannounced inspections** of the national administrations of the Member States³ and for the European Parliament⁴ provides an assessment of the situation regarding the **entry and customs status** of goods at the external borders of the Union.

The report also has an annex listing the cases where Article 17(2) of Regulation No 1552/89 has been applied.

¹ O.J.L. 155, 7.6.1989, p.1.

² COM(93) 691 final

³ In accordance with the undertaking given by the Commission when Council Regulation (EEC, Euratom) No 1355/96 was adopted amending Regulation No 1552/89 (O.J.L. 185, 17.1988, p.24).

⁴ In response to the request made by the European Parliament during the discharge procedure in respect of the 1994 budget.

1. LEGAL FRAMEWORK

1.1 The "own resources" Decision

From 1988 to 1994, the legal basis for the Communities' own resources system was provided by Council Decision 88/376/EEC, Euratom of 24 June 1988. Article 2(1) of this Decision defines the own resources that are entered in the budget of the Community. Traditional own resources (TOR) are defined as revenue from:

- a) levies, premiums, additional or compensatory amounts, additional amounts or factors and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries within the framework of the common agricultural policy, and also contributions and other duties provided for within the framework of the common organisation of the markets in sugar;
- b) Common Customs Tariff duties and other duties established or to be established by the institutions of the Communities in respect of trade with non-member countries and customs duties on products coming under the Treaty establishing the European Coal and Steel Community.

On 1 January 1995, Council Decision 94/728/EC, Euratom of 31 October 1994,⁵ replaced the Decision of 24 June 1988 as the legal basis for the own resources system.

1.2 Implementing regulation

The legal arrangements for the implementation of Decision 88/376/EEC were created by Regulation No 1552/89, which establishes the principle of establishment of an entitlement to own resources (Article 2), the accounting rules for these resources (Article 6(2)) and the rules for making them available to the Commission (Article 10).

This Regulation contains provisions governing the obligation of Member States to report to the Commission cases of fraud and irregularities they have detected, the aim being to monitor recovery procedures more closely in such cases (last subparagraph of Article 6(3)). In addition, it contains provisions relating to exemption from the obligation to make own resources available to the Commission (Article 17(2)); inspections (Article 18(2) and (3)) and the Advisory Committee on the Communities' own resources (Article 20).⁶

An important amendment to this Regulation was made in July 1996. It is intended to:

- define and clarify certain financial and accounting provisions, especially the criteria for establishing and making available the entitlement to own resources from sugar (automatic entry in the "A" accounts, as specified in Article 6(2)(a) of Regulation 1552/89) and the date the entitlement to TOR is established, especially in cases involving infringement proceedings;
- simplify and streamline certain accounting procedures and
- strengthen the anti-fraud measures and the monitoring arrangements available to the Commission.

⁵ OJ L 293, 12.11.1994, p. 9.

⁶ Council Regulation (EC, Euratom) No 1355/96, adopted on 13 June 1996, in force since 14 July 1996.

1.3 The rules governing inspections

Council Regulation (EEC, Euratom, ECSC) No 165/74 of 21 January determining the powers and obligations of officials appointed by the Commission⁷ 1974 hereafter referred to as "Regulation 165/74" applies to inspections carried out jointly with the national administrations of the Member States.⁸

These joint inspections are concerned with the establishment, recording and making available of TOR. The officials appointed by the Commission are bound by professional confidentiality and subject to other obligations in the exercise of their powers of inspection.

2. HOW THE INSPECTION SYSTEM OPERATES AT COMMUNITY LEVEL

The TOR system is subject to several types of control within the Commission: apart from the internal Commission audits carried out by the Directorate-General for Budgets in its capacity as authorising department for budget revenue, the system is monitored as regards the recovery of Community entitlements (Special report from the Financial Controller pursuant to Article 29(3) of the Financial Regulation) and as regards the safeguarding of the financial interests of the Community (Annual UCLAF report on the fight against fraud).

The Commission is also required to reply to and take action on the observations made by the Court of Auditors regarding inspections carried out under Article 188a-c of the Treaty and the requests made by the European Parliament during the discharge procedure in respect of the execution of the budget.

Since responsibility for collecting TOR is delegated to the Member States, their duties involve establishing entitlements to own resources, entering the amounts correctly in the accounts and making these resources available. The Commission, which is accountable to the budgetary authority for the management of TOR, must ensure that these tasks are being carried out in accordance with Community regulations. This interlinking of the Member States' and the Commission's responsibilities is a result of the current division of responsibilities among the institutions of the European Union.

In this connection, as authorising body for revenue, the Commission⁹ carries out three types of inspection in addition to those that the Member States themselves are required to perform. These are:

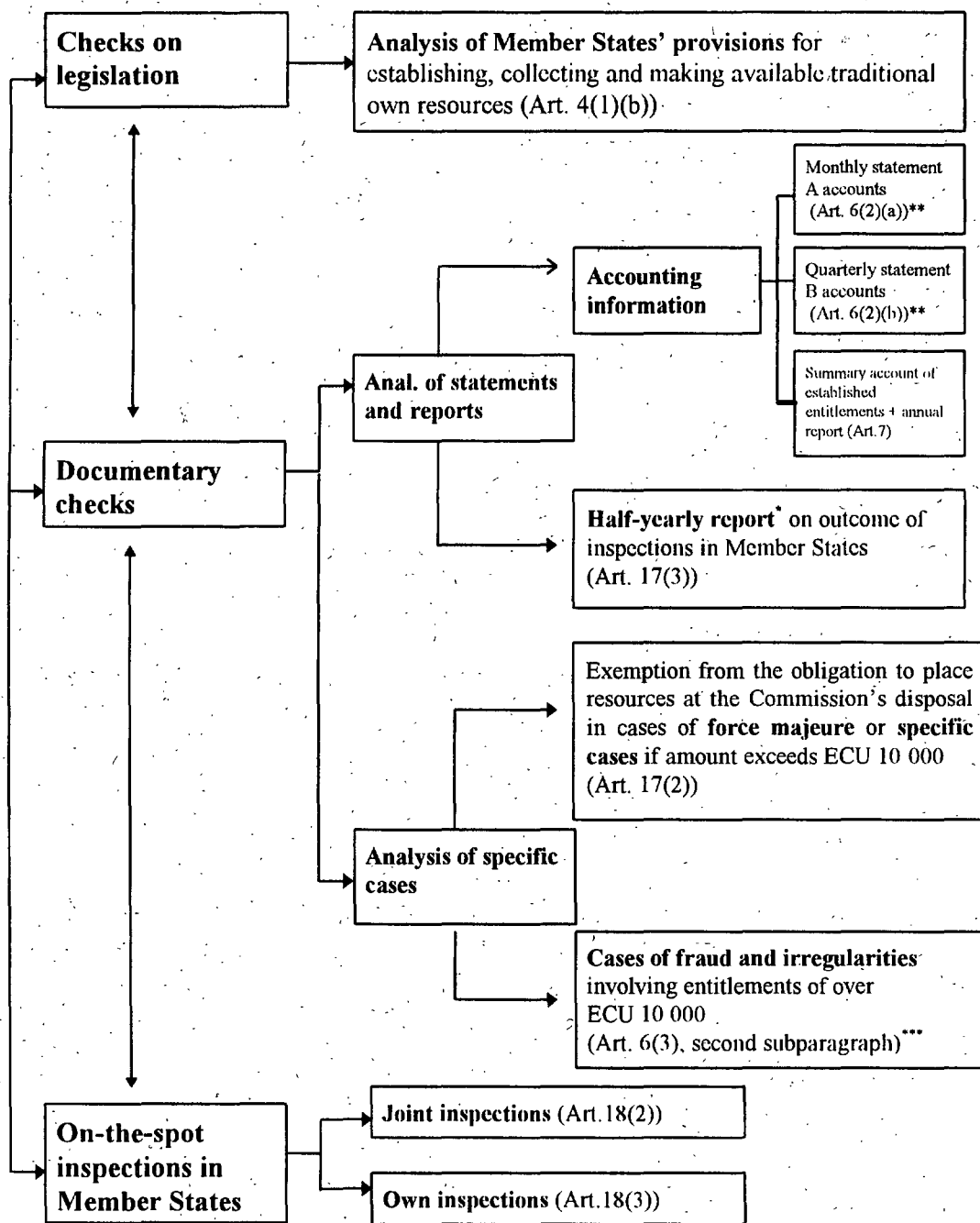
- checks on legislative and administrative provisions;
- documentary checks;
- on-the-spot inspections in the Member States.

⁷ OJ L 20, 24.01.1974, p. 1.

⁸ Under Article 18(2) of Council Regulation No 1552/89.

⁹ The controls carried out by the Commission are only some of the inspections carried out by the Community institutions. The Court of Auditors is empowered to carry out audits in this field and the European Parliament can also play an inspection role.

The **Community control and inspection arrangements for TOR**, as put in place under **Regulation No 1552/89** and implemented by the Commission, can be represented schematically as follows:



* With the entry into force of Regulation N° 1355/96, this became an annual report with effect from 14 July 1996.
** Article 6(3), following the entry into force of Regulation N° 1355/96.
*** Article 6(4), following the entry into force of Regulation N° 1355/96.

The Commission undertakes various kinds of inspections. The aim is not to examine a representative sample, in numeric terms, of the volume of customs transactions (which amount to many millions in a year¹⁰) but to cover the various types of transaction which occur. As will be seen, particularly in the description of the follow-up of the verifications, this activity although by necessity selective is not merely limited to specific checks on individual transactions but develops a systematic value in the following two ways

- at the level of national customs systems the national authorities are informed of anomalies found and invited to make the necessary corrections to national procedures, practices and instructions which do not comply with community requirements
- at community level the analysis across the various administrations of the standard of implementation of the regulations for a particular procedure or regime, may result in amendments to the community legislation

The traditional own resources inspection system therefore depends in a large measure on the continuing interaction between the three major categories of inspection listed above: the inspection of systems operated locally, a systematic dialogue with national administrations and the examination of national procedures and accounting requirements. The Commission intends to add to this array. In co-operation with member states, the Commission is exploring the use of various risk analysis techniques to be defined at community level. The intention is to enable both the Commission and national administrations to better target and co-ordinate their inspections and to identify the actual risks posed by traders and by various categories of goods.

2.1 Checks on legislative and administrative provisions

Pursuant to Article 4(1)(b) of Regulation No 1552/89, Member States are required to notify the Commission of the general laws, regulations and administrative and accounting provisions relating to the establishment, collection and making available to the Commission of TOR. They are also required to inform the Commission of any amendments to these provisions.

If the Commission judges any national provisions to be inadequate to ensure the proper collection of TOR, it contacts the Member State in question with a view to rectifying the situation; as a rule this suffices to find solutions without having to have recourse to infringement proceedings.

¹⁰ 18 million yearly operations for the transit regime only.

2.2 Documentary checks

The object of the documentary checks performed by the Commission is the analysis, for compliance with the rules, of accounting reports and statements and of the annual reports on the results of Member States' inspections.

Article 6 of Regulation 1552/89 requires accounts for own resources to be kept by the Treasury or other body appointed in each Member State. Entitlements established in accordance with Article 2 of the Regulation, i.e. amounts due which have been notified to the debtor, are entered in these accounts. Each month¹¹ the Member States send the Commission a statement of the established entitlements that have been entered in the **A accounts**.

The Commission checks that the amounts credited by the Member State to the Treasury account opened in its name correspond to those appearing in the monthly statement. If necessary, the Commission will contact the Member State concerned and make any corrections that are required by amending the statements and, where necessary, will charge interest on late payments.

Under Article 6(2)(b) of Regulation No 1552/89, established entitlements that have not been entered in the A account because they have not yet been recovered and no security has been provided or because they have been challenged must be entered in a separate account, known as the "**B account**". All the amounts entered in these separate accounts are shown in quarterly statements sent to the Commission.¹²

The Commission checks that each quarterly statement accords with the statement from the previous quarter, looking at entitlements established, corrections, cancellations and sums recovered in the course of the quarter covered by the statement. In the event of a discrepancy, the Commission contacts the Member State concerned to ascertain the reason.

Under Article 17(2), Member States send the Commission half-yearly reports showing *amounts written off*. These are cases where it proved impossible to recover the established entitlements, either because of *force majeure* or for special individual reasons. The Commission has six months in which to communicate any comments on such cases to the Member State concerned.

If the Commission deems that the Member State *has failed to take all the necessary precautions to safeguard* the financial interests of the Community, the Member State may be held responsible and requested to make available to the Commission an amount equal to the non-recovered entitlements. If this amount is not made available by the agreed date, interest for late payment can be demanded.

¹¹ The monthly statement of the A account must be submitted to the Commission, at the latest, by the first working day after the 19th day of the second month following the month in which the entitlement was established.

¹² The quarterly statement of the B account must be submitted to the Commission, at the latest, by the first working day after the 19th day of the second month following the quarter in which the entitlement was established.

By 1 May each year, the Member States are required by Article 7 of Regulation No 1552/89 to provide the Commission with a *summary account* of all the entitlements established in the previous year. This must be accompanied by a *report on the establishment and entry into the accounts of own resources*. The Commission evaluates the information in these reports, comparing it with other data from the different sources at its disposal.

2.3 Monitoring inspection activities in the Member States

Under Article 17(3) of Regulation No 1552/89, the Member States send the Commission a half-yearly report presenting the *results of their own inspections*. This report contains aggregate figures and the questions of principle relating to the main problems posed by application of Regulation No 1552/89, with particular reference to cases of litigation.

This report also presents in detail the factors that prevented a Member State from making available to the Commission entitlements of over ECU 10 000 that were established but not recovered.

Finally, the Commission monitors *the Member States' anti-fraud activities* in the field of TOR, on the basis of information it receives from these States. This information is mostly on cases of fraud reported to the Commission under the mutual assistance arrangements¹³ and under Article 6(3) of Regulation No 1552/89. Given the very large number of cases of fraud or irregularity involving amounts over ECU 10 000 that are reported to the Commission (more than 2 000 every year), the Commission has implemented a follow-up mechanism that involves processing all the "fraud reports", but with special attention given to a limited selection of "serious cases", which are monitored in detail until finally settled.

As soon as the Commission learns that a case of fraud or irregularity involving a significant amount has been detected but not reported as required by Regulation No 1552/89, it reminds the Member State in question of its obligations as regards the protection of the financial interests of the Community. The Commission also gathers information from the Member States on the state of play regarding amounts established and any amounts recovered, or the reasons why recovery has not been effected.

2.4 On-the-spot inspections in Member States

Although documentary checks and the monitoring of national legislative and administrative provisions relating to TOR have their place among the instruments for verifying the application of the Community rules, no monitoring system could be properly effective and viable without the possibility of "on-the-spot" inspections. This provides the Commission with the opportunity to verify and, where necessary, tighten application of Community rules on TOR by the Member States, and to cross-check the conclusions deriving from the other forms of control.

¹³ Council Regulation (EEC) No 1468/81 (OJ L 144, 26.1981, p. 1)

The Commission operates two types of on-the-spot inspections, both carried out in close collaboration with national officials. The first is the "*joint inspection*", which has been in existence since the Community own resources system was created by the Decision of 21 April 1970. Inspections of this type are carried out in accordance with the provisions of Regulations No 1552/89 and No 165/74.

The Council later introduced a new method of inspection under Article 18(3) of Regulation No 1552/89: the "*autonomous inspection*", which is carried out on the sole initiative of the Commission. This type of inspection enables the Commission to act with the minimum delay when it has identified a need for an inspection targeted at a particular topic. The Commission itself decides the scope of the inspection and the locations involved. However, the assistance of the national administration concerned is sought in the arrangement and operation of the inspection particularly to obtain access to the necessary documents. The scope of autonomous inspections and general arrangements for their conduct were set out in a Commission statement entered in the Council minutes. In terms of procedure, the preparations for own inspections are similar to those for joint inspections, apart from the fact that Member States are not informed of the annual inspection programme.

The inspection strategy initially involves analysing the extent to which the system in operation conforms to Community regulations from two points of view: action taken by the national administrations before the goods are released and the *ex post* inspection measures and/or the discharge of customs procedures. Subsequent to this analysis, the Commission officials carry out checks (either on a sample of documents or by inspecting all the documents individually, depending on the particular circumstances) to assess whether the system is functioning as it is designed to. All supporting documents must be made available to the appointed officials during the inspections.

3. ON-THE-SPOT INSPECTIONS BY THE COMMISSION IN 1993-96

3.1 Procedures and execution of on-the-spot inspections

Certain procedures have been agreed in the interests of openness and clarity. At the end of each year, a detailed draft annual programme is drawn up in agreement with the competent national departments. The Commission informs all Member States of the final version of the programme via the Offices of the Permanent Representatives. Although prime responsibility for implementing this programme lies with DG XIX as authorising department, other Commission departments may be involved, depending mainly on the subject under investigation.

The inspections must be carried out according to a clearly-defined procedure:

- ◆ Approximately one month before each inspection mission, the Commission sends confirmation of the date of the inspection by post to the Office of the Permanent Representative of the Member State concerned and organises an internal coordination meeting between the different Commission departments involved, in order to clarify the targets for the inspection in question.
- ◆ Each inspection in a Member State begins with a coordination and preparation meeting between the Commission officials and the national officials concerned.
- ◆ After the inspection has taken place, a closing meeting is held, at which the competent authorities are informed of the results of the inspection; the Member State is formally notified of this information at the earliest possible opportunity.
- ◆ Finally, the report is presented to the Advisory Committee on Own Resources¹⁴, a procedure which guarantees equal treatment for all Member States. After it has been scrutinised by this committee, the report is returned to the Commission, which takes a final position on it and notifies the Member State concerned.

The Commission carried out a **total of 81 inspections** during the period under consideration (1993-96), broken down as follows (*the first figure indicates the number of joint inspections, the second denotes the number of own inspections*):

Year	B	DK	D	EL	E	F	IRL	I	L	NL	P	UK	A	FIN	S	Total
1993	1/-	1/-	-/1	1/-	1/1	1/1	1/-	2/-	1/-	1/1	1/-	1/1				12/5
1994	1/-	1/1	2/1	1/1	-/2	1/1	1/-	1/1	1/-	2/1	1/-	1/1				13/9
1995	1/-	1/-	-/1	1/-	1/1	1/1	1/-	1/1	1/-	-/2	1/-	1/1	1/-	1/-	1/-	13/7
1996	1/-	1/-	1/1	1/-	1/1	1/1	1/-	1/1	1/-	1/1	1/1	2/-	1/-	1/-	1/-	16/6
Total	4/-	4/1	3/4	4/1	3/5	4/4	4/-	5/3	4/-	4/5	4/1	5/3	2/-	2/-	2/-	54/27

¹⁴ This Committee, which was set up by Article 20 of Regulation No 1552/89, is composed of representatives from the Member States and from the Commission.

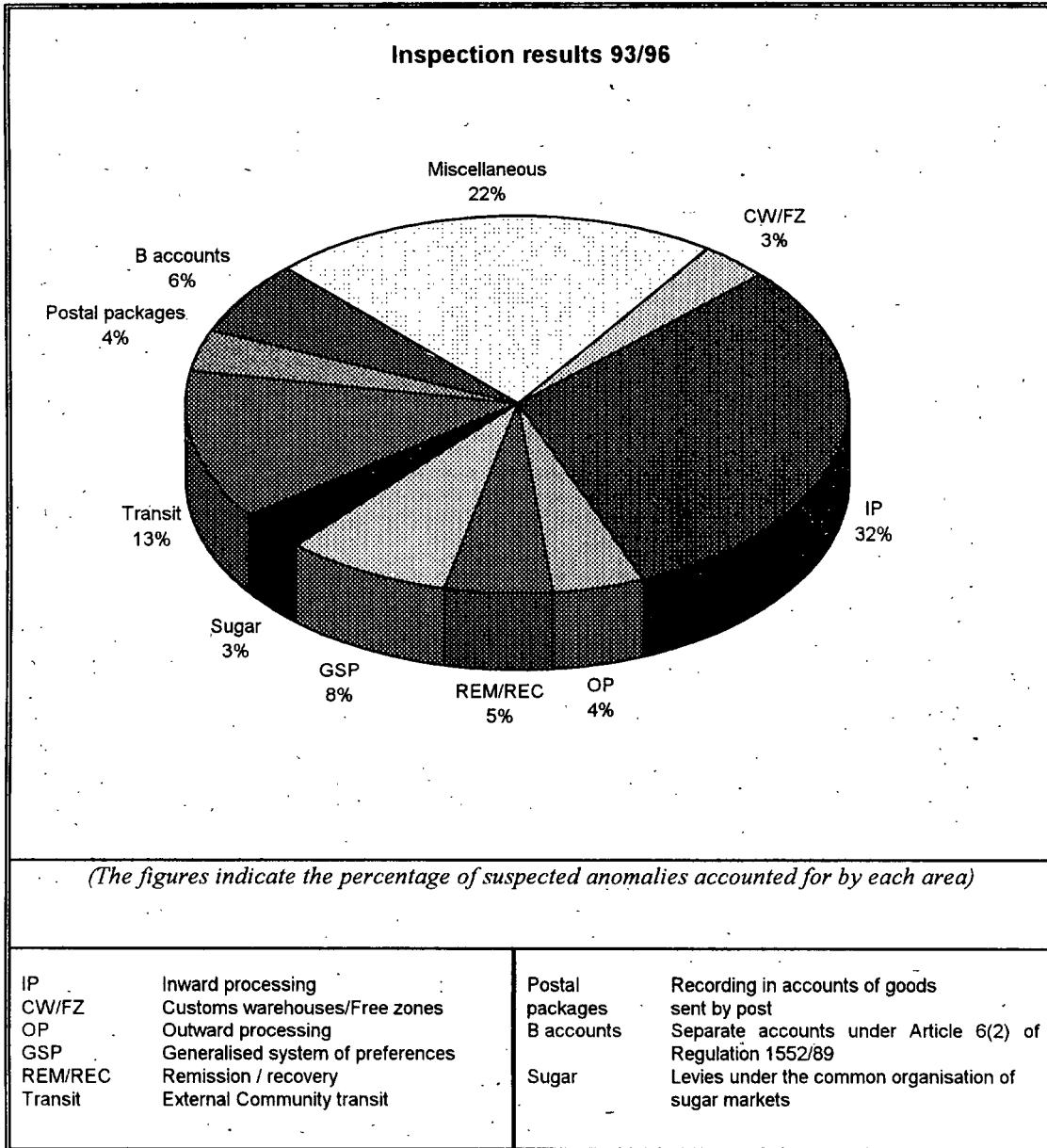
The results of the inspections carried out by the Commission are analysed in Part 3.2.

The table below shows **the subjects** inspected during the period 1993-96 and the Member States concerned:

<i>N°</i>	<i>Subject</i>	<i>Member States concerned</i>	<i>Year(s)</i>
1.	<i>EC/Andorra Agreement</i>	<i>E and F</i>	<i>1994</i>
2.	<i>Postal packages</i>	<i>All Member States</i>	<i>1993, 1994</i>
3.	<i>Separate accounts</i>	<i>B, D, EL, E, F, IR, I, L, A, P, UK</i>	<i>1993 - 1995</i>
4.	<i>Establishment, recording and making available of own resources</i>	<i>All Member States</i>	<i>1995, 1996</i>
5.	<i>Sugar levy</i>	<i>D, F, I and NL</i>	<i>1993, 1994</i>
6.	<i>Import of calves for fattening</i>	<i>I</i>	<i>1993</i>
7.	<i>Ex-GDR transitional measures</i>	<i>D</i>	<i>1993</i>
8.	<i>Inward processing</i>	<i>All Member States</i>	<i>1994-96</i>
9.	<i>Outward processing</i>	<i>B, D, F, I, L, NL, UK</i>	<i>1995, 1996</i>
10.	<i>"POSEICAN" programme</i>	<i>E</i>	<i>1993, 1994, 1996</i>
11.	<i>Generalised System of Preferences</i>	<i>B, D, EL, E, IRL, I and UK</i>	<i>1993, 1995-96</i>
12.	<i>External Community Transit system</i>	<i>All Member States</i>	<i>1994, 95, 96</i>
13.	<i>Warehousing systems</i>	<i>D, F, I, L, NL, UK</i>	<i>1995, 1996</i>
14.	<i>Repayment, recovery and centralisation</i>	<i>NL</i>	<i>1994</i>
15.	<i>Deferred payments</i>	<i>D</i>	<i>1994</i>
16.	<i>Delays in making entitlements available as a result of strikes</i>	<i>P</i>	<i>1993</i>
17.	<i>Write-offs</i>	<i>B, D, EL, F, IR, I, L, A, P</i>	<i>1996</i>
18.	<i>AT containers</i>	<i>D, NL, B</i>	<i>1996</i>
19.	<i>Communication of fraud reports and mutual assistance forms</i>	<i>B, IR, I, E, EL, F</i>	<i>1996</i>

3.2 Summary of the main results of inspections

The 81 inspections carried out by the Commission during the period 1993-96 produced a total of 352 observations. This gives a broad picture of how the national administrations apply Community financial and customs regulations.



The inspections have resulted in the discovery of major malfunctions in some regimes, to the correction of the poor application of regulatory requirements in some specific cases and to the identification of reasonably satisfactory operation in some other regimes.

3.2.1 Comments on major malfunctions identified.

In some instances these inspections have enabled the Commission to detect problems early. The full significance of these malfunctions has only been established later.

- **External community transit and TIR**

For instance in the external community transit and TIR regimes the presence of grave deficiencies has been confirmed by initiatives undertaken by other community institutions - particularly the first Commission of Enquiry of the European Parliament.¹⁵ Inspections carried out in 1994, 1995 and 1996 in all Member States in the area of *external Community transit and the TIR system* brought to light 48 anomalies, primarily concerning *delays in initiating the recovery process*, often linked to the failure to discharge operations and deficiencies in the *ex post* control methods for transit documents. In all Member States, it was discovered that import duties on goods placed under this system were not entered in the accounts *ex post* after the expiry of the 14-month deadline specified in Article 379 of Regulation No 2454/93.

A major difficulty was detected for the discharge of transit documents issued by certain Community customs offices for goods from non-member countries sent by sea to free zones situated in a sea port. The authorities which manage such zones do not require document T to be presented along with the goods.

As regards *comprehensive guarantees*, the checks revealed several examples of irregular practices which offer no guarantee that the total amount of duties owed as own resources is actually covered. This was also the case as regards the calculation by the Danish administration of the flat-rate guarantee for goods that constitute a high fraud risk, such as cigarettes.

Accounting data is currently being collected within the Member States with a view to assessing the financial implications for TOR of delays caused in the establishment of entitlements and determining the amounts of late payment interest due.

- **preferential tariff schemes**

In the field of preferential tariff schemes, the Commission continued the inspections based on Article 18 of Regulation No 1552/89 that were initiated in 1992. These complement the inspection activities it is carrying out as part of the follow-up to the observations made by the Court of Auditors, especially in its 1991 annual report.¹⁶

¹⁵ Mr Kellet-Bowmann's alarming report that four years after the removal of the Community's internal frontiers an frightening discrepancy exists between the community-wide organisation of international crime and the fragmentary nature of the various national administrative and legal systems. This report was adopted by the Commission of Enquiry on the Community Transit system on 20 February 1997 etc. made a number of recommendations to the Commission intended to ensure the proper working and security of the regime

¹⁶ The results of this follow-up action on cases involving amounts above a certain level and recovery cases following notifications made in the context of mutual assistance were dealt with in two reports on the recovery of TOR in cases of fraud or irregularity (COM(95) 398 final, 6.9.1995, and COM(97) 259/2, 9.6.1997)

These inspections focused on compliance with the rules governing preferential import schemes, with particular attention paid to abuses involving falsified or invalid certificates, the minimum number of *ex post* inspections and the application of the rules on the automatic refusal to grant preferential tariff rights in cases where replies to *ex post* inspection requests are not provided within the time allowed.

The checks made revealed 64 anomalies, which, for the most part, were *problems regarding the application of the rules on evidence of origin and the rules on administrative cooperation and mutual assistance*. The results indicate that the main problem is the implementation of the *ex post* inspection procedure, the criteria for which are not interpreted uniformly. The analysis and conclusions drawn from it are set out in detail below and have already been the subject of a letter from the Commission dated 23 July 1997.

- **The separate or B account:**

In accordance with the undertakings given by the Commission in a report dated 4 January 1994 to carry out systematic, targeted inspections, 18 missions were carried out during the reference period in 11 Member States to verify, at local level, the arrangements made for keeping *separate accounts*. The minor anomalies detected in the course of these inspections were rectified, especially those irregular practices that caused delays in making available own resources. The powers of courts in some Member States can extend as far as refusing the establishment of TOR in disputed cases; or else the discharge of operations can be suspended indefinitely where the revenue officials responsible for enforced recovery fail to take action.

In report 96.6.1, point 3.2, the Commission pointed out that duties should not be entered in the separate account merely on the strength of a telephone call from the person liable challenging the establishment, and requested that the competent authorities provide a description of the procedures for cases in dispute. This issue has yet to be resolved. It also noted that in a port, before May 1995 (the date at which an electronic declaration system was installed), post clearance recovery notices did not constitute a genuine notification of the debt to the party liable. The authorities were requested to bring their procedures into line with the Community regulations and provide the Commission with the information necessary to determine the financial effects of the delayed entry into the accounts of the amounts collected since 1 January 1993.

- **The procedures for collecting TOR**

- The *procedures for establishing entitlements, entering them in the accounts and making them available* were checked in all Member States in 1995 and 1996. Several cases of amounts not being established or being established very late where no special circumstances existed were detected in the Netherlands, Spain, Belgium and Italy. These defaults in the system, more often than not the result of poor communication between the customs authorities and inspection departments or the inadequacy of national procedures, prompted requests for corrections to be made and late payment interest to be paid.

Other authorities were requested to review their procedures, in particular as regards *ex post* recovery, following an inquiry or in connection with out-of-court settlements as practised in the United Kingdom, and to provide the necessary information to enable the Commission to determine financial liability in cases when the party liable has not been notified by the authorities.

Staying in the area of accounting for own resources the *centralisation of aggregate deferred payments* carried out by the Koblenz Bundeskasse (Trier office), starting from 1 January 1990, was checked by the Court of Auditors, which found serious delays in making own resources available. The Commission then developed a procedure for verifying the aggregate delays from the actual entry in the accounts, and thus extrapolated the amounts of late payment interest due.

As regards the *customs clearance procedure for postal packages*, the 38 inspections carried out in all the Member States revealed that, as pointed out by the Court of Auditors in its 1991 Annual Report, the date on which these amounts were made available was not based on the date on which they were established but on the date the debt was entered in the accounts (aggregated at the beginning of the month following clearance). This practice, which was in violation of the accounting and financial provisions in force during the reference period, led to a request for late payment interest for the three years preceding the discovery of the anomaly and until such a time as the national accounting procedures are brought into line with Community regulations.

- **Inward Processing**

Checks on the *inward processing arrangements*, focusing on the granting of authorisation, the application of economic conditions, equivalent compensation and the discharge of the procedure were carried out in all Member States in 1994, 1995 and 1996. A total of 109 one-off anomalies were detected. These anomalies demonstrate that the system must be reformed, for its uniform application is not guaranteed, which results in unequal treatment. Where there was no direct consequence for the Community budget, steps have been taken to bring the national provisions into line with Community rules. Where recovery was delayed because operations were not discharged, late payment interest has been demanded or is in the process of being calculated, after exchanges of information with the Member States concerned. The Court of Auditors also made fundamental comments on the system:

3.2.2 *Comments on specific instances of poor application of the regulations*

The most common observations were those made as a result of specific cases of poor application of the regulations. These inspections provided a means to correct these individual errors and where they had affected the community budget to request the payment of interest on delays. Those benefits do not include the solutions which have been introduced at the regulatory level and which are outlined below.

- The *procedures for establishing and paying the sugar levy* were inspected four times at both local and central level during the period in question; these inspections uncovered certain one-off anomalies, although none had any financial relevance, except in one Member State where appropriate checks are being made.
- The *customs warehousing system* was inspected in six countries in 1995 and 1996. The results of the inspections revealed some instances of late recovery and management deficiencies with possible financial implications. Inspections in this area will continue in future years.
- *The application of the temporary import system for containers* was checked in Belgium, Germany and the Netherlands in 1996. The Commission noted the lack of real controls on the duration of stay of containers and urged the Member States to meet their obligations in this respect.
- The inspections in 1993, 1994 and 1996 of the application of the *specific tariff-based measures to promote the Canary Islands under the POSEICAN programme* (Programme of options specific to the remote and insular nature of the Canary Islands)¹⁷ uncovered some anomalies, particularly as regards the collection of anti-dumping duties and the implementation of common commercial policy measures. The Commission is currently considering the question of certain anti-dumping duties that have not been collected.
- Following a mission to Portugal in May 1993, and on the basis of observations made by the Court of Auditors, the Commission examined the effect of two *strikes by customs officials* on the making available of TOR. The simplified procedure system adopted by the Portuguese administration in order to maintain the flow of goods was inspected in detail and it was demonstrated that the delays in establishing entitlements up to the end of the strike were acceptable. A method was devised for fixing a notional date for making TOR available to the Commission and for calculating late payment interest on aggregate declarations.
- As a result of the inspections carried out, solutions were found to the technical flaws in the application of the *EC/Andorra Agreement*. Steps have been taken to make the necessary corrections. A new customs clearance procedure has since been put in place, transferring to the Andorran authorities the responsibility for clearance of goods bound for the Principality.

¹⁷ The POSEICAN programme was initiated on the basis of Article 9 of Council Regulation (EEC) No 1911/91 (OJ L 171, 29.6.1991), which terminated the derogations for the Canary Islands that were provided for in the Spanish Act of Accession.

- Cases of **failure to submit fraud reports and mutual assistance forms**, in violation of Article 6(3) of Regulation No 1552/89 were detected in several Member States; specific observations were made, some of them relating to the interpretation of the rules. Apart from these one-off shortcomings, the substantial deficiencies that were detected in the management of the transit procedure and the implementation of the mutual assistance measures were dealt with in much more detail, as discussed in the next section.
- Individual cases of delays in making available own resources in **certain cases of payment** by instalments and **periodic aggregate declarations** were noted, leading to demands for late payment interest and requests to bring accounting procedures into line with Community rules.
- **Monitoring of incomplete declarations** was the target of inspections in a number of countries. They revealed that four Member States (Denmark, Sweden, Finland and Ireland) have installed electronic customs clearance systems, which release importers from the obligation to submit supporting documents such as invoices or preferential certificates in addition to the customs declarations. Commission departments are currently examining this phenomenon, taking as a principle that the Community's financial interests can effectively be safeguarded, in particular where preferential arrangements are concerned.
- **Inspections in the Netherlands in 1994 looked at the application of the rules concerning repayment, recovery and centralisation**, especially as for those cases where decisions are taken by the Member States themselves. The outcome was a demand for late payment interest in addition to the recovery of the duty involved.

3.2.3. *The reasonably satisfactory operation of some regimes.*

The inspections enabled the Commission to establish the reasonably satisfactory operation of some regimes

- The **outward processing arrangements** were inspected in seven Member States in 1995 and 1996. Apart from certain deficiencies in the monitoring of operations and the issuing of authorisations, few anomalies were detected; the national administrations were requested to correct those that had budgetary implications.
- The inspections carried out by the Commission enabled it to satisfy itself that certain specific arrangements were operating correctly. One such system is that for **imports of calves** for fattening, under which importers qualify for a reduced levy; during an inspection in Italy in 1993, the Commission ascertained that the basic rules were being observed. The **temporary measures applicable in the territories of the former GDR**, which allow certain Eastern European countries to continue to enjoy preferential tariffs, were extended until 1994. The measures were verified at both local and central level in 1993, and the Commission was able to rectify certain minor anomalies and otherwise satisfy itself that the system was being implemented in compliance with Community regulations.

3.3. Follow-up to Commission inspection measures

3.3.1 Legislative aspects

Where it has found flaws or loopholes in national regulations or administrative provisions, the Commission has systematically asked the Member States concerned to bring their rules into line with Community requirements. Such adjustments, which have been made in both customs law and the financial field, are another appreciable spin-off from inspections.

Commission inspections are also an important source of information on the way in which Member States apply the rules, particularly in the customs field, and can be of use to the Commission departments responsible for the legislation.

- As a result of Commission inspections, national rules on *establishing and making available own resources* in respect of the customs clearance of postal parcels have been adapted to bring them into line with Community legislation. The lack of consistency between the concepts of entry in the accounts and establishment of entitlements, which the Court of Auditors identified in its annual report for 1991, has been resolved following the entry into force of Council Regulation No 1355/96 amending Regulation No 1552/89. The rules on postal traffic contained in Regulation (EEC) No 2454/93 laying down provisions for the implementation of the Community Customs Code favour the use of a single entry in the accounts. This simplification of the establishment of own resources allows the national authorities to be considered the declarant or, where applicable, the debtor.
- The *inward processing arrangements* also attracted comments from the Court of Auditors in its annual report for 1995. Existing procedures clearly need to be reviewed, given the flaws that have been detected in the granting of authorisations, the application of economic conditions and equivalent compensation, and the discharge arrangements. In 1996 the Commission adopted a report on the operation and future shape of the inward processing arrangements¹⁸ and is now evaluating the results of consultations with industry at a seminar in September 1996 on tailoring customs arrangements to the needs to businesses.

¹⁸ Communication No 96/C 194/07, OJ C 194, 5.7.1996, p.6.

- As regards the *preferential schemes*, it was found that application of the system for withdrawing tariff advantages from beneficiary countries which fail to reply in time or do not provide satisfactory answers was hampered by differences between the Member States' interpretations of the concept of "justified suspicion", and the lack of Community rules on the subject. This concept is important for the defence of the Community's financial interests. After examining the problem, the Commission will shortly be publishing explanatory notes on the protocols on the rules of origin in the Europe Agreements so that firms have a clearer idea of how to interpret certain parts of these protocols.
- Turning to the *external Community transit procedure*, in particular delays in initiating recovery, all the Member States - except France and Luxembourg, where the time-limits laid down in Community legislation are generally observed - have been asked to check that Article 379 of the Provisions implementing the Code is applied in all customs offices over a period of three years. The Commission considers that in cases where operations are not discharged or there are doubts as to the place where an infringement took place - problems that are often caused by a lack of diligence by the office of destination or delays in launching inquiries - it is up to the Member State of departure to take the necessary measures, i.e. to notify the guarantor of absence of discharge by the prescribed deadline and to enter the debt in the accounts against the principal. Failure to take such measures may result in financial liability.

3.3.2. *Accounting aspects*

Over the reference period (1993-96), additional entitlements (principal amounts) totalling **ECU 64 636 726**¹⁹ were identified and paid to the Commission following comments it made in reports on independent or joint inspections. Nearly 98% of this sum is accounted for by an adjustment in respect of Community transit operations in just one Member State.

Interest for late payment was also charged for delays in making available traditional own resources detected during Commission inspections. Over the period 1993-96, interest for late payment, paid or still owed by Member States, totalled **ECU 26 395 213**.¹⁹ Of this total, **ECU 1 234 849**¹⁹ is due as a result of observations by the Court of Auditors in its annual reports, on which the Commission has taken financial action, and over 80% relates to penalty interest in connection with aggregated deferred payments in a single office.

It must be stressed that these figures are still **incomplete**, since the establishment of entitlements as a result of Commission inspections depends on national procedures for collecting the necessary accounting information.

¹⁹ Provisional figure at 20 August 1997.

3.4 Results of other forms of inspection

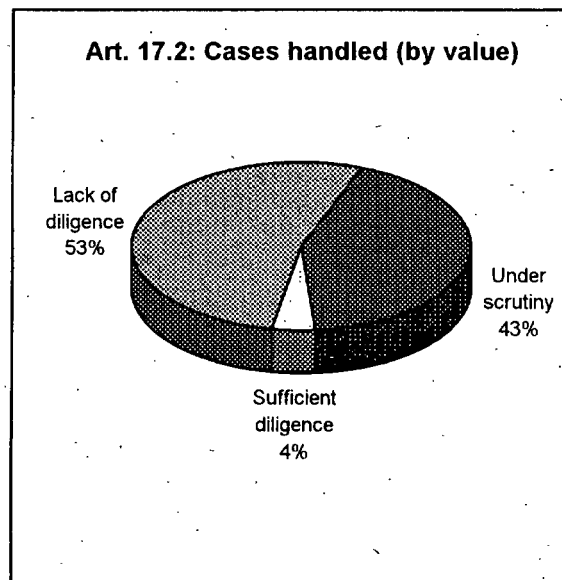
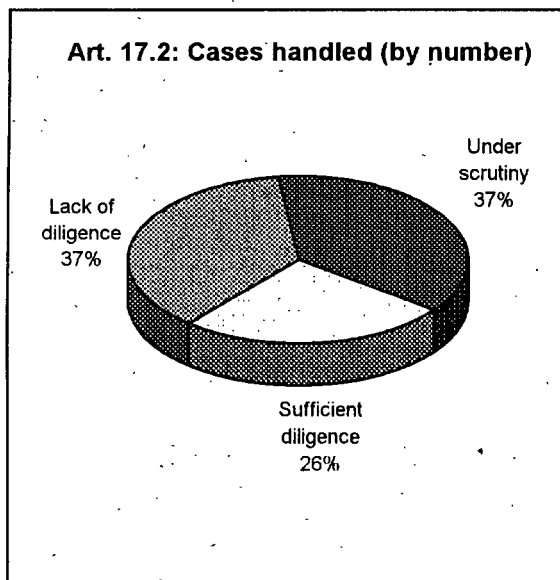
It is therefore plain that on-the-spot checks can uncover problems in national collection systems. However, there is a great deal of synergy between different inspection methods. On-the-spot checks are generally targeted on the basis of other forms of inspection and are a way of confirming the initial conclusions of the latter.

3.4.1 Amounts written off

The number of reports received from Member States on cases where amounts were written off under Article 17(2) of Regulation (EEC) No 1552/89 was much lower than expected. Indeed it was so low as to suggest that this provision is not being applied uniformly. Reports were received from only five Member States (France, Germany, Netherlands, Spain and the United Kingdom). The German authorities subsequently informed the Commission that, in view of the German legislation on long periods of limitation, some cases had been reported by mistake and were now being withdrawn.

The action taken on the 32 cases actually reported to the Commission over the period 1993-96 (involving a total of ECU 8 762 001) is described in a table in the Annex. It shows that Germany withdrew four cases (involving ECU 401 316) in which attempts at recovery are still being made and the United Kingdom cancelled one case reported by mistake (involving ECU 23 103). The Commission has examined **the remaining 27 cases - involving a total of ECU 8 337 582 -** to determine whether the Member States concerned showed sufficient diligence in attempting to recover entitlements.

The general outcome is as follows:



In more detail:

		Amounts at stake (ECU)	% of total amount	% of number of cases
a)	in 10 cases, a lack of diligence was found:	4 428 487	53.1 %	37%
	1 case was rejected as inadmissible;	356 381	4.3 %	3.7%
	in 2 cases payments were made;	95 883	1.1 %	7.4%
	in 2 cases a suspected infringement form was drawn up;	488 162	5.9 %	7.4%
	5 cases were confirmed after being challenged and payment was requested.	3 488 061	41.8 %	18.5%
b)	10 cases are still under scrutiny .	3 550 966	42.6 %	37%
c)	in 7 cases, the authorities were found to have acted with diligence .	358 129	4.3 %	26%

These figures show that, subject to the cases still under scrutiny, the national authorities failed to take proper action in more than one third of the cases reported and that relatively large sums were involved in these cases (53% of the total value). National authorities could usefully concentrate their efforts on recovering entitlements in cases where the financial stakes are high.

Although these results only cover reports submitted by a minority of Member States, they point to real, substantive problems in the collection measures employed by national authorities and in the uniform application of the whole system. In response to this worrying state of affairs, the Commission has since adopted a number of measures which are described in detail below.

3.4.2. Monitoring the recovery of traditional own resources in cases of fraud and irregularities

The Commission has presented the budgetary authority with two reports on its **monitoring of Member States' anti-fraud activities** for 1994, covering respectively 70% and 30% of amounts evaded in cases of fraud and irregularities reported to the Commission between the first half of 1989 and the first half of 1993.²⁰

The first report, based on a sample of cases involving amounts over ECU 500 000, included a statistical analysis, which revealed that large-scale fraud tended to revolve around certain agricultural products, chiefly from Eastern Europe, and that the most common types of fraud were removal from the transit procedure and false declarations on release for free circulation. Where fraud involved industrial goods - mainly textile products, hi-fi recording equipment and TV sets from South-East Asia - there was a wider spread both in the number of cases and in the amounts at stake. The report found that, because of the complexity of the cases in question, only a tiny proportion of amounts were recovered and recovery rates varied from one Member State to another.

²⁰ Commission reports on the recovery of traditional own resources in cases of fraud and irregularities (sample A94 - COM(95) 398 final, sample B94 - COM(97) 259/3, presented on 6 September 1995 and 9 June 1997).

The "B94" report covered the Commission's monitoring - up to final clearance - of six particularly difficult cases involving over ECU 124 million in entitlements. Three of these cases are the subject of debate between the Commission and the Member States, and in one case the Commission has issued a reasoned opinion under the Article 169 procedure. During the first half of 1997 the Commission rejected requests from a number of Member States for remission or repayment in respect of imports of Turkish television sets. As a result of these rejections, actions have been brought before the Court of First Instance.

Both reports concluded that the low recovery rates are due to the sophisticated nature of cross-border fraud and the complexity of certain agreements with non-member countries. However, the reports also highlight the unsuitability of national recovery procedures and the disparities between them, the slowness of legal proceedings and the lack of cooperation between Member States under the mutual assistance arrangements.

4. ASSESSMENT OF HOW THE INSPECTION ARRANGEMENTS OPERATE

4.1 Changes to the system for collecting and inspecting traditional own resources

In general, the *lack of consistency in reports submitted by the Member States* tends to obscure their inspection and fraud-prevention efforts. A number of improvements to the Commission's information system have been agreed with the Member States. On 20 March 1997 the Commission adopted a decision designed to make reports more consistent by introducing standard models for the monthly and three-monthly statements of accounts for traditional own resources, the description of fraud and irregularities involving more than ECU 10 000 and the annual report mentioned above.

From 1997 - i.e. for the 1996 financial year - Member States will draw up a single report on the outcome of their inspections, rather than two half-yearly reports, in accordance with the new, amended version of Article 17(3) of Council Regulation No 1552/89. The new summary report to be sent to the Council and Parliament in the course of 1997 should give the budgetary authority a clearer picture of the Member States' activities in this field.

Improvements are expected in the *recovery of traditional own resources in cases of fraud and irregularities* when a new programme for collecting and transmitting electronic data on fraud and irregularities ("Ownres") comes into operation at the end of 1997. It will enable fraud reports to be incorporated automatically and updated, in particular - and this is its most novel feature - in connection with recovery.

The uneven application of the Article 17(2) mechanism, which was also highlighted by the Court of Auditors, detracts from the transparency and fairness of the traditional own resources system. Following discussions under phase III of the SEM 2000 (Sound and Efficient Management) programme, the Commission put forward a proposal on 3 July 1997 for an amendment to Council Regulation (EEC) No 1552/89 aimed at tightening up the procedure for write-offs, which applies to entitlements not recovered by a set deadline, and helping the Commission make a fair assessment of the diligence shown by Member States.²¹ This proposal will also increase Member States' liability for amounts found to be irrecoverable as a result of an administrative error by their authorities.

The Commission is to propose changes to the existing rules on the *external Community transit procedure* (Articles 378 and 379 of the Provisions implementing the Customs Code), in particular concerning the definition of the customs authority responsible for recovery in cases where the principal provides evidence of the place where the infringement occurred, and the amendment of Directive 76/308/EEC regarding mutual assistance²² for the recovery of claims. The question of transport by sea to free zones will be settled under the new Community transit arrangements.

The Commission is taking a general look at the administration of the *preferential tariff arrangements*, in addition to the problems outlined above. It has presented a communication analysing the reasons why these arrangements have not operated properly. This communication addresses the aspects of legal certainty, the recovery of own resources, the fight against fraud and the effectiveness of the Union's commercial policy.²³ It sets out a plan of action designed to find solutions to the problems arising in this area, more especially the problems encountered in the recovery of own resources.

As regards the actual *organisation of inspections*, on 10 January 1997 the Commission adopted a proposal for a Council Regulation replacing Regulation No 165/74. The new proposal, which is designed to take account of legislative and administrative changes,²⁴ was laid before the Council and Parliament on 28 January 1997.²⁵

²¹ COM(97) 343 final, 3.7.1997.

²² These proposals are contained in the Commission communication "Action plan for transit in Europe. A new customs policy" (COM(97) 188 final, points 4.4.2 and 4.4.3 of the Annex "Assigning liability for customs debt fairly, in a way that protects the various financial interests involved" and "Streamlining debt recovery procedures", pp. 23 and 24).

²³ COM(97) 402 final, 23.7.1997, in response to the request by the Council in its Decision of 28 May 1996, O.J.C 1/0, p. 1.

²⁴ These changes were announced in the Commission's first report on the functioning of the inspection arrangements (COM(93) 691 final, p. 38).

²⁵ COM(96) 717 final and COM(96) 717 final/2 (corrigendum).

The proposal brings together in a single text the implementing provisions for the two inspection procedures open to the Commission - joint inspections with the Member States under Regulation No 165/74 and the on-the-spot checks it conducts on its own initiative under Regulation No 1552/89.

It also provides for the Commission to give inspection mandates not only to its own established officials, but also to other staff (temporary staff or national experts on secondment), along the same lines as Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 on on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.²⁶

Acting on the commitment it made at the interinstitutional consultations preceding the amendment of Regulation No 1552/89, the Commission has examined Parliament's proposal for the introduction of *unannounced own resources inspections* of national government departments.

Through its contacts with national government departments, the Commission has established that opposition to such a provision in the Council is almost unanimous. However, it must be said that similar provisions have been introduced for the purpose of protecting the Union's financial interests, under the supervision of UCLAF.²⁷ The introduction of such a system - in a field where unannounced inspections have an obvious purpose - has answered many of the well-founded concerns expressed by MEPs about cases of serious administrative anomalies requiring direct intervention. Under the present rules on independent Commission inspections (Article 18(3) of Regulation No 1552/89), the Commission must give advance warning, but it is authorised to intervene at relatively short notice in exceptional circumstances. Such intervention can be compared to an unannounced inspection.

However, if the Commission is to give a proper appraisal of national inspection arrangements, it must prepare the ground, acting in close cooperation with national government departments. On the basis of past experience, the Commission believes that the degree of cooperation it has established with Member States is such that it can virtually guarantee that appropriate action will be taken in the event of any serious malfunction that has financial implications.

²⁶ OJ L 292, 15.11.1996, p.2.

²⁷ See in particular Council Regulation (Euratom, EC) No 2185/96, OJ L 292, 15.11.1996, p.2.

4.2 General assessment and conclusions

4.2.1 *Why inspections are necessary and what purpose they serve*

Whenever action needs to be taken with regard to the practical operation of the traditional own resources system, the Commission has a whole armoury of different measures to draw on: it can make one-off corrections, request that appropriate instructions be given to remedy shortcomings in national procedures and practices or, in the case of persistent malfunctions, clarify the interpretation of Community legislation and work towards improving it.

As this report has shown, the Commission makes full use of all the means at its disposal. Given the level of resources which can reasonably be allocated to inspections of the traditional own resources system, these measures are fairly effective.

The most visible effects are the financial corrections it makes where legislation has been applied incorrectly, and the collection of interest for late payment to offset the loss of revenue incurred. Moreover, inspections are still the best way of checking that customs legislation is properly enforced and identifying any problems that crop up. The report gives several examples where results have given rise to proposals designed to simplify and restructure the legislative framework.

As far as the future is concerned, the Commission's inspection activities will clearly be justified for as long as the own resources system exists in its present form. The specific checks performed by the authorising officer under Regulation No 1552/89, both in scrutinising own resources (Article 18) and analysing information sent by the Member States on the organisation of their inspections (Article 4(1) of the Regulation) and the results of these inspections (Article 17(3)) give us a good understanding of the real situation on the ground and a fairly precise picture of the system for collecting own resources.

The Commission intends to lay particular emphasis on the accounting treatment given to amounts evaded and irregularities and on the various stages of recovery, i.e. the establishment, entry in the accounts and making available of entitlements. It also intends to add to the control measures already applied in connection with the TIR.

4.2.2 *Entry and customs status of goods at the Union's external borders*

On the basis of information obtained during the inspection activities described in this report, the Commission is able to answer the request made by Parliament²⁸ concerning the entry and customs status of goods at the Union's external borders, following the observations made by the Court of Auditors in its annual report for 1994. The following paragraphs constitute the Commission's official reply.

²⁸ At its sitting of 17 April 1996 and as part of the discharge procedure in respect of the 1994 general budget.

When goods enter Community customs territory, the departments responsible carry out documentary checks as well as inspections under customs legislation. As part of its own resources inspections and its analysis of information sent by Member States, the Commission examines whether these checks are properly carried out.

Taking into account the comments made above, the results of the Commission's inspections show that, in general, the *checks* carried out by customs authorities *on the entry of goods* are of an acceptable standard, given the huge number of basic transactions that take place each year - in the region of several hundred million, all customs procedures and destinations combined.

The Commission has noted that Member States increasingly decide on the detailed inspection arrangements to be applied (at customs clearance or post-clearance) on the basis of the trade flows in question and the administrative set-up of their departments. This explains why inspection techniques differ from one Member State to another. The Commission believes that by developing risk-analysis methods this state of affairs can be remedied and targeted controls made more effective.

The Commission has already responded by adopting certain measures designed to offer the Community's financial interests a high level of protection, in the absence of internal borders, by ensuring that the procedures and inspections applied to imports of goods are equally effective throughout the Community customs territory.

In this context, European Parliament and Council Decision No 210/97/EC of 19 December 1996 adopting an action programme for customs in the Community (Customs 2000)²⁹ laid down a clear legal framework for measures already undertaken, in particular the *monitoring* operations on Member States in 1994, which were aimed at examining the procedures for inspecting sea borders and free zones.

Other initiatives to be implemented under this programme include the computerisation of customs departments at Community level, essential for the rationalisation of procedures, and the development of guidelines in the field of risk analysis. On this last point, the Commission, in close cooperation with the Member States' customs authorities, is studying the possibility of establishing common principles for applying these techniques at Community level.³⁰ It also hopes to define common criteria for permitting operators to use simplified procedures as well the targeting and co-ordination of controls. It is also planning to draw up Community-wide "risk profiles".

²⁹ OJ L 33, 42 1997

³⁰ The initial results are being studied by the special *ad hoc* sub-group on internal audit set up by the Advisory Committee on Own Resources under phase III of the "Sound financial management" initiative.

The aim of *checks on the customs status of goods presented at customs* is to prevent non-Community goods being granted the status of goods in free circulation resulting in a failure to collect own resources. Inspections by the Commission and the Court of Auditors have revealed that, in the case of goods transported by sea and - in certain simplified external transit procedures - by air or sea³¹, the present procedure has a number of shortcomings and does not really guarantee that own resources will be collected.

To remedy this state of affairs, Member States have been asked for additional information on anomalies which might have an impact on the Community budget. At its meeting in February 1995, the Community Customs Committee - Transit Section adopted administrative arrangements for the *ex post* inspection of such procedures, which should improve the situation.

The Commission is also considering a draft amendment of the regulations to simplify the procedures applied to the transit of non-Community goods by sea and tighten controls on the customs status of such goods. This measure also forms part of the action plan for transit adopted by the Commission on 30 April 1997 and sent to the budgetary authority.³²

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* *

This report is one of several which the Commission has laid before the budgetary authority on the inspections it carries out on revenue, including the summary of the Member States' annual reports on the results of their inspections under Article 17(3) of Regulation No 1552/89, the special report of the Financial Controller under Article 29(3) of the Financial Regulation and UCLAF's annual report on the fight against fraud. Mention should also be made of the reports on action taken to follow up comments by Parliament.

More generally, these reports supplement the accounting and budgetary information which the Commission is required to supply under Article 78 of the Financial Regulation, in particular the consolidated revenue and expenditure account containing a statement of established own resources by Member State and an annex showing potential entitlements relating to fraud and irregularities.

The next report on the functioning of the inspection arrangements for traditional own resources will cover the period 1997-99 and appear in first half of the year 2000.

³¹ Articles 314 ff. of the provisions implementing the Code.

³² COM (97) 188 final.

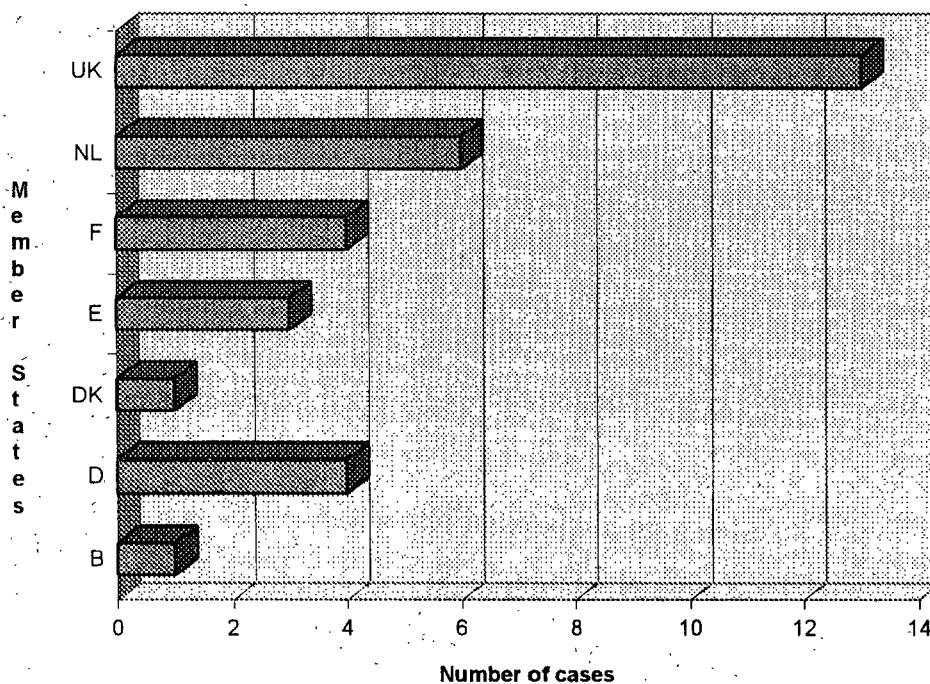
ANNEX

Application of Article 17(2) of Regulation No 1552/89

Reference period (half-year)	Member State	Reasons given for release from obligation	Entitlements at stake (ECU)	Commission position	Status of case
1st half 1993	D	Firm wound up	15 250	Rejection	Case withdrawn by D
	UK	Case reported by mistake	23 103	Cancellation	Closed
2nd half 1993	D	Bankruptcy	48 329	Information requested	Case withdrawn by D
		Debtor insolvent	18 734	Information requested	Case withdrawn by D
	NL	Bankruptcy	25 350	Sufficient diligence	Closed
	UK	Bankruptcy	19 114	Lack of diligence	Amount paid. Closed
		Bankruptcy	14 021	Sufficient diligence	Closed
1st half 1994	D	Circumstances to be explained	319 003	Information requested	Case withdrawn by D
	NL	Bankruptcy	62 894	Sufficient diligence	Closed
		Bankruptcy	44 744	Sufficient diligence	Closed
		Firm ceased trading	136 135	Sufficient diligence	Closed
	UK	Trader ceased business	37 344	Lack of diligence	UK refuses to pay. Suspected infringement form drawn up.
		Liquidation	76 769	Lack of diligence	Amount paid. Closed
		Trader ceased business	37 151	Sufficient diligence	Closed
2nd half 1994	E	Debtor insolvent	902 857	Lack of diligence	In progress
	F	Liquidation	37 834	Sufficient diligence	Closed
1st half 1995	E	Debtor insolvent	1 555 753	Further information requested	In progress
		Debtor insolvent	401 345	Further information requested	In progress
	NL	Circumstances to be explained	675 227	Information requested.	In progress
	UK	Bankruptcy	450 818	Lack of diligence	UK does not accept Commission's position. Under review
2nd half 1995	UK	Bankruptcy	1 802 954	Information requested	In progress
		Bankruptcy	576 925	Lack of diligence	UK does not accept Commission's position. Under review.
		Bankruptcy	481 063	Information requested.	In progress
		Bankruptcy	116 862	Lack of diligence	UK does not accept Commission's position. Under review.
		Bankruptcy	88 463	Lack of diligence	UK does not accept Commission's position. Under review.
Subtotal		25 cases reported	7 968 042		

Reference period (half-year)	Member State	Reasons given for release from obligation	Entitlements at stake (ECU)	Commission position	Status of case
Subtotal		25 cases reported	7 968 042		
1st half 1996	UK	Debtor insolvent	356 381	Inadmissible	UK reply expected
2nd half 1996	NL	Bankruptcy	138 953	Information requested	open
1996 (whole year)	F	Debtor insolvent	215 995	Under scrutiny	open
		Bankruptcy	10 777	Under scrutiny	open
		Bankruptcy	23 830	Under scrutiny	open
	B	Bankruptcy	36 112	Under scrutiny	open
	DK	Debtor insolvent	11 911	Under scrutiny	open
Total 1993/96		32 cases reported	8 762 001		

Art. 17(2) Number of cases by Member State 1993/96



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