



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.7.2006
SEC(2006) 911

COMMISSION STAFF WORKING DOCUMENT

Annex to the

Annual Report 2005 from the Commission
on the

Protection of the European Communities' financial interests and the fight against fraud

Statistical Evaluation of Irregularities

Agricultural, Structural and Cohesion Funds, Own Resources and

Pre-accession Funds

Year 2005

{COM(2006) 378 final}

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1. THE SITUATION IN 2005

1.1. Introduction

Community legislation provides for protection of the Community's financial interests in all areas of activity¹. Member States are required to notify the Commission of evidence of fraud and other irregularities. This need is particularly evident in those sectors of the Community budget where the main responsibility for management lies with the Member States, namely in the fields of Agriculture and the Structural Funds (on the expenditure side) and Own Resources (on the revenue side). In these areas, Member States must inform the Commission of all irregularities involving more than €4 000 in the case of Community expenditure or more than €10 000 for traditional own resources. This applies at all stages in the procedure for recovering monies unduly paid or not received.

Regulation No 595/91 specifies the requirement for the agriculture sector, Regulations No 1681/94² and 1831/94³ for structural measures and Regulation No 1150/2000 for own resources. In the case of pre-accession funds, the obligation to report irregularities is laid down in Community legislation and in the Pre-Accession and Accession Agreements between the European Community and the candidate and accession countries.

Member States are required to report irregularities under Article 3 of these Regulations (for own resources the relevant provisions are contained in Article 6 paragraph 5 of Regulation No 1150/2000) within two months of the end of each quarter. Under Article 5 (and, again, Article 6, paragraph 5 for own resources) they have to submit updates of the cases communicated and relevant information about the financial, administrative and judicial follow-up.

The distinction between irregularities and fraud is that fraud⁴ is a criminal act that can be determined only by the outcome of judicial proceedings. Consequently, the actual amount of fraud cannot be determined until the judicial procedure has come to an end. While awaiting the results, the Commission works on the basis of the information supplied by Member States concerning cases of irregularities some of which, in the opinion of the reporting Member States, give rise to suspicions of fraud. The Commission's statistical assessment of, and ability to respond to, irregularities depends on the accuracy and timeliness of the notifications made by the Member States.

¹ See, in particular, Article 3(1) of Council Regulation (EEC) No 595/91 of 4 March 1991 (OJ L 67, 14.3.1997), Commission Regulations (EC) No 1681/94 of 11 July 1994 (OJ L 178, 12.7.1994) and No 1831/94 of 26 July 1994 (OJ L 191, 27.7.1994) for expenditure and Article 6(5) of Council Regulation (EC, Euratom) No 1150/2000 for traditional own resources.

² Regulation 1681/94 applies to the Structural Funds, i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF)—Guidance Section and the Financial Instrument for Fisheries Guidance (FIFG).

³ Regulation 1831/94 applies to the Cohesion Fund.

⁴ See the definition in Article 1 of the Convention on the protection of the Community's financial interests of 26 July 1995 (OJ C 316, 27.11.1995), which entered into force on 17 October 2002.

The practices of the national administrations still vary, though improvements have been achieved thanks to the efforts made to harmonise their approaches. The data communicated by Member States is sometimes incomplete. Furthermore, the distinction between “suspected fraud” and other irregularities is not consistent, as Member States do not always apply the same definition of criminal risk. Consequently, a significant proportion of received communications by the Commission do not distinguish between suspected fraud and irregularity.

The Commission works in close cooperation with the Member States to improve the notification system for irregularities, in particular to clarify the concepts of “fraud” and “irregularity”⁵ and as a result of this, a first attempt to measure the possible economic impact of fraud in certain sectors has been made. However, for the reasons outlined above, the figures presented below should be interpreted with caution. It would be particularly inappropriate to draw simple conclusions about the geographical distribution of fraud **or on the efficiency of the services which contribute to the protection of financial interests.**

1.2. Cases notified by the Member States

Annex 10 gives an overview of all irregularities communicated by Member States under Regulation No 595/91 for the agriculture sector, Regulations No 1681/94 and 1831/94 for structural measures and Regulation No 1150/2000 for Own Resources.

In general, the number of irregularities notified increased by 24% in 2005.

The total number of irregularities increased for Own Resources, the Structural Funds, PHARE and SAPARD. It decreased for the agriculture sector and the Cohesion Fund.

In general, the total amount affected by irregularities notified increased by 5% in 2005.

The total amount affected by irregularities increased for own resources, the agriculture sector, ISPA and PHARE. It decreased for the Structural Funds, the Cohesion Fund and SAPARD.

⁵ The Commission opened a dialogue with the representatives of the Member States to clarify basic concepts and to reassure Member States that notification of irregularities in no way prejudices the outcome of criminal proceedings. A working document on the practical arrangements for notification of irregularities has been compiled. Discussions are continuing in the Advisory Committee on the Coordination of Fraud Prevention.

2. GENERAL ANALYSIS

2.1. TRADITIONAL OWN RESOURCES (TOR) (Annexes 1 and 2)

2.1.1. General analysis

Under Article 6(5) of Regulation 1150/2000, Member States are required to communicate to the Commission, via the OWNRES system, cases of fraud and irregularity whenever the amounts of TOR exceed €10 000.

On the basis of the OWNRES-data available (correct as on 6 April 2006), the following trends can be identified:

(a) The number of cases reported increased by 55%.

The number of communicated cases on detected fraud and irregularity (cases > €10 000) increased by 55% compared with 2004. This increase is due to the fact that some Member States have entered into OWNRES cases of undischarged transit operations that were subsequently but belatedly discharged. Therefore the mere increase of 55% does not justify any conclusion about the actual situation as regards fraud and irregularities.

In all, for the period from 1989 to April 2006, the OWNRES-database contains around 32 230 cases and about 60 250 communications including updates. This is also a big increase compared with last year, which mirrors the Member States' efforts to complete their reporting retrospectively.

Compared with 2004, the number of cases communicated increased notably for nearly all of the new Member States. This is also due to the fact that the OWNRES-system has become more familiar to them. Regarding the EUR-15 Member States, there was an overall increase in 10 countries, in particular the Netherlands (+212%; probably due to the improved coverage of transit irregularities by the reporting system) and the United Kingdom (+102%) whereas the number of communicated cases decreased in Belgium (-25%), Denmark (-24%) Sweden (-11%) and Germany (-8%).

(b) The amounts at stake increased by 52%.

The consolidated communications in 2005 totalled €321 886 001 compared with €212 366 396 in 2004, an increase of 52% over 2004.

The amount recovered in 2005 was €87 420 092, equivalent to 27% of the total, compared with €54 751 893, also representing 27% of the amount recovered at the same time but for the previous year (the 2004 figures are €69 299 517 or 33% by now).

2.1.2. Conclusions

- The total number of irregularities increased by 55%;
- The total amount affected by irregularities increased by 52%.

2.2. AGRICULTURAL EXPENDITURE (Annexes 3, 4 and 5)

In 2005, Member States reported 3 193 irregularities under Regulation (EEC) No 595/91 compared with 3 401 irregularities in 2004. The total amount affected in 2005 was about €102 million, as against around €82 million in 2004. Irregularities notified in this sector are equivalent to only 0.21% of the agricultural budget. Annex 4 gives an overview per Member State, indicating the number of irregularities, the amounts involved and the percentage of EAGGF expenditure.

In the period 1971-2005, Member States reported 39 431 irregularities, involving €3 392 million. The total amount affected by irregularities detected before payment is approximately €255 million and after payment approximately €3 137 million. At the end of 2005 Member States still had to recover €2 102 million.

2.2.1. Reporting discipline

In 2005 OLAF processed almost 20 000 communications under Regulation (EEC) No 595/91. A large number of these communications were updates of cases that had been reported prior to 2005. The rather large number of communications can be explained by the “TFR-effect” (TFR = Task Force Recovery). The TFR has the task of closing all cases that were reported before 1999 and are still open. Due to the activities of the TFR, Member States have started to update information on irregularities. Unfortunately, this has not led to the closure of many cases.

In the 2004 Annual Report, the annex on the statistical evaluation of irregularities noted that the reporting discipline of Member States had improved in 2004, but also that further improvements were still necessary and that the level of compliance of a Member State seems to decrease as the total amount of support measures increases. This still holds true, but reporting discipline continued to improve in 2005. More Member States reported on time and the quantity and quality of the information improved. There is, however, still a long way to go.

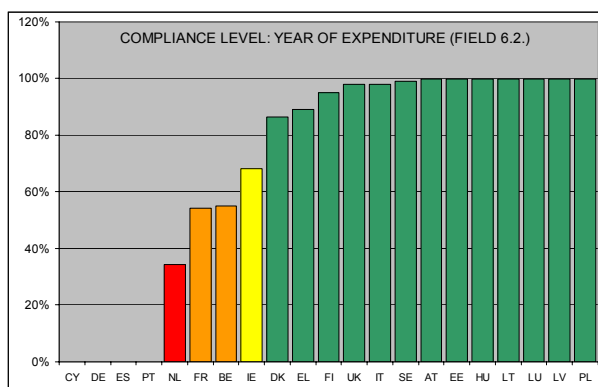
During 2005 Member States received several information bulletins containing overviews of the communications submitted in the last quarter, feedback on the irregularities reported and recommendations to improve the reporting of irregularities.

The system of electronic reporting of irregularities introduced in 2001 for agriculture has led to an improvement in data quality and in the timeliness of reporting. It has also reduced misunderstandings and misinterpretations owing to linguistics and, consequently, improved compliance with the regulations.

The system of electronic reporting is, however, not used by all Member States. At the end of 2005 two Member States (Germany and Spain) were still not using the electronic reporting system. Between them, Germany and Spain account for almost 40% of the total number of cases reported (1 232 cases).

Member States should indicate the year of expenditure in their communications to make it possible to create a link between the budget year and the measures affected by the irregularity. In the case of the EAGGF, the budget year does not coincide with the calendar year. However, Member States actually report the year of expenditure in

only approximately 39% of cases. Cyprus, Germany, Spain, the Netherlands and Portugal seldom report the year of expenditure.



One cause for concern is that Member States are reporting a relatively high proportion of cases (approximately 26%) in which the irregularity or fraud took place more than three (3) years ago, i.e. before 2002. Table A1 gives an overview. This is of particular concern as the chances of recovery decreases with time. Member States were unable to indicate the year(s) in which the irregularity took place in 312 cases.

Table A1: Year in which the irregularity started or was committed

MS	IRREGULARITY REPORTED IN 2005 AND THE YEAR IN WHICH THE IRREGULARITY STARTED															total
	< 1995	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	blank			
AT			1		2	3	8	3	25	4	17				63	
BE	2	3			4	3	3	8	5	16	31	3	2		80	
CY											1	7			8	
DE	31	10	28	11	8	40	53	80	36	60	112	37	15		521	
DK			1		1		2	3	7	6	12	12			44	
EE												7			7	
EL	1					10	4	9	6	11	12	2	9		64	
ES	6	8	21	23	32	36	51	59	77	64	127	207			711	
FI							1	4	4	3	5	2	1		20	
FR	1	3	2	3	2	5	32	48	42	24	51	108	161		482	
HU											3	2			5	
IE			4			1		2	2	2	40	2	29		82	
IT	1	3		6	2	3	3	20	7	7	20	26	7		105	
LT											15	17			32	
LU	1					1		1		1					4	
LV											1				1	
NL				1	1	2	12	24	34	43	24	4	1		146	
PL											63	8			71	
PT		1	2			1				156	63	2	77		302	
SE							5	32	4	9	35	14	9		108	
UK	5		1	1	1	4	9	20	49	135	66	45	1		337	
total	48	28	60	45	53	109	183	313	298	541	698	505	312		3193	

In addition, Member States also report the date of discovery of the irregularity and the date on which it was first reported to OLAF. Table A2 shows an overview of the time lap (in years) between discovery and reporting of the irregularity. The table shows that although the reporting discipline of Member States has improved, it still needs attention. Irregularities should be reported as soon as possible, which means immediately after discovery. Under 70% of irregularities are reported within one (1) year following their discovery. The system of electronic reporting, however, offers the possibility to report an irregularity as soon as it is discovered.

Table A2: Time lap between discovery and reporting

MS	reported within 1 year after discovery		reported x year(s) after discovery										total
	cases	in %	> 1 year	> 2 years	> 3 years	> 4 years	> 5 years	> 6 years	> 7 years	> 8 years	> 9 years	blank	
AT	52	83%	1	9	1								63
BE	47	59%	19	9		2	1		2				80
CY	8	100%											8
DE	376	72%	75	15	2	11	38	1	2	1			521
DK	33	75%	8	3									44
EE	7	100%											7
EL	35	55%	15	2	1	1		10					64
ES	355	50%	253	40	23	16	8	7	4	3	2		711
FI	16	80%	4										20
FR	377	78%	80	8	4	5	5	2				1	482
HU	5	100%											5
IE	56	68%	22	2	2								82
IT	83	79%	10	4	3		4				1		105
LT	32	100%											32
LU	2	50%	1			1							4
LV	1	100%											1
NL	90	62%	43	7	4	1			1				146
PL	63	89%	8										71
PT	289	96%	13										302
SE	81	75%	25	1	1								108
UK	160	47%	133	28	14		1	1					337
total	2168	68%	710	128	55	37	57	21	9	4	3	1	3193

Late reporting of an irregularity could imply that a Member State failed to take all necessary actions to limit or to reduce the financial impact of an irregularity. Audits have revealed that some Member States wait until recovery procedures are underway before reporting. Furthermore, Member States also start their recovery procedures very late. This, in general, has a negative impact on the chances of recovery.

IDENTITY OF NATURAL OR LEGAL PERSONS INVOLVED					
MS	information		no information		total
	in cases	in %	in cases	in %	
AT	63	100%			63
BE	80	100%			80
CY	8	100%			8
CZ		100%			0
DE	47	9%	474	91%	521
DK	44	100%			44
EE	7	100%			7
EL	63	98%	1	2%	64
ES	711	100%			711
FI	8	40%	12	60%	20
FR	467	97%	15	3%	482
HU	5	100%			5
IE	77	94%	5	6%	82
IT	78	74%	27	26%	105
LT	32	100%			32
LU	4	100%			4
LV	1	100%			1
MT		100%			0
NL	51	35%	95	65%	146
PL	71	100%			71
PT	302	100%			302
SE	108	100%			108
SI		100%			0
SK		100%			0
UK	258	77%	79	23%	337
total	2,485	78%	708	22%	3,193

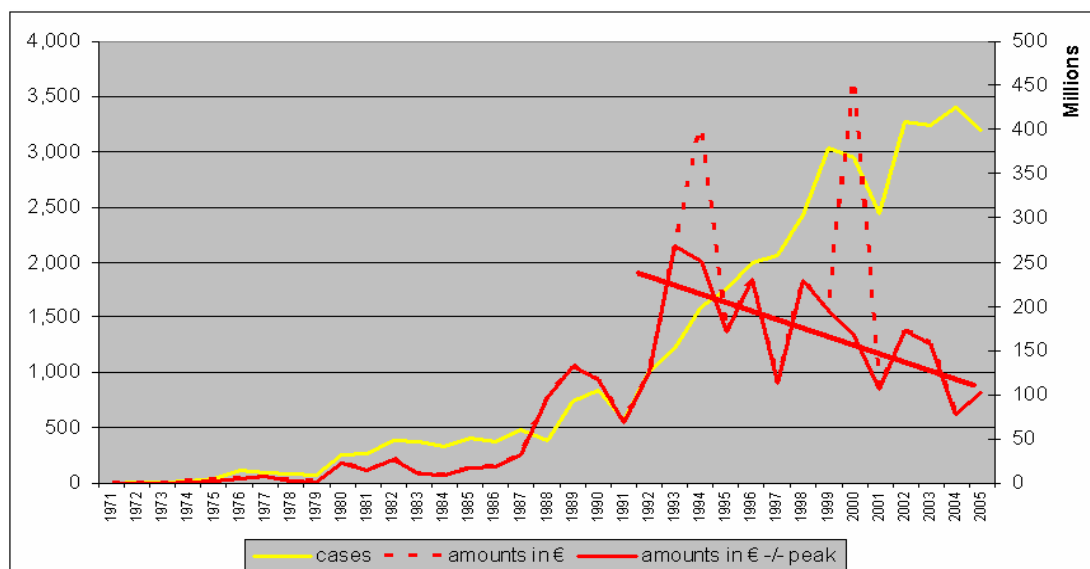
Member States are also required to give detailed information on the identity of the natural and legal persons involved. Germany provided this information in only 47 cases, while the Netherlands did so in 51 cases. Other Member States, such as Finland, Italy and the United Kingdom, also need to address this issue. All other Member States provided the information required and therefore complied with Regulation (EEC) No 595/91. The table gives an overview of discipline in reporting the identity of the persons involved in irregularities.

The general conclusion is that the reporting discipline of Member States improved in 2005, but further improvements are still necessary. It should also be pointed out that new Member States have a better reporting record than some of the former EU-15.

2.2.2. General analysis

The total number of cases reported in 2005 is 3 193. These 3 193 cases amount to approximately €102 million compared with approximately €82 million for the 3 401 cases reported in 2004. Chart A3 shows the total number of cases per year and the total amount per year. Annex 3 gives an overview for 1998-2005.

Chart A3: Irregularities communicated by Member States (1971-2005)



The steady and significant increase in the number of cases has come to an end. The total number of irregularities reported in 2005 decreased compared with 2004. The total amount affected by these irregularities has, however, been decreasing since 1994. Chart A3 reflects these trends. The “amounts in €” line shows two (2) peaks, one in 1994, the other in 2000. These peaks are caused by three (3) Italian cases in 1994 and one (1) Italian case in 2000. Leaving aside these exceptional cases, since 1994 there has been a clear steady downward trend in the total amounts affected by irregularities (see the “trend line” on the chart). This can be explained by the introduction of the direct aid/payment section, the introduction of the integrated administration and control system (IACS) and the move towards direct aid/payment decoupled from production.

In 2005, the countries reporting the highest number of cases were Spain, Germany, France, the United Kingdom and Portugal with 711, 521, 482, 337 and 302 cases respectively. In monetary terms, Spain reported the highest amounts affected by irregularities, almost €46 million, followed by Germany and Italy which reported a total amount of approximately €15 million. Spain, Germany and Italy together, accounted for more than 75% of the total amount affected by irregularities in 2005. Up until now, no reports have been received from the Czech Republic, Malta, Slovenia and Slovakia.

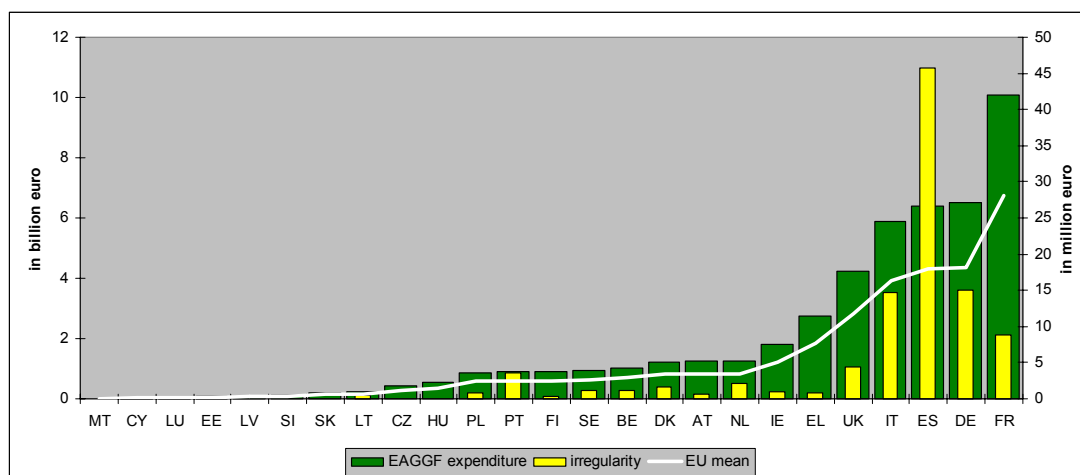
Annex 4 gives an overview for each Member State.

Another point worth mentioning is the level of irregularities as a percentage of EAGGF-expenditure per Member State. Spain and Portugal have, as in 2004, the highest percentages, on 0.70% and 0.40% respectively, followed by Italy and Germany with 0.25% and 0.23% respectively. Annex 4 gives an overview of these percentages. Spain and Portugal report more irregularities than other Member States. It is possible that some Member States are under-reporting.

Chart A4 shows the relationship between the total amount allocated per Member State from the EAGGF budget and the total amount affected by irregularities per

Member State in 2005. Member States are ranked in order of the budget allocated per Member State, starting with the Member State receiving the least. Malta received the lowest amount (€5.7 million) from the EAGGF budget while France received the highest (€10.1 billion). The (white) line shows the EU mean based on the amounts affected by the reported irregularities and the budget allocated per Member State.

Chart A4: Total amount of irregularities in relation to budget allocated per Member State (year 2005)



Together France, Spain and Germany receive almost 50% of the total EAGGF-budget, i.e. approximately €23 billion. In 2005, France received approximately €10.1 billion, Germany more than €6.5 billion and Spain more than €6.4 billion.

In almost all Member States, there is a proportional relationship between the total amounts of support and of irregularities. However, the results for Spain and France are striking. Spain reports a high number of cases, a high total amount involved and a relatively high average amount involved per irregularity. For France the opposite applies: the total number of reported irregularities, the total amounts affected by the irregularities and the average amount affected per irregularity are relatively low. Portugal also reports a relatively high number of cases and total amount affected by the irregularities.

Measures/budget lines affected

Member States must inform the Commission of the measures affected by irregularities. Unfortunately, some Member States, for instance Germany, do not fully comply with this rule. Member States must pay attention to this obligation. Table A5 gives an overview of the irregularities reported per main category. The division into the different types of measures is based on the indications given by Member States of the:

- measures affected,
- regulations infringed, and
- modus operandi.

Table A5: Irregularities per main category of support measure (year 2005)

group	description	cases	amounts in €	average amounts in €	in % of total	cumulative %
40	rural development	1,266	26,941,465	21,281	26.4%	26.4%
15	fruit and vegetables	180	25,416,308	141,202	24.9%	51%
21	beef and veal	487	22,293,738	45,778	21.8%	73%
12	olive oil	129	6,456,062	50,047	6.3%	79%
10	cereals	388	5,177,583	13,344	5.1%	85%
16	wine	289	4,558,676	15,774	4.5%	89%
30	non-annex I products	57	3,187,182	55,915	3.1%	92%
20	milk and milk products	105	1,580,762	15,055	1.5%	94%
32	POSEI	17	1,021,039	60,061	1.0%	95%
99	other	46	1,014,158	22,047	1.0%	96%
75	single area payment scheme (SAPS)	83	965,515	11,633	0.9%	97%
23	pigmeat, eggs, poultrymeat, bee-keeping	28	661,091	23,610	0.6%	97%
13	dried fodder	20	656,609	32,830	0.6%	98%
38	promotion measures	1	486,125	486,125	0.5%	98%
18	seeds, hops, rice	12	334,818	27,901	0.3%	99%
70	single payment scheme (SPS)	25	321,690	12,868	0.3%	99%
22	sheep and goats	28	307,775	10,992	0.3%	99%
14	textile plants	9	221,069	24,563	0.2%	100%
17	tobacco	4	156,671	39,168	0.2%	100%
11	sugar	7	116,897	16,700	0.1%	100%
50	other measures	10	113,118	11,312	0.1%	100%
31	food programmes	1	106,230	106,230	0.1%	100%
26	fish	1	17,234	17,234	0.0%	100%
total		3,193	102,111,815	31,980		

The highest number of irregularities reported was for “rural development”. Member States reported a total of 1 266 cases involving rural development measures (group 40). These cases alone amount to approximately €27 million, which is approximately 26% of the total amount affected by irregularities. The second most heavily involved sector is “fruit and vegetables” (group 15), where Member States reported 180 cases involving approximately €25.5 million. This implies that the average amount per irregularity is relatively high for cases reported in this group. The last group of particular concern is “beef and veal” (group 21). In this sector 487 cases were reported involving almost €22.3 million. These three groups together are responsible for 60% of the total number of reported irregularities and almost 75% of the total amount affected by irregularities.

It is also worth mentioning that the first reports have been received of irregularities concerning the “single payment scheme” (group 70) and “single area payment scheme” (group 75).

2.2.3. Conclusions

- Compliance with Regulation 595/91 still needs attention.
- Germany and Spain are not using the system of electronic reporting.
- The total number of irregularities reported decreased.
- The total amount affected by irregularities reported increased.
- The highest number of cases and amounts were reported for “rural development”.
- The average amount per irregularity was highest for “fruit and vegetables”.

2.3. STRUCTURAL MEASURES EXPENDITURE (Annexes 6, 7, 8 and 9)

In 2005, Member States reported 3 570 irregularities, of which 3 356 were under Regulation (EEC) No 1681/94 (which covers the Structural Funds⁶) and 214 under Regulation No 1831/94 (on the Cohesion Fund). The total amount affected by irregularities in 2005 was about €601 million, €467 million of which was from the Structural Funds and €134 million from the Cohesion Fund. Irregularities notified in this sector were equivalent to 1.56% of the budget allocated to structural measures in 2005. Annex 6 gives an overview of the number of irregularities reported in the period 1998-2005, the amounts involved and the percentage of the structural measures budget affected.

Since the information system of irregularities was established, Member States have reported 19 034 irregularities, of which 18 467 related to the Structural Funds and 567 to the Cohesion Fund.

2.3.1. Reporting discipline

In 2005 OLAF received 3 952 communications under Regulations (EEC) No 1681/94 and 1831/94, of which 622 were updates of cases that had been previously reported (under Article 5 of the above mentioned Regulations).

The system of electronic reporting of irregularities was introduced in 2001. After slow adoption by Member States in the first years of implementation, the number of Member States reporting irregularities electronically has increased notably. However, not all the systems used by Member States' authorities are fully interoperable with the OLAF External Communications Register (ECR). Therefore some manual data input is still required. Nevertheless, overall, the situation is improving. A major technological improvement is expected in the second half of 2006, which should produce positive effects by the end of the year.

At present, as reported in 2004, all but three Member States (France, Ireland and Spain) have requested a connection via AFIS, the Anti-Fraud Information System, in order to access the specific modules for Regulations No 1681/94 and 1831/94 for electronic submission of communications of irregularities.

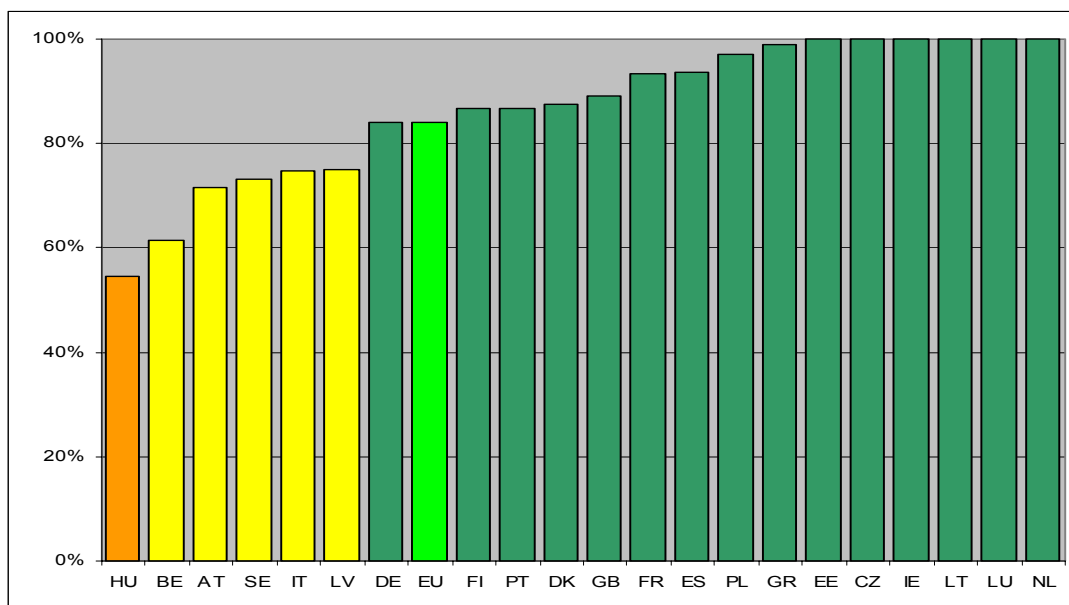
Member States also report the date of discovery of the irregularity and the date on which it was first reported to OLAF. Chart S1 gives an overview of the level of compliance with the regulations. Compliance is measured by the level of reporting in 2005 of cases detected in 2004 and 2005. Cases detected before 2004 or for which no date of detection has been communicated indicate non-compliance.

⁶ The four Structural Funds are:
the European Regional Development Fund (ERDF), supporting primarily productive investment, infrastructure and development of SMEs;
the European Social Fund (ESF), supporting measures to promote employment (education systems, vocational training and recruitment aids);
the Guidance Section of the European Agricultural Guidance and Guarantee Fund, supporting measures for the adjustment of agricultural structures and rural development;
the Financial Instrument for Fisheries Guidance (FIG), supporting measures for the adjustment of the fisheries sector and the "accompanying measures" of the common fisheries policy.

Approximately 84% of irregularities were reported within two (2) years following their discovery. This is slightly down on last year. Member States are invited to pay attention to this point.

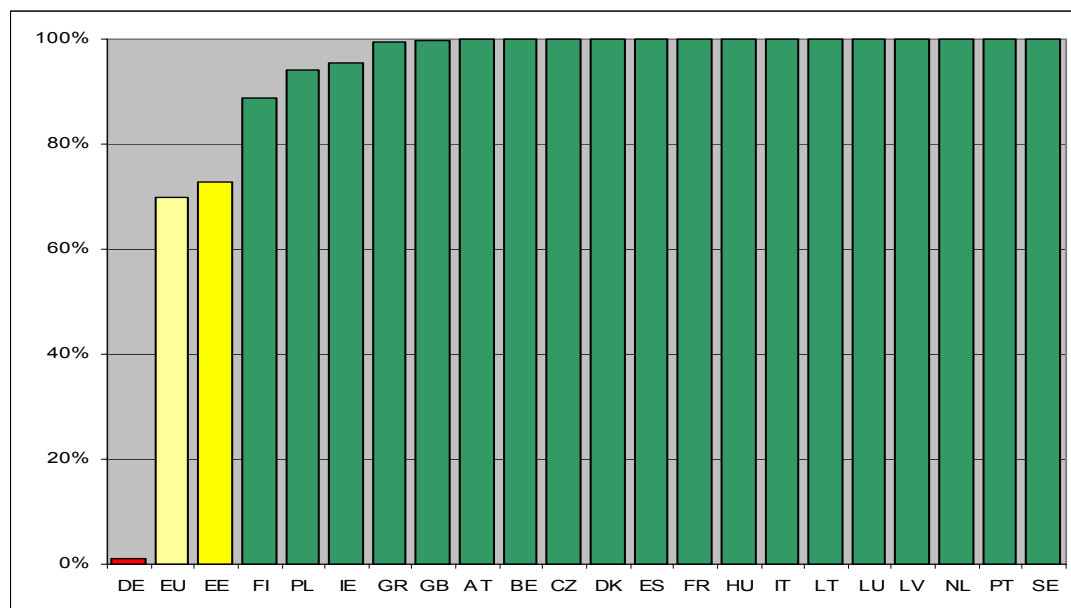
The low percentage indicated for Hungary is due to the fact that no date of discovery of irregularity has been indicated in those cases. However, all irregularities from Hungary were reported within two years of their discovery.

Chart S1: Cases reported in 2004 and year of detection



Member States are also required to give details of the identity of the natural and legal persons involved. Germany did not report the identity of the natural or legal persons involved, apart from three (3) cases. All other Member States gave information on the identity of the natural and legal persons involved and, therefore, complied with Regulations (EEC) No 1681/94 and 1831/94. Chart S2 gives an overview of the discipline in reporting the identity of the persons involved in irregularities.

Chart S2: Reporting discipline: Identity of persons involved in irregularities



The insufficient level of overall compliance in this case (70%) is strongly biased by the fact that the German authorities do not report personal data due to national legal constraints.

Another very important aspect of reporting discipline is the timeliness of transmission of the communications. From this point of view, Member States still need to show improvements, as OLAF is still receiving too many fourth-quarter communications well after the deadline indicated in the legislation (28 February of the following year). In fact communications from Spain were not received until the beginning of April but are included in this report, while the fourth-quarter communications from France were not received until after 10 May 2006 and therefore could not be processed in time for this report.

Timely reporting is a decisive factor for making full use of the information contained in the communications and Member States must take all necessary steps to comply with this requirement.

Apart from these aspects, the quality of the information communicated by the Member States remained satisfactory during 2005, confirming the improvements achieved in 2004.

If the quality of the reports has improved, doubts remain concerning the consistency of approach among the different States. Still too great a difference remains between Member States reporting a high number of irregularities and those communicating only a limited number, especially in relation to the financial resources allocated.

Moreover, beneficiary States also need to concentrate on correct implementation of Regulation No 1831/94. The results achieved by Member States' authorities on the Structural Funds Regulation are encouraging, but in the case of the Cohesion Fund only eight beneficiary States reported irregularities and, among these, Greece alone reported 70% of the total number of irregularities.

To facilitate the task of the national authorities and, consequently, increase the quality of the irregularity reports, OLAF and the Commission participated in successfully amending Commission Regulations No 1681/94 and 1831/94.

The amending Regulations (No 2035/2005 and 2168/2005 respectively) have simplified the system and clarified the points that had hindered effective implementation in the past.

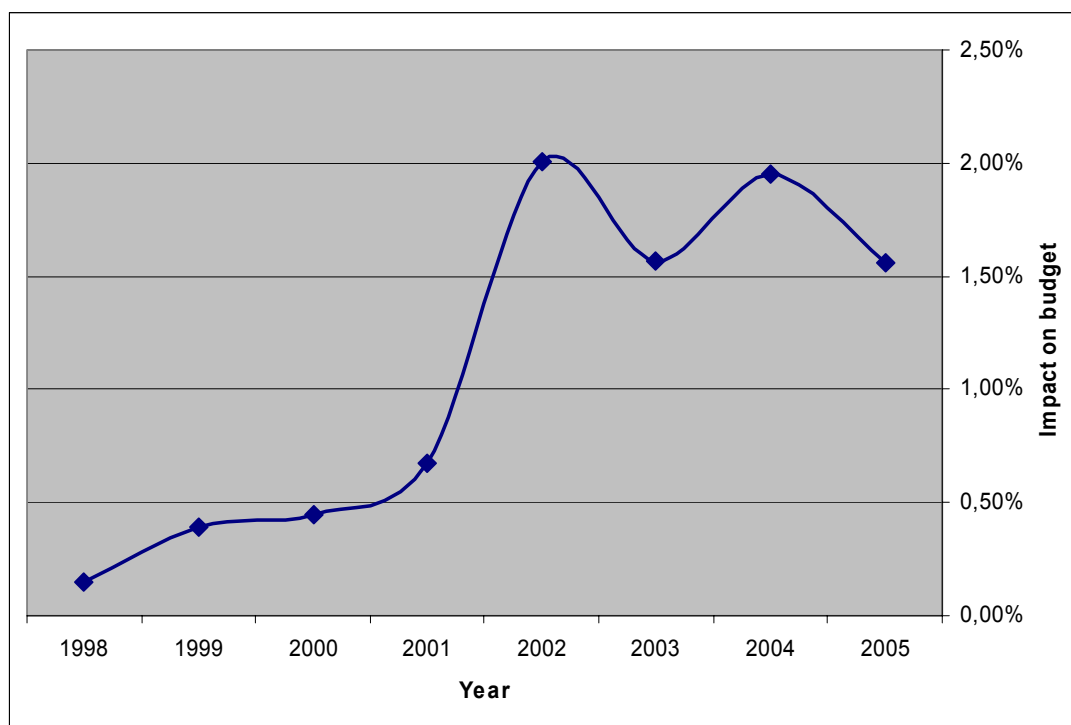
It is therefore hoped that from 2006 on, after a short period for adaptation to the new rules, the overall quality of irregularity reports will improve.

2.3.2. General analysis

After the peak in 2002, due to the closure of the 1994-1999 programming period, since 2003 the trend has been rising once more in terms of the number of irregularities reported. In 2003 a total of 2 487 irregularities were notified, in 2004 3 339 and 3 570 in 2005. The amounts involved always exceeded €600 million, except in 2003.

Annex 6 shows the general trend in the number of cases and amounts in the last eight years and the relative impact on the budget. Since 2002 it has remained between 1.5% and 2%, as shown in chart S3.

Chart S3: Impact of amounts involved in irregularities on the annual budget for structural measures



It is worth underlining once again that, when considering the financial impact of irregularities, three aspects should be borne in mind:

- The budget indicated is based on the yearly allocations, while irregularities communicated refer to different programming periods (1994-1999 and 2000-2006).

Their impact has, however, been calculated on the basis of the yearly allocation. A full assessment of the impact of irregularities/fraud on the Structural Funds budget will not be possible until the different programming periods have been fully closed and processing of the related information/data has been completed⁷.

b) Only some of these irregularities have real financial consequences and constitute a specific potential loss to the European budget. In fact, some irregularities are detected before any payment is made and the question of recovery does not arise.

c) The majority of irregularities having a real financial impact are not fraudulent and, once an irregular situation has been identified, corrective measures are adopted and recovery procedures started. These may take some time. In cases of suspected fraud, however, penal or judicial procedures are activated and longer delays can be expected.

It should also be emphasised that the steep increase in reported irregularities between 2001 and 2002 is due partly to the improvements made to the control and management systems after Community legislation (in particular Regulation 438/2001 laying down detailed rules for the implementation of Regulation No 1260/99) and partly to increased awareness of and compliance with the reporting obligations imposed by Regulations 1681/94 and 1831/94 on the part of the national authorities.

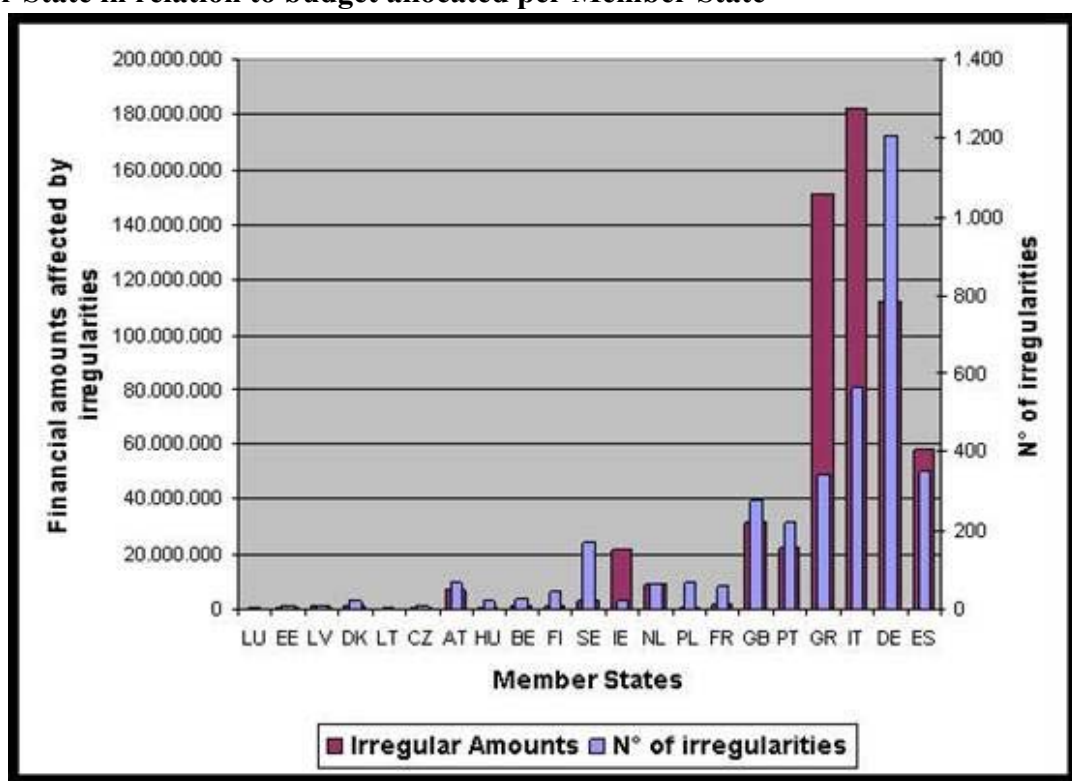
In relation to irregularities affecting the four Structural Funds (see footnote 5 for a short description of the typologies of projects financed by each Fund), 85.1% of all the irregularities reported in 2005 refer to projects financed during the 2000-2006 round, 14.5% to 1994-1999 and just 0.4% to 1988-1993 or not specified.

Chart S4 shows the number of cases and amounts communicated by each Member State. Member States are listed in order of the level of structural funding allocated to them. Luxembourg, on the left, is the State receiving the least and Spain, on the right, is the country receiving the most.

⁷

Probably in the course of 2006 for the 1994-1999 programming period.

Chart S4: Number of cases and amounts (excluding Cohesion Fund) per Member State in relation to budget allocated per Member State



The chart clearly indicates that, in relation to the resources allocated, some Member States report much less than might be expected.

Distribution of irregularities between the different Funds

Chart S5 shows how the number of irregularities was distributed between the different Funds in 2005.

Chart S5: Distribution of irregularities between the different Funds – number of cases (2005)

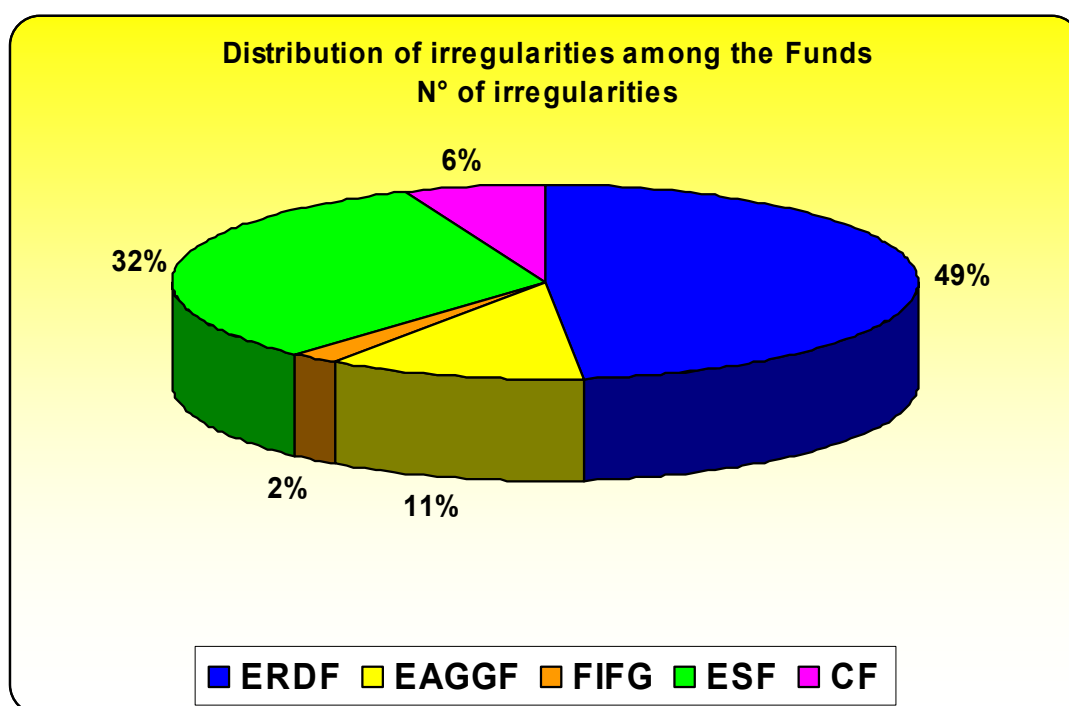


Table S6 shows the same distribution, also indicating the difference in relation to 2004.

Table S6: Distribution of irregularities between the different Funds in relation to 2004

	ERDF	EAGGF Guidance	FIFG	ESF	Cohesion Fund
2005	1,724	397	79	1,156	214
2004	1,771	403	57	818	290
Difference	-47	-6	22	338	-76
Variation	-2.7%	-1.5%	38.6%	41.3%	-26.2%

In relation to 2004, two points stand out: the increase in cases related to the ESF, in contrast to the trend in the last two years, and the increase in irregularities affecting the Financial Instrument for Fisheries Guidance (FIFG).

Irregularities affecting operations financed from the Cohesion Fund can have extremely high financial values, as they involve extremely costly projects. In line with previous reporting practice, communications concerning the Cohesion Fund will be presented in different annexes⁸.

⁸

It should also be borne in mind that, in practice, the information system concerning irregularities for the Structural Funds and the Cohesion Fund was established by two separate Regulations, Regulations 1681/94 and 1831/94 respectively. In previous reports these data were analysed together, inter alia in view of the small number of reports relating to the Cohesion Fund. This trend was inverted in 2003-2004. A new approach therefore seems justifiable.

Chart S7 and Table S8, respectively, show how the amounts involved in irregularities were distributed between the different Funds in 2005 and the differences and variations in relation to 2004.

Chart S7: Distribution of irregularities between the different Funds – amounts (2005)

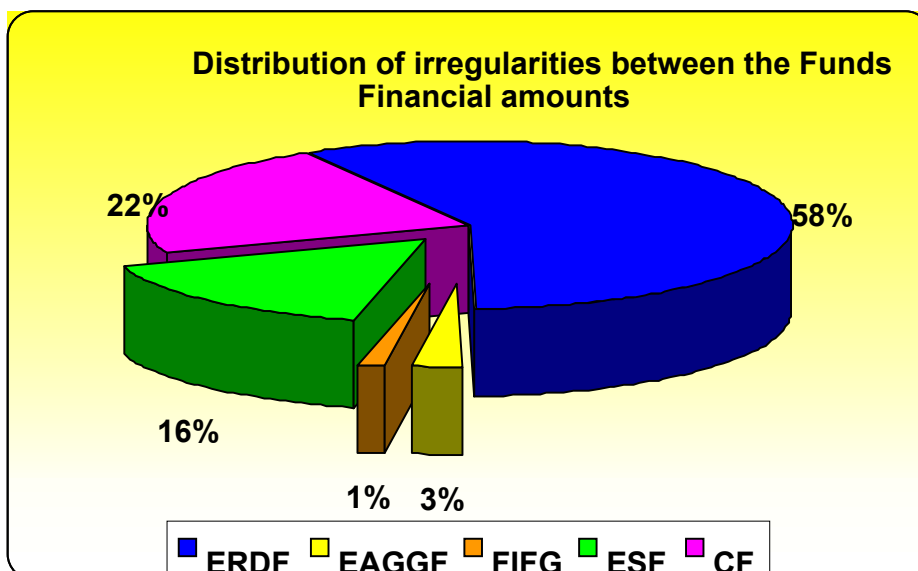


Table S8: Distribution of irregularities between the different Funds in relation to 2004

	ERDF	EAGGF Guidance	FIFG	ESF	Cohesion Fund
2005	348,137	15,505	8,376	94,601	134,198
2004	458,544	21,753	6,487	46,035	162,792
Difference	-110,407	-6,248	1,889	48,566	-28,594
Variation	-24.1%	-28.7%	29.1%	105.5%	-17.6%

The points made about the number of communications apply equally to the amounts involved. In particular, the increase in ESF cases is remarkable.

As far as the Cohesion Fund is concerned, it is still worrying that despite the increase in States reporting irregularities, both the number of irregularities and amounts involved decreased (from 290 to 214 and from 163 million to 134 million respectively) and that about 93% of communications came from only one beneficiary Member State, Greece. Czech Republic, Estonia, Hungary and Lithuania reported their first cases under the Cohesion Fund.

The analysis of patterns across Member States in previous years was only partly confirmed in 2004. The number of irregularities reported by Germany increased even further (from 983 to 1 208) and the difference between Germany and the rest of the Member States became wider, considering that Italy (the country that came second) reported less than half this number (563). In terms of the amounts involved, however, the situation described in the 2004 report was fully confirmed, with Italy reporting the highest irregular amounts and Germany second. Greece came third, excluding the

communications concerning the Cohesion Fund. As already mentioned the sums involved in the Cohesion Fund are extremely high and refer, almost exclusively, to Greece. If those sums are taken into account, Greece becomes the country reporting the second highest amounts.

In 2005 notifications of irregularities were received from 21 Member States, with only Cyprus, Malta, Slovakia and Slovenia reporting no irregularity at all.

For six Member States the number of reports decreased (Belgium, Denmark, France, Ireland, Italy and Portugal), while for all the others the number of irregularities reported increased (with the exception of Luxembourg which reported the same number of irregularities as in 2004).

Significant differences remain between Member States in terms of the number of cases reported. The number of irregularities reported by Germany and Italy raises the possibility that there could still be some under-reporting by other Member States, in particular France.

2.3.3. Conclusions

- Compliance with Regulations No 1681/984 and, especially, 1831/94 still needs attention.
- The total number of irregularities reported increased.
- The total financial amount affected by irregularities reported decreased.
- The highest number of irregularities and amounts affected were still reported in connection with the European Regional Development Fund, but irregularities concerning the ESF showed a significant increase in comparison with 2004.

• 2.4. PRE-ACCESSION FUNDS EXPENDITURE (Annexes 11, 12, 13 and 14)

In 2005 Member States reported 331 new cases plus 415 updates, of which 225 referred to cases reported in the previous years. The total amount of eligible expenditure in the reported projects was €387.6 million, of which €26.5 million was irregular.

Depending on the pre-accession fund, the obligations to report irregularities are based on agreements signed between acceding countries and the European Community. Provisions in these agreements are derived from Commission Regulation (EC) No 1681/1994.

Since the information system on irregularities was established OLAF has received 669 new cases and 672 updates. The total amount of eligible expenditure in the reported projects with irregularities was €2 770.9 million, of which €46.5 million was irregular.

Eligible expenditures: total amount of the project in which irregularity was detected;

Irregular amount: amount affected by irregularity; part of the project's eligible expenditures identified as irregularity or fraud;

Community financing: part of the project financed by the European Community;

Applicant Country Financing: part of the project financed by acceding country / Member State, in some cases includes also private co-financing.

2.3.4. Reporting discipline

Irregularities detected by acceding countries and new Member States have to be reported to OLAF within two months after the end of the quarter. Unfortunately, the electronic system of reporting is not yet operational and irregularity reports have been sent in paper format to both OLAF and the relevant line DGs. OLAF must input the data manually before they can be analysed.

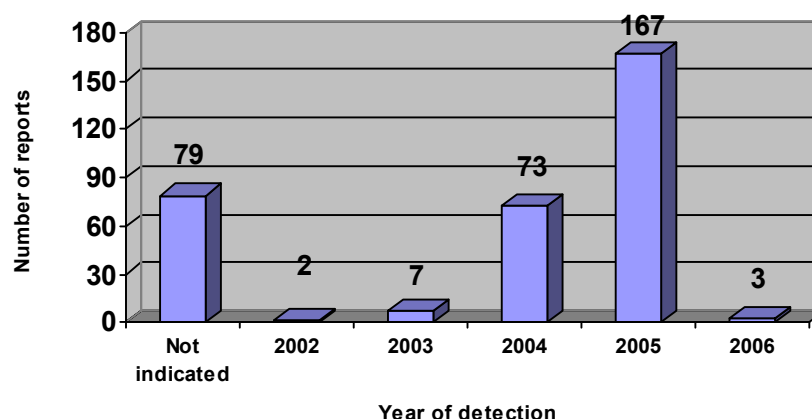
Timely reporting of irregularities is a great help to OLAF for conducting its analysis. In 2005, only four out of the 12 countries reporting sent in all their reports on time⁹ (Cyprus, the Czech Republic, Romania and Slovenia). Certain Member States appear to have some difficulty in complying with the regulations. Malta has not sent a single irregularity report, Hungary failed to send nine reports in time and Poland missed the reporting deadline on four occasions.

Comparing the date of the first report giving rise to suspicion of irregularity and the date on which the irregularity report was received by OLAF, only 50% of the irregularities reported were detected in 2005, 22% in 2004 and 2% in 2003.

Three irregularities were reported as detected in 2006. This was because beneficiary countries are obliged to report within two (2) months following the end of the quarter, and irregularities detected at the beginning of 2006 are therefore included in the fourth-quarter reports. This practice should be avoided. However, no date of notification was indicated in 24% of the reports.

⁹ Based on the date on which the report was sent.

Chart P1: Cases reported in 2005 and year of detection



Missing information is a major problem in analysis of the incoming irregularity reports. In 2005 the quality of the reports increased slightly, as more fields were filled in. However, the consistency of the information within a report remains questionable. It is still common to find that information in one part of the report contradicts information in others. Requests for clarification from Member States and acceding countries complicate the data analysis process.

Table P2 shows the percentage of information missing from reports communicated to OLAF. Member States and acceding countries are very reluctant to identify natural or legal persons involved in committing irregularities. Data on judicial procedures are very often missing. This can perhaps be explained by the fact that in many cases irregularities are dealt with through administrative rather than judicial procedures. However, this assumption is difficult to verify. A slight deterioration can also be observed in submission of information on the “Community provision infringed” but this was balanced by better indication of the “national provisions infringed”. Nevertheless 12% of reports sent in 2005 provided no data on either issue.

Table P2: Quality of data in the irregularity reports

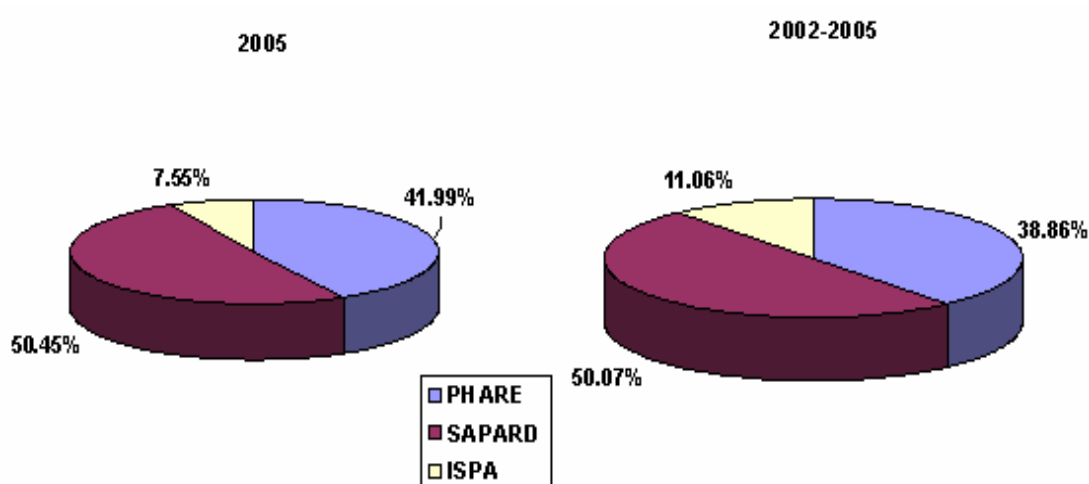
Report's Fields	2005	Up to 2005
Natural Person	89.88%	84.75%
Legal person	89.26%	83.87%
Judicial procedures	81.29%	69.50%
Community provision infringed	53.07%	49.56%
Qualification of irregularity	42.33%	82.99%
Administrative procedures	38.04%	53.67%
Applicant Country's irregular amount	33.13%	51.03%
Nature of expenditure	30.98%	38.71%
Interim measures	27.91%	32.26%
Date of first info	22.70%	33.43%
ECommunity's irregular amount	23.87%	38.42%
National provision infringed	21.78%	25.81%

On occasion, the numbers provided by reporting authorities are not consistent within the same report, indeed sometimes not even within the same paragraph of a report. Eliminating these inconsistencies will facilitate OLAF's tasks.

2.3.5. General analysis

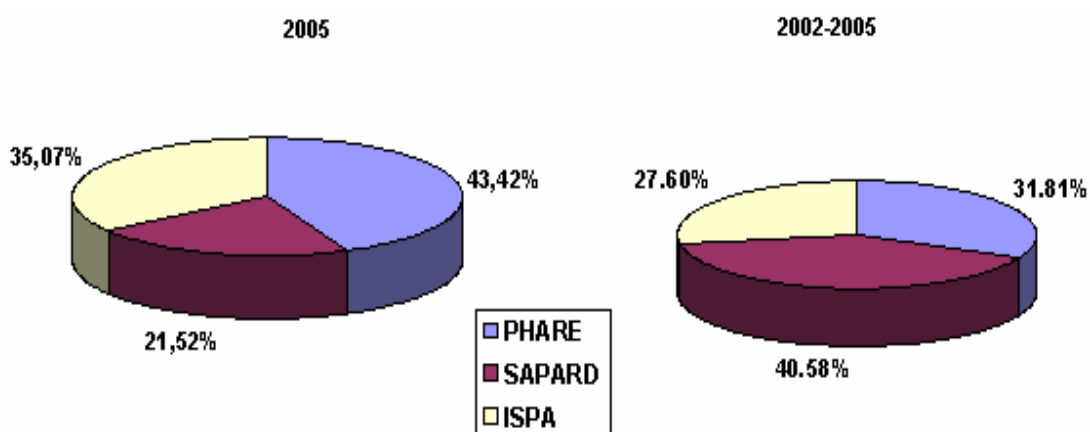
Taking into account the varying degrees of reliability and comparability in the content of communications, it is still possible to conduct a preliminary analysis. The highest number of cases reported in 2005 concerned the SAPARD fund, in line with the pattern observed in previous years. In comparison to the ISPA fund, SAPARD and PHARE fund more relatively smaller projects. In 2005 the average total eligible amount was €0.6 million in SAPARD and PHARE projects and €7.8 million in ISPA. The decrease in communications connected with ISPA is also due to the fact that on the day of accession ISPA projects in the new Member States were closed and reopened as Cohesion Fund projects, whereas PHARE and SAPARD are still being implemented and irregularities are still reported under the previous arrangements. In 2005 in ISPA 92% of communications came from acceding countries and only 8% were sent by the new Member States (namely Lithuania).

Chart P3: Distribution of communications between different Funds – Number of cases



The distribution changes when account is taken of the fact that ISPA's share of the total irregular amount reported is bigger. In 2005 the irregular amounts under ISPA grew rapidly, mainly due to increased reporting from Bulgaria and Romania, which together account for 99% of the irregular amount reported. Bulgaria, which reported only one irregularity, a whole project worth over €7 million identified as totally irregular, accounts for 76% of the total.

Chart P4: Distribution of communications between Funds – Total irregular amounts



In 2005 the highest average irregular amount (Community financing) per project reported was in ISPA and was very high (€277 548) due to the above mentioned Bulgarian project. If that project were excluded, the average amount would fall to €67 335, which is still the highest of all three funds, but the difference is not that striking. PHARE and SAPARD averaged €43 932 and €22 482 respectively. In SAPARD despite the fact of increased number of communications reported irregular amount (community financing) decreased. This is because 40% of cases involved amounts less than €4 000. Comparing Member States and acceding countries, the highest average amount per project funded by PHARE was in Poland (€574 901), by SAPARD in Estonia (€247 354), and by ISPA in Bulgaria. Once again if the big project in Bulgaria is excluded, the highest average per project was in Romania (€73 350).

Chart P5 compares the average irregular amount (Community financing) per project in 2005 with previous years. In almost all States, this either remained stable or dropped, the only two exceptions being Poland and Bulgaria, where the averages rose 44- and 7- fold respectively. In 2005 for all funds and all Member States the average irregular amount per case was €50 754, an increase of 51% in comparison to 2004.

Chart P5 – Average irregular amount (Community financing) per case reported

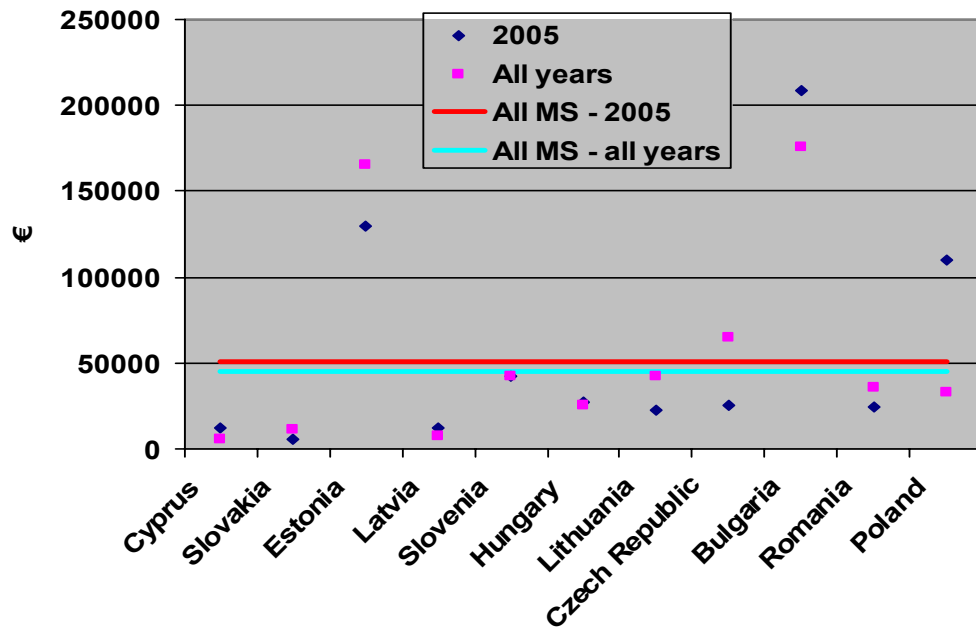
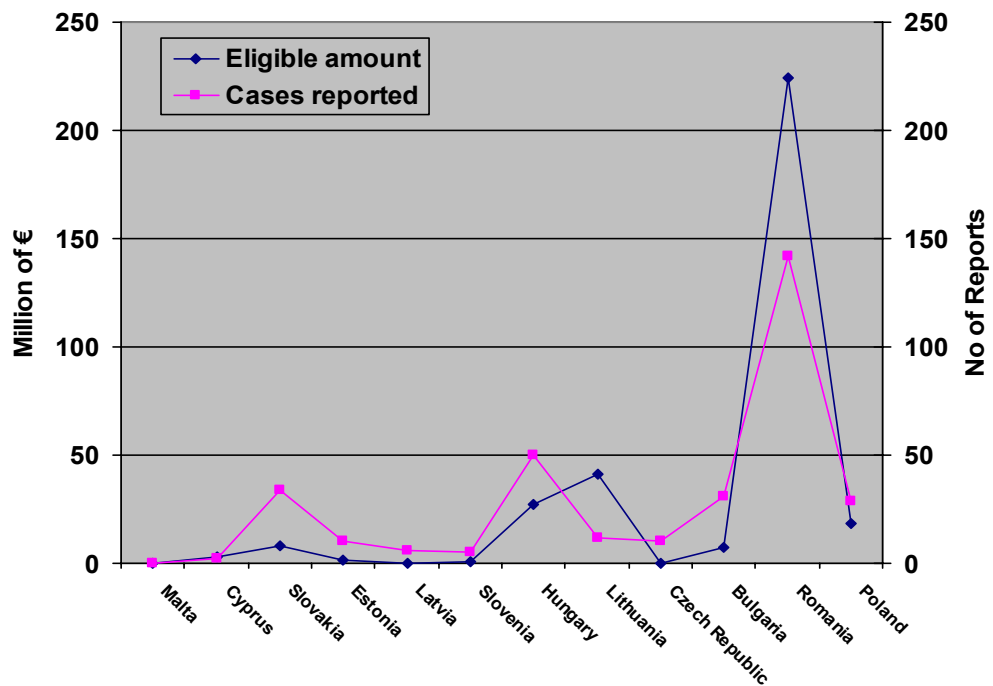


Chart P6 shows the number of cases and the total eligible amount (Community financing) communicated by each Member State or acceding country. Countries are listed in order of the level of pre-accession funds allocated to them.

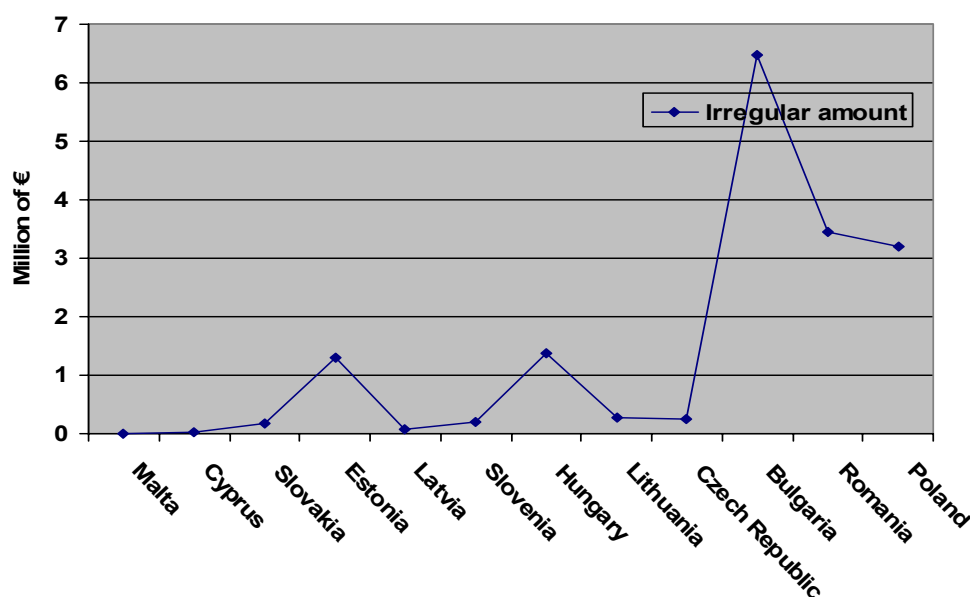
Chart P6 – Eligible amounts (Community financing) and cases reported under the pre-accession funds – 2005



Both lines show a correlation between the amounts allocated to beneficiary countries and the reported cases and amounts. However, comparing the eligible amounts reported, three out of the four biggest beneficiaries (Poland, Bulgaria and the Czech Republic) reported amounts equal to Hungary (€27 million). Comparing the number of cases, the three above mentioned countries made a combined total of 70 new reports, while Hungary alone produced 50. Another outlier is Romania which reported frequently and accounted for 72% of all the reported eligible expenditure.

Chart P7 shows the irregular amounts again compared to allocation. It also confirms the correlation from the previous chart, albeit less strongly. On Chart P7 three peaks can be observed: irregular amounts reported by Estonia, Hungary and Bulgaria. However, in the case of Bulgaria, if the one ISPA project declared completely irregular were deducted, the total irregular amount would decrease sharply from €6.5 to €1.2 million.

Chart P7: Irregular amounts in the Community - financed part of the project – 2005



Combining the data from the previous two charts, two different groups of countries can be identified (see Chart P8). The first reported a relatively large number of cases (Romania, Lithuania, Slovakia and Hungary), but in these countries the irregular amount as a percentage of eligible expenditure was low. At the other end of the spectrum, the Czech Republic, Estonia and Bulgaria made few reports, but identified cases involving massive degrees of irregularity. Despite the high share of the irregular amounts in the eligible expenditure, in these three countries the share of irregular amounts in total eligible expenditure remained low, on 5%, because these countries reported very few cases. This chart clearly reveals two different attitudes to reporting irregularities to the Commission.

Chart P8: Irregular amount as % of eligible expenditure (Community financing)

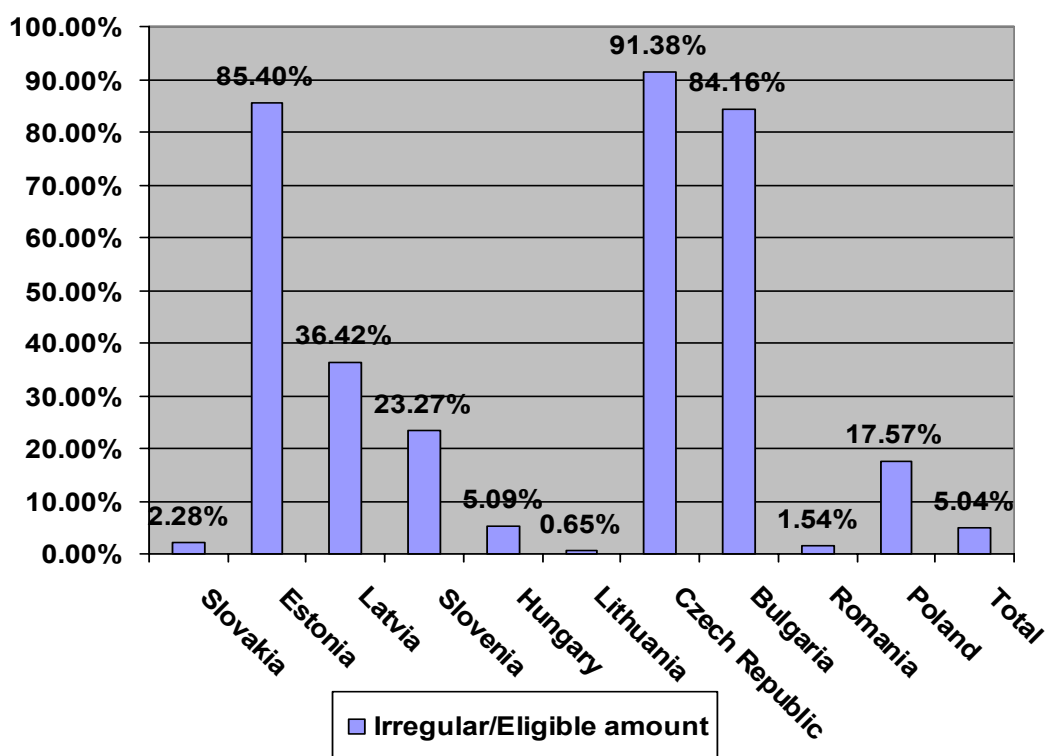
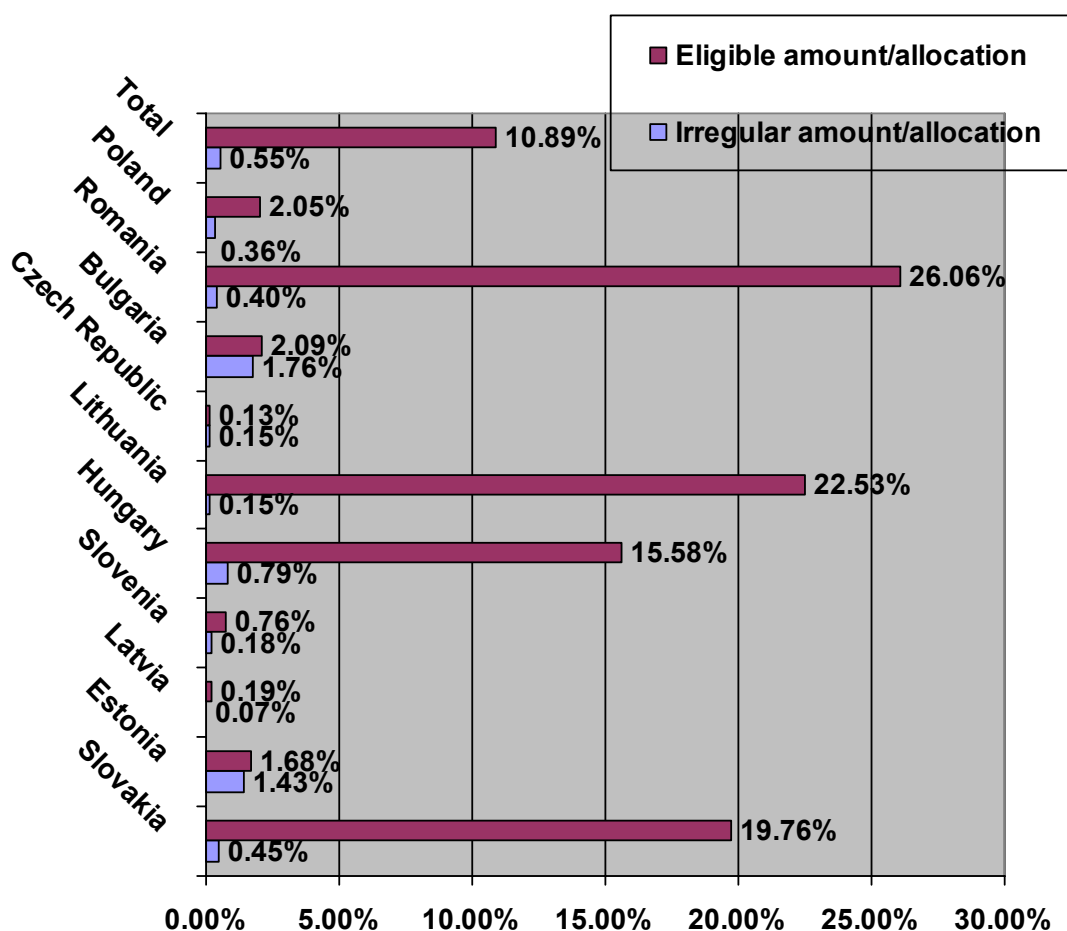


Chart P9 compares the expenditure allocated to the Member States and acceding countries in 2004¹⁰ with the eligible expenditure and irregular amounts reported in 2005. Overall, in 10% of the projects (in terms of amounts) some irregularities were found. However, only 0.55% of the total amount of allocated expenditure was identified as irregular. Phenomena very similar to those seen from the previous chart can also be observed, with countries reporting frequently showing a higher share of eligible expenditure in allocation of expenditure, but at the same time having a very low irregular amount as a percentage of allocated expenditure. On the other hand, countries reporting less frequently have the highest share of irregular amounts in the allocated expenditure.

¹⁰ DG Budget – Allocation of 2004 EU expenditure by Member States:
http://ec.europa.eu/budget/agenda2000/reports_en.htm

Chart P9: Eligible expenditure and irregular amounts (Community financing) as % of expenditure.



Despite the fact that some countries are very reluctant to report whether a case is fraud or an irregularity, based on the declarations the majority of reported cases (81.7%) seem likely to be irregularities, while suspected fraud makes up only 18.7% (1.23% of cases were excluded as the type of irregularity was not indicated). The highest share of suspected fraud was in the PHARE fund on 26%, while the second most common type of irregularity in that fund is “falsified accounts”. In SAPARD 15% of the cases involved suspected fraud and the most common type of irregularity was “infringement of rules concerning public procurement” (21%). The lowest share of suspected fraud cases was in ISPA where it stood at only 4% and the most frequent modus operandi was “missing or incomplete documents” (56%).

Table P10: Type of irregularity – Share in total number of cases

Type of Irregularity	2005	Up to 2005
INCORRECT ACCOUNTS	15.64%	3.81%
NON-ELIGIBLE EXPENDITURE	14.42%	16.13%
INFRINGEMENT OF RULES CONCERNED WITH PUBLIC PROCUR	12.88%	5.87%
FALSIFIED ACCOUNTS	10.74%	4.11%
FAILURE TO RESPECT OTHER REGULATIONS/CONTRACT COND	10.12%	3.23%
MISSING OR INCOMPLETE SUPPORTING DOCUMENTS	7.06%	3.52%
FALSIFIED SUPPORTING DOCUMENTS	6.44%	10.26%
MISSING OR INCOMPLETE DOCUMENTS	3.99%	3.52%
ACTION NOT CARRIED OUT IN ACCORDANCE WITH RULES	2.76%	8.50%
FAILURE TO RESPECT DEADLINES	1.84%	1.47%
FAILURE TO FULFIL COMMITMENTS ENTERED INTO	1.84%	0.88%

2.3.6. Conclusions

Despite the fact that in many countries substantial improvements were made during 2005, further work needs to be carried out to ensure that all States fully comply with reporting requirements. This would greatly facilitate the task of making reports comparable between States. A common method of approach needs to be implemented by each Member State and acceding country to provide a better overview of the threats to the Community's finances.

PHARE accounted for a higher share of the total irregular amount reported in 2005. It was also the fund with the highest rate of suspected fraud. PHARE also has the lowest total eligible amount, which therefore gives the highest total irregular amount as a percentage of total eligible expenditure.

ISPA, due to the size of its projects, has the highest irregular amount (Community financing) per reported case out of the three pre-accession funds.

3. SPECIFIC ANALYSIS: TRENDS

3.1. TRADITIONAL OWN RESOURCES (TOR)

From the number of cases of fraud and irregularities notified under Article 6(5) of Regulation 1150/2000 general trends can be revealed for 2005. However, care should always be taken about drawing overall conclusions based merely on comparisons of data from different years, because several additional factors have to be borne in mind.

Firstly, some notifications are communicated belatedly, i.e. after the deadline set for analysis of data for this report, and will therefore distort the comparison with the previous and the following year. In addition, updates are made daily – the situation can therefore change very markedly from day to day.

Secondly, very often, reported cases of fraud and irregularities were committed some years earlier, either before they were subject to regular *ex-post* controls or, in other cases, after regulatory intervals expired.

Thirdly, although the quality of the OWNRES database is still being improved, at the moment its contents cannot yet be considered fully reliable. This is due to the fact that, apparently, despite repeated requests and surveys by the Commission, still not all cases of fraud and irregularity are reported fully and properly by the Member States.

3.1.1. Smuggling, misdescription and false declarations - important vehicles for fraud.

The breakdown of fraud and irregularities by customs procedure and by type of fraud and irregularity confirms the impact of fraud on release for free circulation.

The 2005 figures confirm that the majority of TOR-cases relate to the arrangements for release for free circulation which account for 53% of the number of cases and 68% of the total value communicated. In relation to 2004, the proportion of reported cases has decreased (67% in 2004) as well as the percentage in terms of amounts (84% in 2004). A more detailed breakdown by type of fraud and irregularities relating to free circulation reveals the high share of misdescription (37% of cases in 2005 compared with 44% in 2004 – 26% of the amount involved in 2005 compared with 25% in 2004). Origin fraud and irregularities increased in relation to 2004 (12% of the cases in 2005 compared with 10% in 2004 - 21% of the amount in 2005 compared with 14% in 2004). Fraud and irregularities resulting from false declarations of value increased slightly (14% of the cases in 2005 compared with 12% in 2004, but 10% of the amount in 2005 compared with 11% in 2004).

The proportion of all communicated cases related to fraud and irregularity in the transit regime has also increased significantly while accounting for 39% of the number of cases (26% in 2004) and 17% of the amount communicated (compared with 7% in 2004). With regard to the customs warehousing arrangements, the proportion of fraud and irregularity remained stable (2% of the number of cases, as in 2004, and 1.6% of the amounts communicated compared with 2.5% in 2004). Inward processing regime became more prominent, accounting for 5% of the number of

cases of fraud and irregularities in 2005 (2% in 2004) and 9% of the amount reported in 2005 compared with 1% in 2004.

The breakdown of fraud and irregularities by Member State shows the relatively high contribution by the United Kingdom to fraud and irregularities in connection with inward processing, by the Netherlands, the United Kingdom, Germany, Italy, France and Spain as regards free circulation and by Belgium and the Netherlands for Community transit.

3.1.2. Cigarettes - still risky goods

The breakdown of cases by type of goods confirms the impact of fraud and irregularities on cigarettes although cases relating to sugar gained ground.

Of the 25 goods worst hit by fraud and irregularities, as in previous financial years, cigarettes were in the lead in terms of number of cases, whereas sugar cases accounted for the largest amount. The 2005 figures also highlight a continued trend towards fraud and irregularity relating to products under Chapters 84 and 85 of the Tariff (lamps, machines, appliances, electrical and IT-equipment, etc.). The textile sector is growing in importance, in particular as regards questions of origin.

Analysis of the origin of goods subject to fraud and irregularity reveals that goods originating from China, the USA, Japan, Brazil and South Korea remain heavily involved, as do goods from Taiwan and Hong Kong. The number of cases in the “non-specified” category increased in parallel with the increase in transit cases.

3.2. AGRICULTURAL EXPENDITURE (EAGGF-Guarantee Section)

In 2005 Member States reported 3 193 cases of irregularities involving a total amount affected of approximately €102 million.

3.2.1. Measures involved

Table A5 (see page 13) gives an overview of the number of cases reported in 2005 and the amounts affected per group of measures. The division into the different types of measures is based on the indications by Member States of the measures affected, the regulations infringed and the modus operandi.

The three(3) main categories most affected by irregularities are:

- Rural development (group 40),
- Fruit and vegetables (group 15),
- Beef and veal (group 21),

Together, these three (3) main categories are responsible for almost 75% of the total amounts affected by irregularities reported in 2005.

Rural development (group 40)

Member States reported a total of 1 266 cases affecting rural development measures (group 40). These cases alone amount to approximately €27 million, which is approximately 26% of the total amount affected by irregularities. Table A6 shows the measures that were mostly affected by irregularities, indicating the number of cases, the total amounts and average amount per irregularity. The largest number of irregularities concerns “agri-environment – new system” (code 4050 A).

Table A6: Rural development: measures affected by irregularities (year 2005)

CODE	DESCRIPTION (FIELD 3.2.)	cases	amounts in €	average amount in €	in % of total	cumulative %
4050 A	agrienvironment - new system	670	8.385.543	12.516	31%	31%
4060 A	improving the processing and marketing of agricultural products	17	7.085.622	416.801	26%	57%
4072 A	forestry - Former system	143	5.332.649	37.291	20%	77%
4051 A	agrienvironment - former system	121	1.351.324	11.168	5%	82%
4010 A	setting-up of young farmers	105	681.948	6.495	3%	85%
4030 A	early retirement - new system	59	645.102	10.934	2%	87%
4070 A	forestry - new system, Art.31 - objective 1	21	493.006	23.476	2%	89%
4080 A e	Diversification - agricultural activities	15	442.043	29.470	2%	91%
4081 A d	Environmental protection & improvement of animal welfare	12	398.586	33.216	1%	92%
4080 A d	Marketing - quality agricultural products	10	382.937	38.294	1%	94%
4081 A b	Renovation & development of villages - protection and conservation of rural heritage	10	297.769	29.777	1%	95%
4000 A	investments in agricultural holdings	19	284.801	14.990	1%	96%
4031 A	early retirement - old system	13	200.146	15.396	1%	96%
4080 A a	Improvement of land	6	172.239	28.707	1%	97%
4080 A c	Substitution service & farm management service	4	140.341	35.085	1%	98%
	other	41	647.409	15.790	2%	100%
	TOTAL	1.266	26.941.465	21.281	100%	

The first three measures “agri-environment – new system”, “improving the processing and marketing of agricultural products” and “forestry – former system” - alone cover 77% of the total amount involved in irregularities connected with rural development. If “agri-environment – former system” and “forestry – new system” are added to this top three (3), then 84% of the total amounts affected by irregularities connected with rural development are reported under:

- Agri-environment,
- Improving the processing and marketing of agricultural products,
- Forestry,

Table A7 gives an overview per Member State of the number of irregularities reported and the amounts affected for “agri-environment” measures.

Table A7: Agri-environment (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
DE	208	26%	26%	3.276.187	34%	34%	15.751
PT	212	27%	53%	1.548.618	16%	50%	7.305
ES	58	7%	60%	1.470.813	15%	65%	25.359
FR	112	14%	74%	776.326	8%	73%	6.931
IT	61	8%	82%	644.155	7%	80%	10.560
UK	39	5%	87%	608.519	6%	86%	15.603
NL	8	1%	88%	415.104	4%	90%	51.888
SE	21	3%	91%	297.573	3%	93%	14.170
FI	13	2%	92%	224.080	2%	95%	17.237
IE	25	3%	95%	119.082	1%	97%	4.763
DK	15	2%	97%	118.823	1%	98%	7.922
PL	3	0%	98%	90.071	1%	99%	30.024
EL	5	1%	98%	67.635	1%	100%	13.527
EE	5	1%	99%	45.370	0%	100%	9.074
LT	3	0%	99%	17.464	0%	100%	5.821
AT	1	0%	99%	7.626	0%	100%	7.626
LU	1	0%	100%	4.998	0%	100%	4.998
HU	1	0%	100%	4.422	0%	100%	4.422
total	791	100%		9.736.867	100%		12.310

It is not surprising that Germany, Spain, France, Italy and the United Kingdom are the top Member States reporting irregularities in this sector: these Member States receive the highest support and normally there is a link between the total amount received and the irregularities reported. It is, however, remarkable that Portugal is in second place, in terms of the amounts affected by the irregularities. Portugal reported the largest number of cases concerning agri-environment measures.

Table A8 gives an overview of the irregularities reported concerning the measure “improving the processing and marketing of agricultural products”. Only three (3) Member States reported a limited number of irregularities concerning this measure. The financial impact, however, is high: almost €7.1 million, mainly due to one irregularity reported by Germany involving a total of almost €5 million.

Table A8: Improving the processing and marketing of agricultural products (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
DE	2	12%	26%	5.017.452	71%	34%	2.508.726
FR	13	76%	102%	2.044.890	29%	63%	157.299
UK	2	12%	114%	23.280	0%	63%	11.640
total	17	100%		7.085.622	100%		416.801

Member States reported 167 irregularities concerning forestry measures. Table A9 gives an overview of those irregularities. Spain and Portugal reported the highest number of cases with the highest amount affected. The average amount per case is fairly high for the cases reported by Spain, at about €61 000.

Table A9: Forestry (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
ES	68	41%	41%	4.174.324	71%	71%	61.387
PT	45	27%	68%	793.198	14%	85%	17.627
IE	8	5%	73%	307.466	5%	90%	38.433
EL	21	13%	85%	273.176	5%	94%	13.008
IT	8	5%	90%	142.614	2%	97%	17.827
FR	10	6%	96%	114.497	2%	99%	11.450
DE	4	2%	98%	27.010	0%	99%	6.753
UK	3	2%	100%	21.846	0%	100%	7.282
total	167	100%		5.854.131	100%		35.055

Fruit and vegetables (group 15)

Member States reported a total of 180 cases affecting support measures to support the fruit and vegetables sector (group 15). These cases alone add up to approximately €25.4 million, which is approximately 25% of the total amount affected by irregularities. This is relatively high. Table A10 shows the measures which were worst hit by irregularities, indicating the number of cases, the total amounts and the average amount per irregularity.

Table A10: Fruit and vegetables: measures affected by irregularities (year 2005)

CODE	DESCRIPTION (FIELD 3.2.)	cases	amounts in €	average amount in €	in % of total	cumulative %
1502 S	operational funds for producer organisations	47	6.443.992	137.106	25%	25%
1512 S	fruit-based products \ production aid	12	5.437.196	453.100	21%	46%
1515 S	citrus fruits \ compensation to encourage processing	39	4.016.258	102.981	16%	62%
1590 V	other \ other	6	2.690.846	448.474	11%	73%
1507 S	nuts	8	2.678.018	334.752	11%	83%
1509 S	fresh fruits and vegetables - other	27	2.550.981	94.481	10%	93%
1501 S	free distribution - compensation for withdrawals and buying-in OR financial compensation for set-aside	17	1.095.458	64.439	4%	98%
1510 R	processed fruits and vegetables - export refund	4	175.821	43.955	1%	98%
1511 S	processed tomato products - production aid	4	150.761	37.690	1%	99%
1508 A	bananas - compensation aid	9	104.561	11.618	0%	99%
1505 A	nuts \ area payments (0000)	3	49.522	16.507	0%	100%
1513 S	dried grapes and figs \ compensation aid - storage OR specific actions	2	13.560	6.780	0%	100%
1519 S	processed tomato products - production aid	2	9.334	4.667	0%	100%
	TOTAL	180	25.416.308	141.202	100%	

Member States reported seven (7) cases in which the total amount affected by the irregularity was more than €1 million.

The largest number and the highest total amount affected by irregularities is reported for the measure “operational funds for producer organisations” (code 1502 S). Member States reported 47 cases with a total amount affected of approximately €6.4 million. Table A11 gives an overview per Member State.

Table A11: Operational funds for producer organisations (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
ES	23	49%	26%	4.857.634	75%	1%	211.201
FR	21	45%	71%	1.474.671	23%	24%	70.222
DE	1	2%	73%	69.663	1%	25%	69.663
NL	2	4%	77%	42.024	1%	26%	21.012
total	47	100%		6.443.992	100%		137.106

The number of irregularities reported for measures concerning “fruit-based products production aid” (code 1512 S) is rather low. The financial impact, however, is high. Member States reported 12 cases with a total amount affected of more than €5.4 million. Table A12 gives an overview.

Table A12: Fruit-based products - production aid (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
IT	7	58%	58%	5.363.662	99%	99%	766.237
ES	3	25%	83%	27.448	1%	100%	9.149
EL	1	8%	91%	7.964	0%	100%	7.964
FR	1	8%	100%	38.122	1%	100%	38.122
total	12	100%		5.437.196	100%		453.100

In recent years, Member States consistently reported a relatively high number of irregularities concerning citrus fruits. This was confirmed in 2005 when Member States again reported a relatively high number of irregularities involving a relatively high amount in this sector: 39 irregularities and a total amount affected of more than €4 million. Table A13 gives an overview.

Table A13: Citrus fruits - compensation to encourage processing (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
IT	3	8%	8%	2.318.609	58%	58%	772.870
ES	34	87%	95%	1.674.938	42%	100%	49.263
PT	2	5%	100%	22.711	1%	100%	11.356
total	39	100%		4.016.258	100%		102.981

Italy classified all three (3) cases as “suspected fraud”. One (1) of the Italian cases involved a total of more than €1.7 million.

Beef and veal (group 21)

Member States reported a total of 487 cases connected with beef and veal measures (group 21). These add up to approximately €22.3 million, almost 22% of the total amount affected by irregularities. Table A14 shows the measures which were worst hit by irregularities, indicating the number of cases, the total amounts and the average amount per irregularity. The highest amounts affected by irregularities were reported for export refunds on fresh, frozen or canned beef/veal. The largest number of irregularities was reported for “suckler cow premiums”.

Table A14: Beef and veal: measures affected by irregularities (year 2005)

CODE	DESCRIPTION (FIELD 3.2.)	cases	amounts in €	average amount in €	in % of total	cumulative %
2100 R	CN 0201 fresh beef/veal, CN 0202 frozen beef/veal, CN 1602 tinned meat, other \ export refund	33	17.146.987	519.606	77%	77%
2120 A	suckler cow \ premium	248	2.456.859	9.907	11%	88%
2125 A	dairy cow, suckler cow, male bovine \ extensification premium	47	1.263.787	26.889	6%	94%
2101 R	CN 0102 live animals	57	643.246	11.285	3%	96%
2122 A	male bovine \ special premium	37	269.646	7.288	1%	98%
2120 A / 2125 A	combination of measures, see specific description	19	161.346	8.492	1%	98%
2120 A / 2122 A	combination of measures, see specific description	14	116.422	8.316	1%	99%
2122 A / 2125 A	combination of measures, see specific description	13	95.455	7.343	0%	99%
2124 A	bulls, steers, cows, heifers and calves \ adult premium OR calf premium OR residual premium	7	41.239	5.891	0%	100%
2120 A / 2122 A / 2125 A	combination of measures, see specific description	5	38.971	7.794	0%	100%
2190 V	other \ other	3	36.350	12.117	0%	100%
2120 A / 2124 A	combination of measures, see specific description	1	7.706	7.706	0%	100%
2124 A / 2125 A	combination of measures, see specific description	1	6.359	6.359	0%	100%
2120 A / 2100 R	combination of measures, see specific description	1	5.052	5.052	0%	100%
2120 A / 2122 A / 2124 A / 2125 A / 2128 A	combination of measures, see specific description	1	4.313	4.313	0%	100%
TOTAL		487	22.293.738	45.778	100%	

The cases with a high financial impact were reported by Spain with nine (9) export refund cases, of which five (5) had a financial impact above €1million. Table A15 gives an overview of irregularities concerning export refunds for beef and veal.

Table A15: Beef and veal: export refunds for beef/veal (year 2005)

MS	cases			amounts in €			average amounts in €
	number	in % of total	cumulative %	amounts in €	in % of total	cumulative %	
ES	9	27%	27%	16.926.798	99%	34%	1.880.755
DE	9	27%	54%	81.148	0%	34%	9.016
PL	4	12%	66%	57.877	0%	35%	14.469
DK	3	9%	75%	28.709	0%	35%	9.570
LT	1	3%	79%	18.576	0%	35%	18.576
FR	2	6%	85%	14.891	0%	35%	7.446
AT	2	6%	91%	13.288	0%	35%	6.644
NL	1	3%	94%	5.700	0%	35%	5.700
BE	2	6%	100%	0	0%	35%	0
total	33	100%		17.146.987	100%		519.606

Export refunds

Table A16 gives an overview of the irregularities per Member State in connection with export refunds. The number of irregularities in this area is decreasing and accounted for only 9% of the total number of irregularities reported in 2005. As mentioned earlier, this is a logical consequence of the introduction of direct aid/payment in 1992 and of the changes to the direct aid/payment scheme in 2000. The financial impact of the irregularities in export refunds, however, is still relatively high: 24% of the total amount affected by irregularities. In Austria, irregularities in export refunds account for 86% of the total amount.

Table A16: Irregularities in export refunds per Member State (year 2005)

MS	CASES			AMOUNTS IN €		
	total 2005	export refund	in % of total	total 2005	export refund	in % of total
AT	63	58	92%	688,627	592,942	86%
BE	80	9	11%	1,084,818	216,871	20%
CY	8	8	100%	49,819	49,819	100%
CZ						
DE	521	88	17%	15,034,380	3,429,654	23%
DK	44	14	32%	1,583,975	801,143	51%
EE	7			56,384		
EL	64			764,294		
ES	711	22	3%	45,763,141	17,606,140	38%
FI	20			282,734		
FR	482	27	6%	8,746,406	252,280	3%
HU	5			40,750		
IE	82	3	4%	947,243	117,954	12%
IT	105	3	3%	14,664,069	31,753	0%
LT	32	4	13%	422,386	122,390	29%
LU	4			19,847		
LV	1			13,194		
MT						
NL	146	20	14%	2,086,793	399,566	19%
PL	71	6	8%	871,534	72,459	8%
PT	302	4	1%	3,542,431	25,246	1%
SE	108	2	2%	1,103,141	0	0%
SI						
SK						
UK	337	29	9%	4,345,848	967,607	22%
total	3,193	297	9%	102,111,815	24,685,824	24%

Table A17 shows the group of support measures most often involved in irregularities in export refunds. The highest number of cases reported and the highest amounts affected are for measures concerning beef and veal exports. A rather large number of irregularities are classified as “other”, which means that the Member States did not specify the measure involved. Such irregularities were reported by Germany and the United Kingdom. In a large number of these cases, the Member States reported the goods involved as “unknown”. This is remarkable, especially when they concern export declarations where the CN (Combined Nomenclature) code is clearly stated.

Table A17: Export refund: irregularities per group (year 2005)

2005: EXPORT REFUND					
group	description	cases	amounts in €	average amounts in €	
21	beef and veal	91	17.795.285	195.553	
30	non-annex I products	57	3.187.182	55.915	
99	other	43	983.345	22.868	
10	cereals	12	809.070	67.422	
20	milk and milk products	54	713.067	13.205	
23	pigmeat, eggs, poultrymeat, bee-keeping	23	579.347	25.189	
15	fruit and vegetables	4	175.821	43.955	
16	wine	4	134.754	33.689	
17	tobacco	2	122.935	61.468	
31	food programmes	1	106.230	106.230	
11	sugar	6	78.788	13.131	
total		297	24.685.824	83.117	

3.2.2. Types of irregularity

Table A18 shows the most frequently used modus operandi (MO) amongst the irregularities reported in 2005.

Table A18: Irregularities and most frequently used MO (year 2005)

CODE	DESCRIPTION	FREQUENCY			IN % OF TOTAL	CUMULATIVE %	CODE
		alone	with other codes	total			
612	failure to respect other regulations/contract conditions	445	62	507	14%	14%	612
201	missing or incomplete documents	193	111	304	8%	23%	201
812	action not carried out in accordance with rules	239	25	264	7%	30%	812
207	incorrect or incomplete request for aid	150	79	229	6%	36%	207
412	declaration of fictitious land	158	22	180	5%	41%	412
405	"irregular termination, sale or reduction"	166	2	168	5%	46%	405
811	action not completed	155	13	168	5%	51%	811
301	inaccurate production declaration	142	5	147	4%	55%	301
741	failure to fulfil commitments entered into	132	5	137	4%	58%	741
999	other irregularities (to be specified)	102	13	115	3%	62%	999
699	other irregularities concerning the right to aid	61	37	98	3%	64%	699
305	inexact quantity	71	25	96	3%	67%	305
322	product not eligible for aid	69	13	82	2%	69%	322
601	failure to respect deadlines	62	20	82	2%	72%	601
609	refusal of payment	60	0	60	2%	73%	609
599	other irregularities concerning movements	43	8	51	1%	75%	599
208	false or falsified request for aid	33	10	43	1%	76%	208
302	inexact composition	27	14	41	1%	77%	302
810	action not implemented	41	0	41	1%	78%	810
817	incorrect declaration	38	1	39	1%	79%	817
611	several requests for the same object	22	13	35	1%	80%	611
	rest	488	226	714	20%	20%	
	total	2.897	704	3.601	100%	100%	

The most frequent irregularity is “failure to respect other regulations/contract conditions”, followed by “missing or incomplete documents”.

However, the value of this overview is questionable.

In 2004, an analysis was conducted of the level of fraud, based on the types of irregularities reported by Member States. It was a first attempt to estimate the level of (suspected) fraud in the agricultural sector. The results of this analysis, however, led to a change in the reporting of the (codes concerning the) type of irregularity. Almost all Member States seem to have developed a preference for one or two codes which permit no detailed breakdown. Table A19 gives an overview of the preferences of Member States. Ireland described 76% of its cases of irregularity as “action not carried out in accordance with rules” while Sweden described 77% of the irregularities it reported as “incorrect or incomplete request for aid”.

Table A19: Member States’ preferred codes (year 2005)

MS	%	TYPE OF IRREGULARITY AS REPORTED BY MS
AT	75%	<i>of the irregularities are described as</i> other irregularities concerning movements
BE	68%	<i>of the irregularities are described as</i> failure to fulfil commitments entered into
CY		
DE	42%	<i>of the irregularities are described as</i> failure to respect other regulations/contract conditions OR declaration of fictitious land
DK	55%	<i>of the irregularities are described as</i> product not eligible for aid OR other irregularities concerning the right to aid
EE	100%	<i>of the irregularities are described as</i> other irregularities concerning the right to aid
EL		
ES	45%	<i>of the irregularities are described as</i> failure to respect other regulations/contract conditions
FI		
FR	51%	<i>of the irregularities are described as</i> irregular termination, sale or reduction OR inaccurate production declaration
HU	80%	<i>of the irregularities are described as</i> other irregularities concerning the right to aid
IE	76%	<i>of the irregularities are described as</i> action not carried out in accordance with rules
IT		
LT	53%	<i>of the irregularities are described as</i> inexact composition
LU		
LV		
NL	46%	<i>of the irregularities are described as</i> missing or incomplete documents & incorrect or incomplete request for aid
PL	86%	<i>of the irregularities are described as</i> declaration of fictitious land
PT	80%	<i>of the irregularities are described as</i> missing or incomplete documents OR failure to respect other regulations/contract conditions
SE	77%	<i>of the irregularities are described as</i> incorrect or incomplete request for aid
UK	55%	<i>of the irregularities are described as</i> action not carried out in accordance with rules

Germany indicates no code at all. OLAF has tried to “translate” the sometimes very basic descriptions into codes.

The impression is that Member States prefer to report a more general description to avoid classification by the Commission as irregularity or (suspected) fraud.

Greece, Finland and Italy describe each irregularity in more detail and therefore comply more fully with the regulations. The number of irregularities reported by Cyprus, Luxembourg and Latvia is too small to draw conclusions.

This new practice of Member States not only fails to comply with the regulations but also is not helpful in the fight against fraud. A clear overview of the (most recently used) modus operandi in irregularities will support the Member States and the Commission in their fight against fraud and help to reduce the number of irregularities.

3.2.3. Detection method: controls based on Regulations 4045/89 and 386/90

Member States are under an obligation to perform certain controls on the basis of Council Regulation (EEC) No 4045/89¹¹ and Council Regulation (EEC) No 386/90¹².

Table A20 gives an overview of irregularities detected on the basis of these controls. The table covers the period 2000-2005, since the cases reported for 2005 do not provide enough information to produce any meaningful statistics.

The number of irregularities detected on the basis of controls under Regulation (EEC) No 386/90 is very limited. The table shows that over a period of six (6) years only 261 irregularities have been discovered in this way.

In terms of amounts, the irregularities discovered on the basis of controls under Regulation (EEC) No 386/90 in 2005 account for about 0.4% of the total amounts affected by involved in irregularities reported in 2005.

Over a period of six (6) years, five (5) Member States (EU-15) reported no irregularities detected on the basis of controls under Regulation 386/90 (Greece, Finland, Luxembourg, Sweden and the United Kingdom).

Another notable point is the (low) score of the Netherlands: with only three (3) irregularities reported on the basis of controls under Regulation (EEC) No 386/90. Rotterdam is the biggest port in Europe, playing an important role in the import and export of goods, including agricultural products. Nevertheless, no irregularities have been reported by Dutch customs in recent years.

¹¹ Council Regulation (EEC) No 4045/89 relates to the scrutiny of the commercial documents of entities receiving or making payments relating directly or indirectly to the system of financing by the Guarantee Section of the EAGGF in order to ascertain whether transactions forming part of the system of financing by the Guarantee Section of the EAGGF have actually been carried out and have been executed correctly.

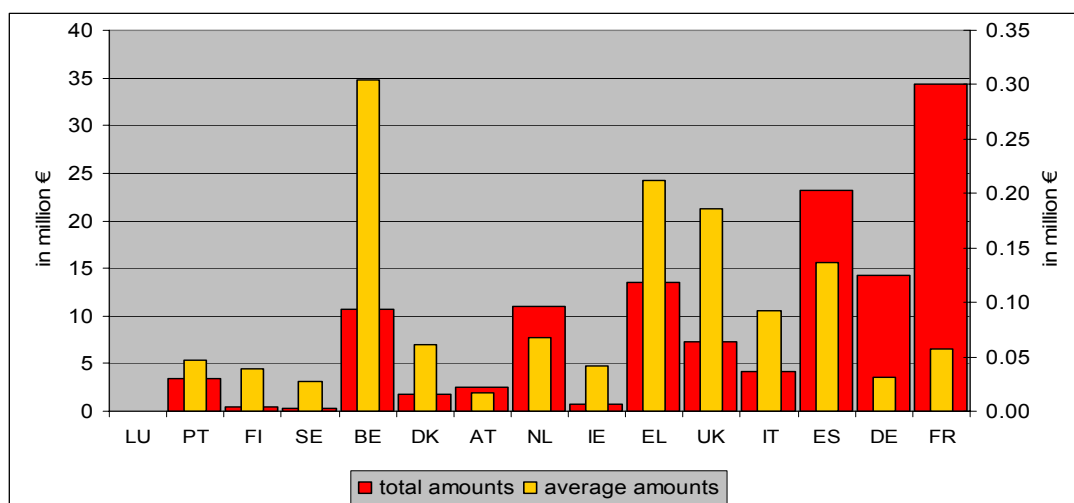
¹² Council Regulation (EEC) No 386/90 lays down certain procedures for monitoring whether operations conferring entitlement to the payment of refunds on, and all other amounts in respect of, export transactions have been actually carried out and executed correctly.

Table A20: Irregularities detected on the basis of controls under Regulation 4045/89 or Regulation 386/90 (period 2000–2005)

MS	CASES PERIOD 2000 - 2005					
	TOTAL IRREGULARITIES		DISCOVERY ON BASIS OF AUDITS AND CHECKS UNDER			
	cases	amounts in €	Reg. 4045/89		Reg. 386/90	
cases			amounts in €	cases	amounts in €	
AT	533	5,783,281	143	2,458,625	40	320,942
BE	336	66,666,046	35	10,649,014	20	243,647
CY	8	49,819			3	18,327
CZ						
DE	4,139	85,408,127	453	14,315,824	60	674,326
DK	364	7,356,294	30	1,826,714	60	737,504
EE	7	56,384				
EL	205	23,214,346	64	13,605,097		
ES	4,279	265,375,050	170	23,138,195	18	623,153
FI	145	2,255,124	10	391,128		
FR	2,819	64,917,892	603	34,294,586	27	897,660
HU	5	40,750				
IE	595	7,762,096	17	706,684	11	105,699
IT	847	448,544,055	46	123,359,604	5	45,409
LT	32	422,386			1	18,576
LU	12	142,841				
LV	1	13,194				
MT						
NL	775	21,279,020	165	11,069,461	3	108,139
PL	76	953,549			4	59,585
PT	1,117	27,920,371	73	3,452,177	9	78,761
SE	402	4,862,728	9	247,656		
SI						
SK						
UK	1,795	40,844,282	39	7,236,339		
total	18,492	1,073,867,635	1,857	246,751,105	261	3,931,728

Chart A21 shows the results of the controls for the period 2000-2005 by Member State, indicating the total amount and the average amount per irregularity, on the basis of Regulation (EEC) No 4045/89. The most notable results are those from France and Belgium.

Chart A21: Results of controls under Regulation (EEC) No 4045/89 (period 2000–2005)

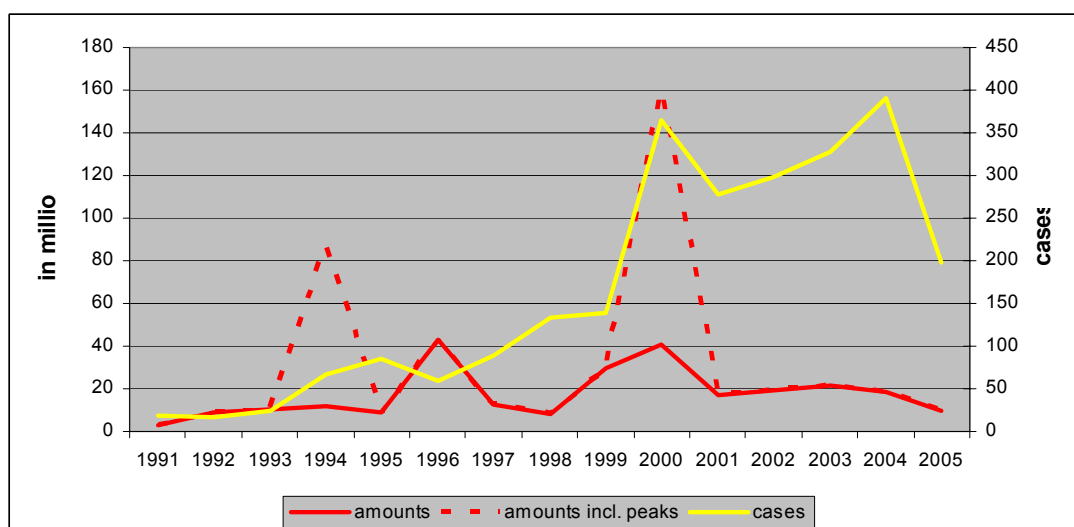


The chart shows that France reports relatively high amounts affected by irregularities on the basis of controls under Regulation 4045/89. The average amount per irregularity detected, however, is low. Belgium, on the other hand, reports a very high average amount per irregularity detected. A high average amount per irregularity detected could be considered an indicator of the effectiveness of risk analysis.

In terms of amounts, the irregularities detected on the basis of controls under Regulation (EEC) No 4045/89 in 2005 account for about 10% of the total amounts irregularities reported in 2005.

Chart A22 gives an overview of the number of controls on the basis of Regulation (EEC) No 4045/89 for the period 1991-2005.

Chart A22: Irregularities reported on the basis of controls under Regulation 4045/89 (period 1991–2005)



This overview shows that the number of irregularities reported has increased but that the amounts affected by the irregularities are still at around the same level as in the first years after Regulation (EEC) No 4045/89 came into force. The chart shows two (2) peaks. The first, in 1994, was caused by one (1) case in Italy involving €75 million, whilst the second, in 2000, is the result of three (3) large cases. (Italy reported two (2) cases which involved about €120 million and Belgium reported one (1) case worth a total of about €31.5 million). Ignoring those two (2) peaks, the line is fairly flat. The broken line on the chart represents the situation including the 1994 and 2000 peaks.

In 2005 Member States reported 199 irregularities discovered as a result of controls under Regulation 4045/89. The total amount affected was approximately €9.9 million. This is almost 50% down on 2004 when 390 cases involving a total of approximately €18.7 million were reported as a result of operations under Regulation 4045/89.

3.2.4. Irregularity versus suspected fraud

With the introduction of the digital reporting system in mid-2001, Member States were asked to classify the irregularities reported. To assist them, an extra field was added to the module offering four (4) possibilities: mistake, irregularity, (suspected) fraud and organised crime. The field was modified in 2004 and now offers three (3) possibilities: no irregularity, irregularity and (suspected) fraud. With the exception of Cyprus, Germany and Spain, all Member States have started to classify irregularities. Germany and Spain are also the only two (2) Member States still not using the Anti-Fraud Information System (AFIS), a secure network, to report irregularities.

Table A23 gives an overview of the classification of irregularities by Member States and by OLAF. As mentioned earlier, Member States have developed the new practice of reporting only one (1) or two (2) different types of irregularity in the majority of cases. The figures shown in the table should therefore be treated with caution.

Table A23: Classification of irregularities (year 2005)

MS	QUALIFICATION BY MEMBER STATES						BY OLAF		
	blank	IRQ 0	IRQ 1	IRQ 2	IRQ 3	IRQ 3 in %	IRQ 0	IRQ 2	IRQ 3
AT				62	1	1.59%		60	3
BE	19			59	2	2.50%		74	6
CY	8							8	
DE	521							395	126
DK				44		0.00%		39	5
EE				7		0.00%		7	
EL			1	63		0.00%		50	14
ES	711							669	42
FI	5		2	13		0.00%		18	2
FR	1	4	25	447	5	1.04%	4	444	34
HU				5		0.00%		5	
IE				82		0.00%		82	
IT			16	69	20	19.05%		81	24
LT			2	30		0.00%		28	4
LU				4		0.00%		2	2
LV				1		0.00%		1	
NL			3	141	2	1.37%		140	6
PL				6	65	91.55%		6	65
PT	9	8		281	4	1.32%	8	290	4
SE		1	3	104		0.00%	1	107	
UK		7		327	3	0.89%	7	308	22
total	1,274	20	52	1,745	102	3.19%	20	2,814	359

The codes used in Table A23 stand for:

Blank = no indication by Member State,

IRQ 0 = no irregularity,

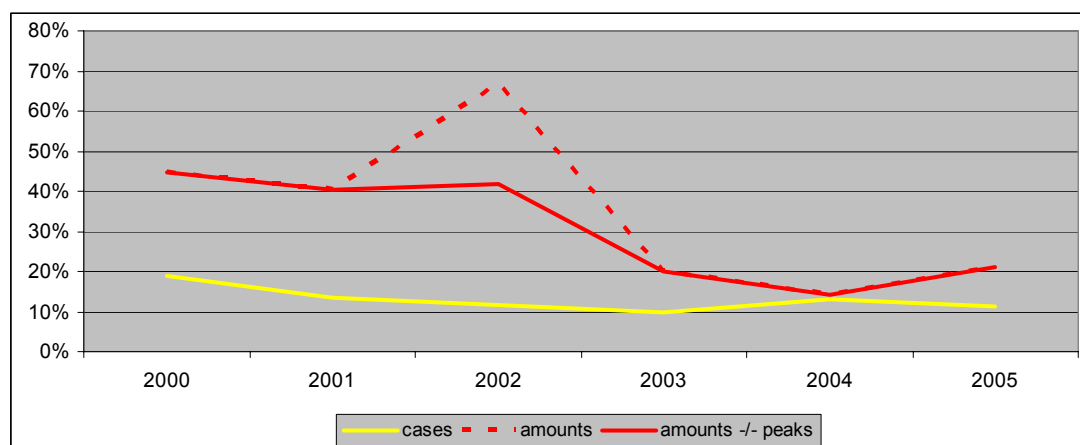
IRQ 1= mistake/error (this code was deleted from the system but is still used by some Member States),

IRQ 2 = irregularity,

IRQ 3 = (suspected) fraud.

On the basis of the irregularities reported in the period 2000-2005, in particular the classification by Member States, the modus operandi, the type of irregularity, the administrative state of an irregularity and the additional information given in text fields, a first attempt has been made to estimate the level of “suspected fraud” in the agricultural sector. Chart A24 reflects the results of this analysis and shows the percentage of irregularities which can be classified as “suspected fraud” cases, in terms of both the number of cases and the amounts affected by the irregularities.

Chart A24: Irregularities and “suspected fraud”



Given that this was a first attempt to estimate the level of fraud in agricultural sector the figures should be interpreted cautiously. Nevertheless the results of the analysis are in line with the results of those Member States which classify the irregularities.

One early conclusion is that, as a percentage of the total number of reported irregularities, “suspected fraud” varies between 10% and 13% in the period 2000–2005. The chart shows that the level of “suspected fraud” cases, as a percentage of the total number of irregularities reported, is relatively stable.

“Suspected fraud” as a percentage of the total amounts affected by the irregularities reported decreased from 44% to 20% over the period 2000–2005. The red/dark line reflects the situation if three (3) high-value cases are not taken into consideration. The broken line reflects the situation including three (3) relatively high-value cases. The trend is in line with the overall trend; the number of irregularities reported is increasing but the amounts affected by the irregularities are decreasing. A greater

difference between the percentage of “suspected fraud” cases based on the amounts and the percentage based on the number of “suspected fraud” cases was to be expected: amounts vary more and differ per irregularity reported.

It should be reiterated that Member States have started to report a rather large number of cases (more than 50%) under the broad category of irregularity which makes it more difficult to estimate the level of (suspected) fraud.

3.2.5. Penalties and interest

The agricultural sector is renowned for its severe penalty system. Penalties varying from 25% to 50% and more are not unusual. Table A25 gives an overview of penalties and interest over the period 2000–2005.

Table A25: Penalties and interest: period 2000 - 2005

PENALTIES AND INTEREST - PERIOD 2000 - 2005						
MS	6.3. amount irregularity	6.7. interest	6.8. penalty	penalty in % of irregularity	9.3. sanction part MS	9.4. sanction part EU
AT	5,783,281	101,826	1,814,291	31%	9,437	380,330
BE	66,666,046	1,194,185	10,787,033	16%	0	0
CY	49,819	0	0	0%	0	0
DE	85,408,127	226,640	690,917	1%	0	0
DK	7,356,294	365,223	1,054,236	14%	0	0
EE	56,384	30	0	0%	0	0
EL	23,214,346	193,355	9,886	0%	0	0
ES	265,375,050	18,187,033	6,171,143	2%	0	0
FI	2,255,124	54,539	45,311	2%	0	0
FR	64,917,892	154,926	7,386,891	11%	103,897	103,897
HU	40,750	0	0	0%	0	0
IE	7,762,096	185,947	439,315	6%	0	0
IT	448,544,055	144,888,891	16,745	0%	0	0
LT	422,386	10,748	9,288	2%	0	0
LU	142,841	13,958	0	0%	0	0
LV	13,194	154	0	0%	0	0
NL	21,279,020	2,820,834	3,686,056	17%	3,478	0
PL	953,549	578	0	0%	0	0
PT	27,920,371	227	0	0%	0	0
SE	4,862,728	27,006	397,534	8%	529	79,221
UK	40,844,282	1,214,945	1,703,199	4%	0	0
TOTAL	1,073,897,719	169,641,130	34,211,845	3%	117,341	563,448

Over the period 2000–2005, Member States reported 18 492 cases. The total amount affected by these irregularities is approximately €1 074 million. The total amount of penalties imposed over the period 2000-2005, according to the reports received from Member States, is roughly 3%. (Roughly, since not all non-irregularities have been excluded in the calculation of the figure). This is considered to be rather low. The European Court of Auditors has included an investigation of the penalties in its work programme for 2006. The findings of the Court will help to determine if 3% is the correct figure.

3.2.6. Recovery

In general, recovery of unduly paid amounts is more successful if it is started as soon as possible. The earliest possible moment is directly after detection of an irregularity. Table A26 gives an overview of recovery over the period 2000–2005.

Table A26: Recovery rate (period 2000 – 2005)

RECOVERY RATE - PERIOD 2000 - 2005					
MS	6.3. amount irregularity	6.6. balans to recover	recovery %	IRR recovery %	in Court "recovery" %
AT	5,783,281	1,494,073	74%	76%	83%
BE	66,666,046	57,745,138	13%	14%	22%
DE	85,408,127	52,743,588	38%	40%	61%
DK	7,356,294	1,629,567	78%	94%	94%
EL	23,214,346	20,770,094	11%	11%	19%
ES	265,375,050	209,719,383	21%	30%	58%
FI	2,255,124	293,186	87%	87%	88%
FR	64,917,892	44,311,773	32%	35%	48%
IE	7,762,096	1,001,134	87%	88%	90%
IT	448,574,139	423,266,466	6%	8%	54%
LU	142,841	32,716	77%	77%	89%
NL	21,279,020	11,921,281	44%	59%	66%
PT	27,920,371	20,063,261	28%	28%	82%
SE	4,862,728	596,425	88%	91%	91%
UK	40,844,282	21,401,960	48%	61%	67%
TOTAL	1,073,897,719	867,401,680	19%	24%	55%

The fourth column indicates the recovery rate per Member State. Successful Member States in this respect are Austria, Denmark, Finland, Ireland and Luxembourg.

The fifth column indicates the recovery rate, including the cases declared irrecoverable by the Member States. In those cases an "Article 5(2)" letter should be sent to the Commission. The Commission has to take a final decision in these cases. The Member States take no further action to recover these unduly paid amounts.

The sixth column indicates the recovery rate, including the cases declared irrecoverable and the cases subject to a judicial procedure. It also includes cases where the Member States will take no further action until a decision has been taken, either by the Commission, in cases declared irrecoverable, or by a national court in cases subject to a judicial procedure.

3.2.7. Conclusions

- Member States report the same type of irregularity for the majority of their cases.
- Checks on the basis of Regulation 386/90 lead to the detection of only a small number of irregularities.
- The total amounts affected by irregularities detected by controls under Regulation 4045/89 remains the same as the number of irregularities has increased over the years.
- "Suspected fraud" cases, as a percentage of the total number of irregularities reported, vary between 10% and 13%.
- The total amount of penalties is approximately 3% of the total amount affected by irregularities.
- Recovery of unduly paid amounts is more successful when recovery commences directly after detection of the irregularity.

3.3. STRUCTURAL MEASURES

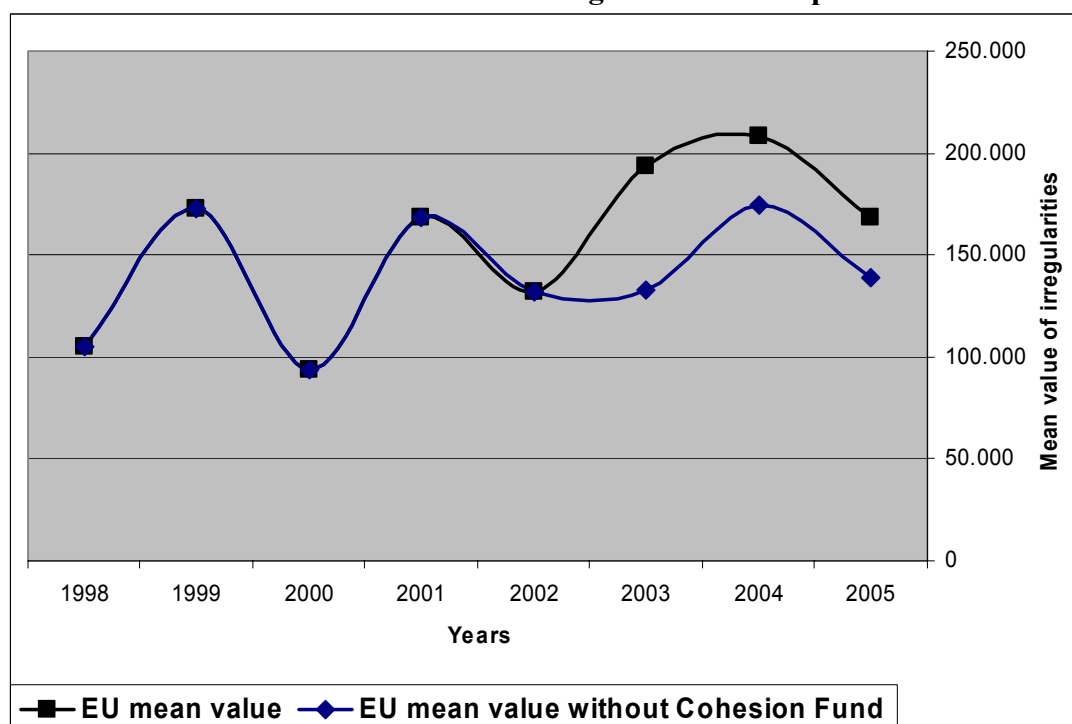
In 2005 Member States reported 3 356 irregularities and a total amount affected by these irregularities of about €466.6 million concerning the four Structural Funds.

214 irregularities were reported concerning the Cohesion Fund for a total financial amount affected by irregularities of €134.2 million.

3.3.1. Analysis of the irregularities reported

Chart S9 shows the trend in the overall average amounts of irregular EU funding per case over the last eight (8) years.

Chart S9: Trend in EU-15 mean irregular amount per case 1998-2005

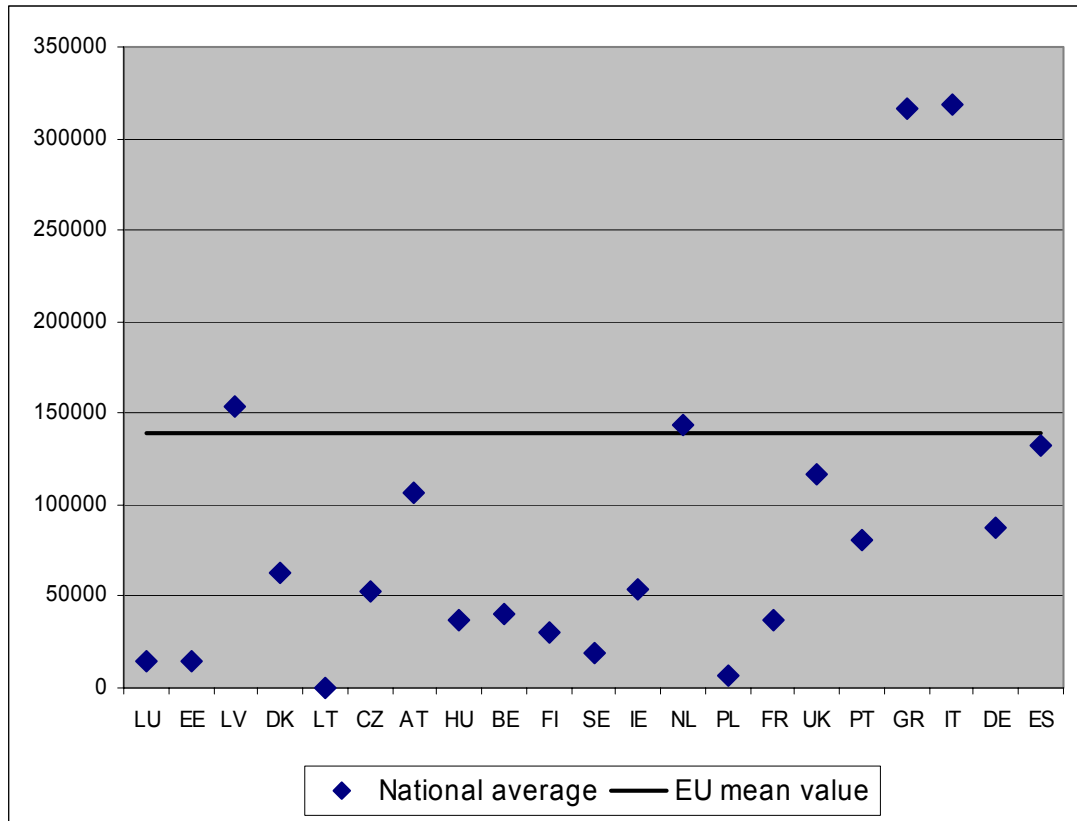


The chart shows two situations, including and excluding the irregularities relating to the Cohesion Fund. Irregularities affecting this fund are of extremely high value, because of the amounts involved in projects financed from this instrument, and, therefore, have a big impact on the mean value. This is especially true of the last three years, when their numbers have been even higher, because of increased reporting from Greece.

In relation to 2004, the decrease can be explained by the larger number of communications regarding ESF-financed projects. The ESF supports measures to promote employment (education systems, vocational training and recruitment aids). It finances a larger number of projects than the ERDF, but with a lower financial cost.

Chart S10¹³ shows the average amount involved in the irregularities in each Member State and how they are distributed in relation to the overall mean (straight horizontal line). This mean value is calculated with reference exclusively to the four Structural Funds and excluding the Cohesion Fund.

Chart S10: Distribution of national average values in relation to EU mean



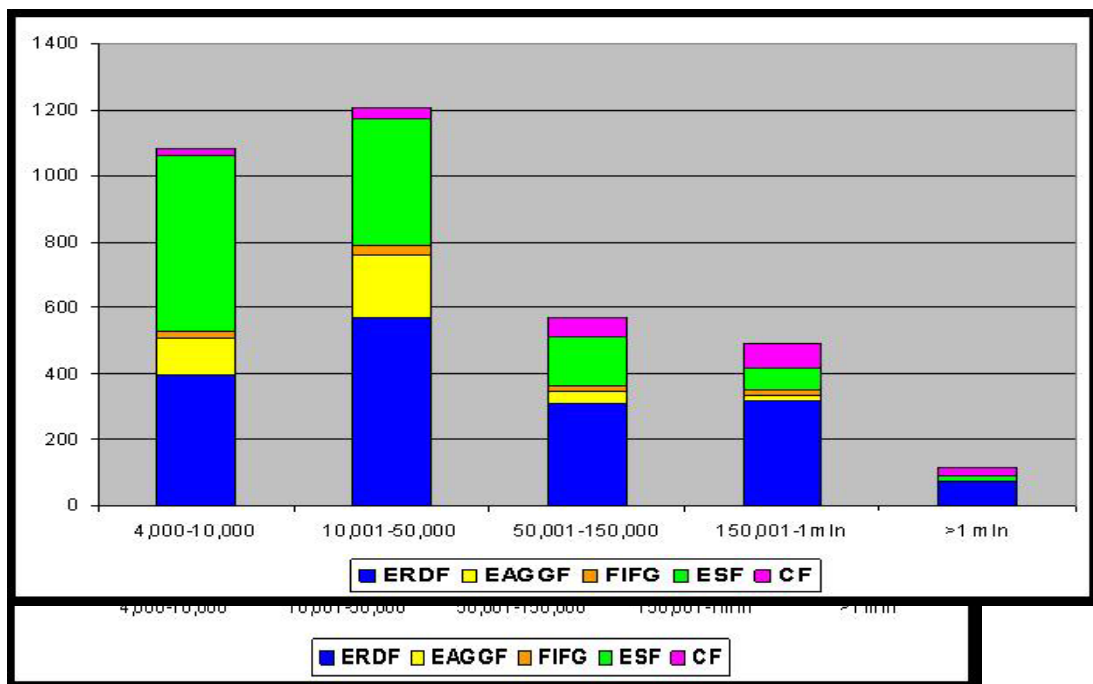
Considerable differences still exist between Member States, especially between the highest average value (Italy with €318 210) and the lowest (Poland on €6 349).

Charts S11 and S12 divide the communications into five categories, depending on the amount affected by irregularities (€4 000 to €10 000, €10 001 to €50 000, €50 001 to €150 000, €150 001 to €1 million and over €1 million).

The charts also show the proportion of the total from each fund. It is clear that the highest number of cases reported involve amounts of between €4 000 and €50 000 (first two categories in chart S11) which account for 66% of the total number of cases reported to OLAF.

¹³ Member States are listed in order of Structural Funds allocation (programming period 2000-2006), from Luxembourg with the lowest amount to Spain with the highest.

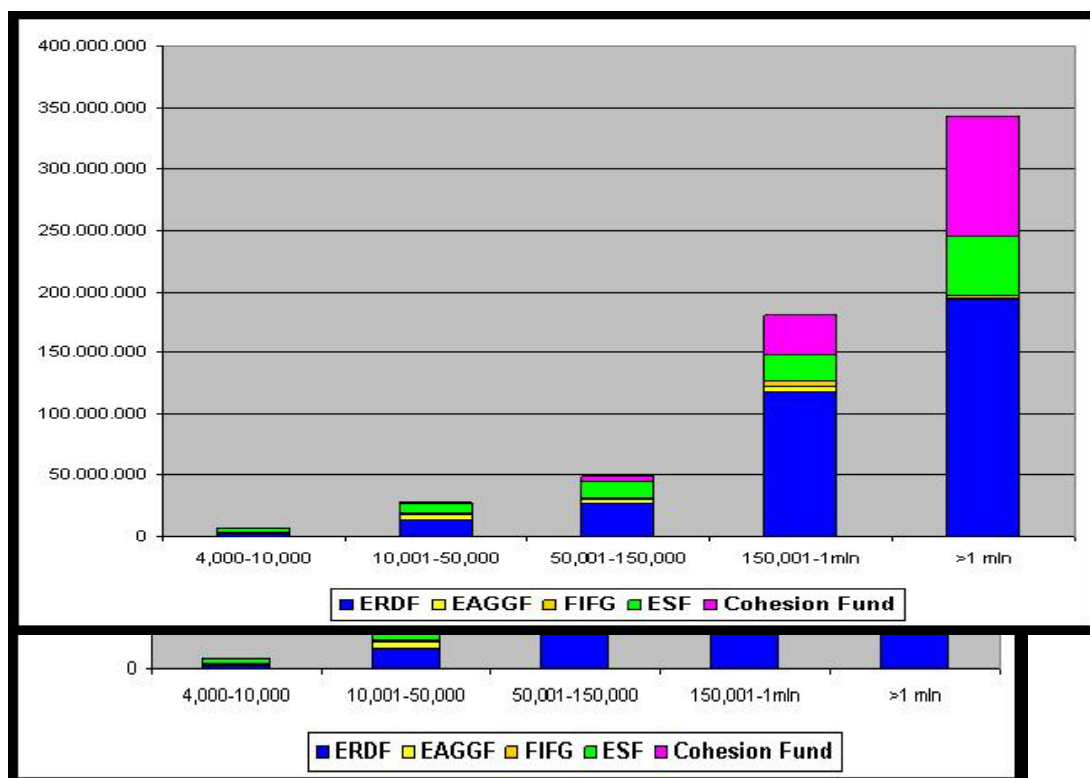
Chart S11: Distribution of communications per category – number of cases



Eleven countries reported no cases in the highest value category (> €1 million): Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Hungary, Latvia, Luxembourg, Poland and Sweden. The countries which reported most cases in the highest category are Italy (32), Greece (30, of which 16 were from the Cohesion Fund) and Germany (23), followed by Spain (12, of which 4 from the Cohesion Fund), the United Kingdom (5), Portugal (4 of which 1 from the Cohesion Fund), Ireland (4, all from the Cohesion Fund), the Netherlands (3) and Austria (2).

If the amounts involved are taken into account, the situation is reversed, with the cases in the highest category (>€1 million) accounting for 56% of the total amount communicated to OLAF, as shown in Chart S12.

Chart S12: Distribution of communications per category – amounts



3.3.2. Types of irregularities

Differences remain between Member States as regards the types of irregularities reported and, to a certain extent, these are consistent with last year. The majority of cases involve irregularities of an “administrative” nature that are normally detected in the course of the routine documentary checks which are conducted before any European money is paid. To demonstrate this, the most frequent types of irregularity reported by Member States are “not eligible expenditure” and “missing or incomplete supporting documents”. Once again, Italy was the country where the most falsifications of documents were detected. Italy was not the only Member State to report this kind of situation (similar cases were also reported by Poland, Germany, the United Kingdom, Portugal and Latvia), but it remained the leader.

Table S13 shows the most frequent types of irregularities together with the amounts involved and the indicative average amount.

Table S13: Most frequent types of irregularities reported by Member States

3. CODE	Description	Frequency (alone)	Frequency (with other codes)	Amounts involved	Indicative average amounts
A	B	C	D	E ¹	F=[E/(C+D)]
325	Not eligible expenditure	327	249	70.652.465	122.661
210	Missing or incomplete supporting documents	181	173	33.991.954	96.022
614	Infringement of rules concerning public procurement	157	128	31.144.404	109.279
812	Action not carried out in accordance with rules	115	32	18.529.541	126.051
612	Failure to respect other regulation/contract condition	115	101	52.479.000	242.958
213	False or falsified supporting documents	97	140	108.612.623	458.281
831	Over financing	94	27	35.531.147	293.646
405	Irregular termination	76	13	6.483.106	72.844
601	Failure to respect deadlines	70	30	11.503.190	115.032
811	Action not completed	51	48	20.573.115	207.809
999	Other irregularities	543	91	116.058.546	183.058

It should be noted that due to the reporting method a single case communicated to OLAF may contain more than one type of irregularity. The figures in Table S13 are based on how many times the type of irregularity has been communicated alone and how many times it has been reported together with other types. The amount involved sums up all the values related to that specific type¹⁴.

The “real” total amounts reported are indicated in Annex 7.

It is important to underline that the most frequent types of irregularities are almost the same as in the last four years, confirming a certain consistency in patterns and

¹⁴ Therefore, as some irregularities have been counted more than once, the total is distorted. This is why the ‘total’ row has been omitted. The values indicated in the “indicative implicated amount” and “indicative average amount” columns are only “virtual”.

trends relating to structural measures and consistency in reporting by the Member States.

3.3.3. Irregularity versus suspected fraud

In the 2004 annual report a first attempt was made to estimate the proportion of the irregularities reported which could be defined as “suspected frauds”. This attempt was based on a specific analysis of the information reported by the Member States concerning the modus operandi, the type of irregularity, the administrative state of an irregularity and the additional information given in text fields.

In the mean time, a major event has occurred. After the modifications introduced by Regulations No 2035/2005 and 2168/2005 to basic Regulations No 1681/94 and 1831/94, as of 1 January 2006 Member States will have to “classify” each irregularity reported. Member States authorities will therefore have to indicate whether the irregularity is a “suspected fraud” or not. The concept “suspected fraud” is necessary, because a given situation cannot be defined as fraud until a sentence has been passed by a competent court.

Already 472 irregularities reported under Regulation No 1681/94 were classified by Member States in 2005. This is a little more than 14% of the total number of irregularities concerning the Structural Funds. Out of these 472 irregularities, 7% were classified as suspected fraud.

This sample is evidently not representative enough to draw any conclusion, but if Member States duly comply with this requirement, estimation of the level of fraud will be easier and more precise in the years ahead.

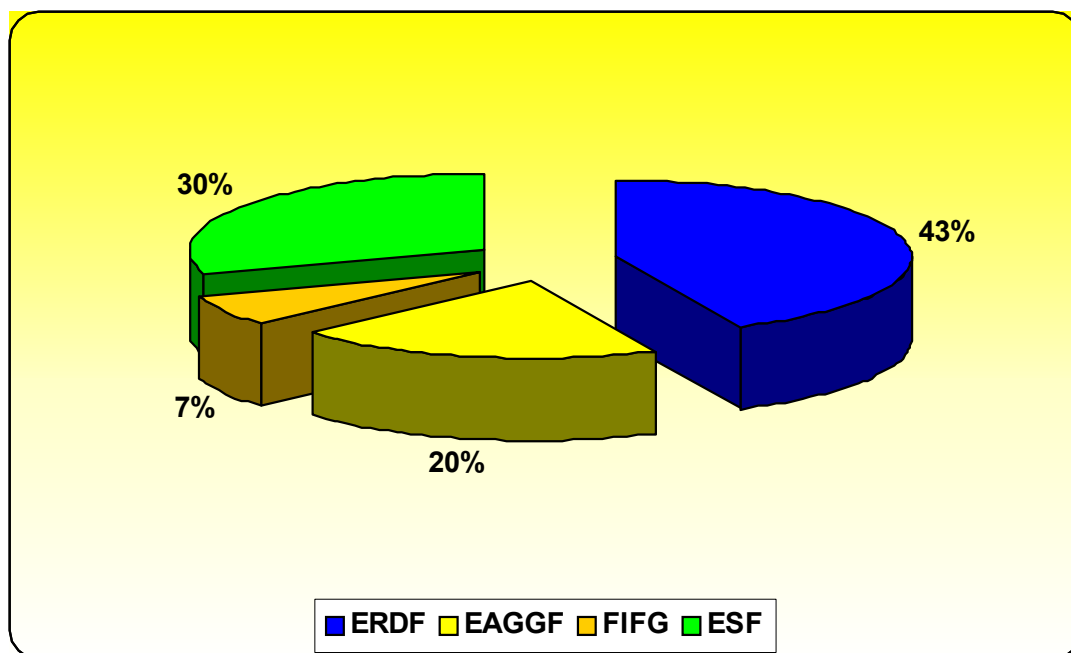
Furthermore, it could be added that, on the basis of Table S13, it can be immediately extrapolated that the modus operandi reported in the case of 237 irregularities included the use of false or falsified supporting documents, which is a clear indication of suspected fraud.

This accounts for almost 11% of the number of irregularities indicated in Table S13.

Moreover, more than 13% of the irregularities reported are subject to a judicial or penal procedure.

Chart S19 shows the distribution of the irregularities subject to a judicial or penal procedure between the different funds.

Chart S19: Distribution of irregularities subject to a judicial or penal procedure between the different funds



Using the same method as in 2004, 15% of the irregularities reported could be defined as “suspected fraud”. Table S20 shows the result of the estimation per fund.

Table S20: Estimated level of “suspected fraud” in the total number of irregularities reported

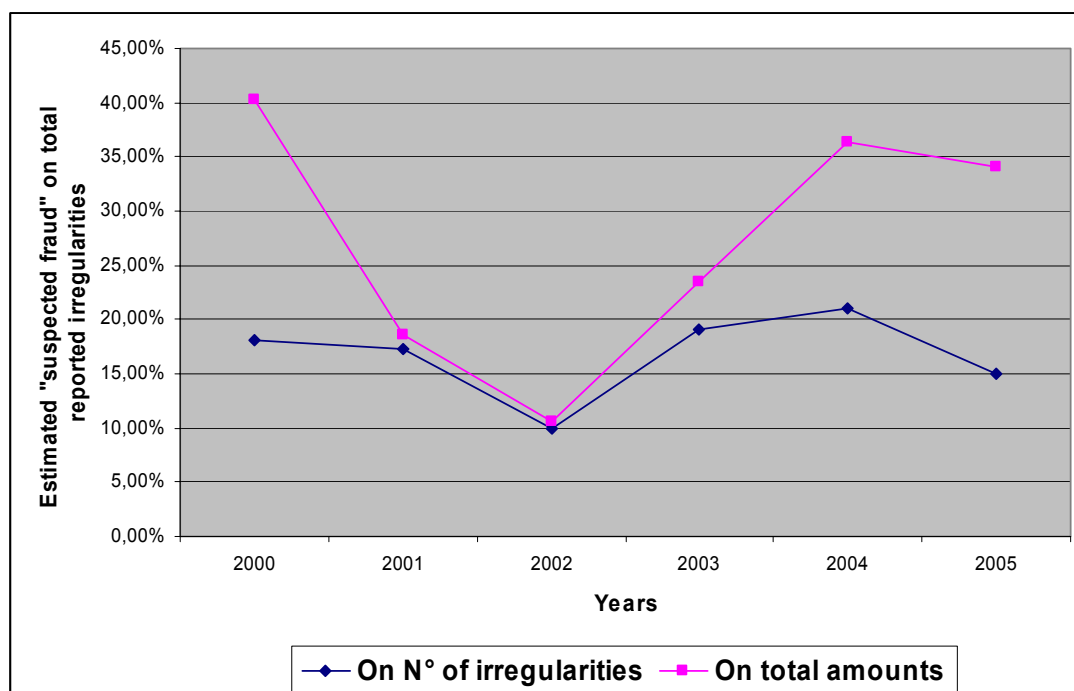
Suspected frauds	ERDF	EAGGF	FIFG	ESF	TOTAL
% of total number of reported irregularities	11.5%	25.6%	10.3%	16.8%	15.0%
% of total amounts reported	32.0%	24.6%	21.5%	44.3%	34.1%

As indicated in the annual report for 2004, the ESF remains the fund most affected.

However, a great deal of caution is called for when assessing the meaning of these figures, bearing in mind that they are based on an assessment of the information provided by the Member States.

Chart S21 shows the trend in suspected fraud as a percentage of the total irregularities reported in the last six years.

Chart S21: Level of “suspected fraud” in total irregularities reported from 2000 to 2006



The lowest level of suspected fraud as a percentage of total irregularities reported was recorded in 2002. This was also the year in which the highest number of cases of irregularities was reported to OLAF, coinciding with the closure of the 1994-1999 round.

On the basis of this estimate, in 2005 “suspected fraud” affected about 0.40% of the budget allocation for structural measures.

3.3.4. Irregularities detected before payment

One interesting aspect to examine in the context of protection of the Communities’ financial interests is what proportion of irregularities is detected before any payment is effectively made to the beneficiaries.

This point can also provide concrete evidence concerning Member States’ preventive action.

Table S20 shows the total number of irregularities reported by each Member State (column A), the number of irregularities detected before any payment is made (column B), B as a percentage of A (column C), and what percentage of the total irregular financial amounts reported were identified before payment (column D).

Table S20: Detection of irregularities before payment

MEMBER STATE	N of reported irregularities	N of irregularities detected before payment	% on number of irregularities communicated	Amounts detected before payment - % on amounts communicated
	(A)	(B)	(C = B/A)	(D)
AT	67	1	1,5%	0,27%
BE	26	6	23,1%	16,60%
CZ	8	2	25,0%	88,99%
DE	1208	24	2,0%	4,06%
DK	24	2	8,3%	16,75%
EE	11	4	36,4%	87,48%
ES	353		0,0%	0,00%
FI	45	20	44,4%	19,15%
FR	61	5	8,2%	11,13%
GB	275	12	4,4%	0,87%
GR	340	8	2,4%	15,33%
HU	23	11	47,8%	97,40%
IE	22	15	68,2%	94,30%
IT	563	36	6,4%	13,86%
LT	5		0,0%	0,00%
LU	3		0,0%	0,00%
LV	8	6	75,0%	88,25%
NL	66	41	62,1%	36,07%
PL	83	21	25,3%	76,83%
PT	204	1	0,5%	0,03%
SE	172	130	75,6%	73,80%
TOTAL	3567	320	9,0%	13,34%

However, these data could be biased by the attitude of not reporting to the Commission irregularities with no financial consequences for the Community budget.

3.3.5. Conclusions

- The most frequently occurring irregularity is “not eligible expenditure”,
- The most frequently occurring modus operandi in “suspected fraud” cases is “false or falsified supporting documents”,
- As a percentage of the total number of reported irregularities, “suspected fraud” stands at about 15%.
- The European Social Fund (ESF) seems to have a higher percentage of cases of “suspected fraud” and higher amounts involved than the other funds in the irregularities reported in 2005.

3.4. PRE-ACCESSION FUNDS

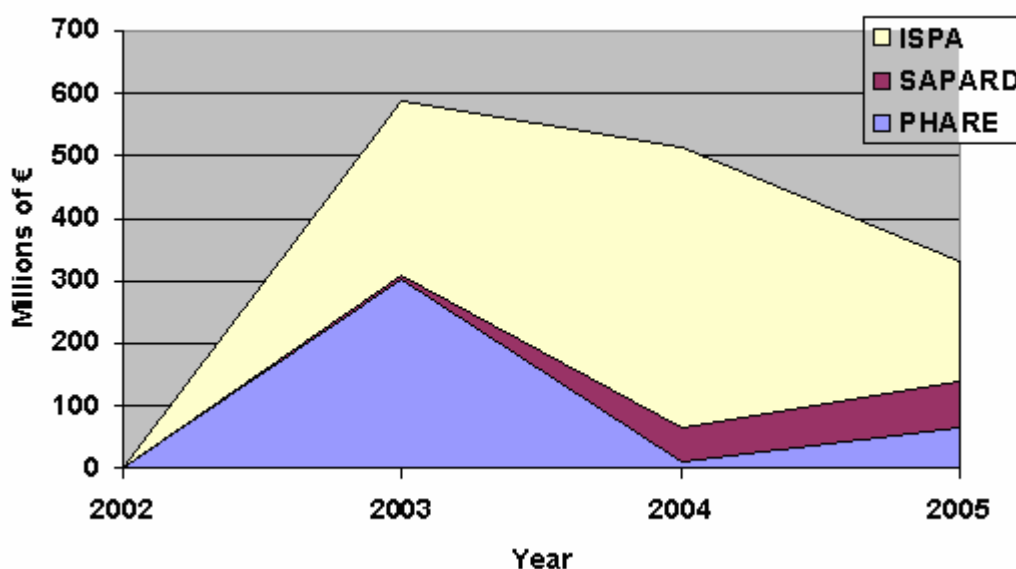
In 2005 the number of cases reported (first communications) increased by 45.8% in comparison to the previous year. The number of communications reported in 2005 makes up 49.5% of all irregularities reported so far. The highest growth in reported irregularities is in PHARE where the number of first communications doubled in 2005. The number of irregularities reported under ISPA remained unchanged on 25

in both 2004 and 2005. This is because ISPA projects are implemented only in acceding countries. The new Member States became eligible to participate in the Cohesion Fund.

3.4.1. Analysis of reported irregularities

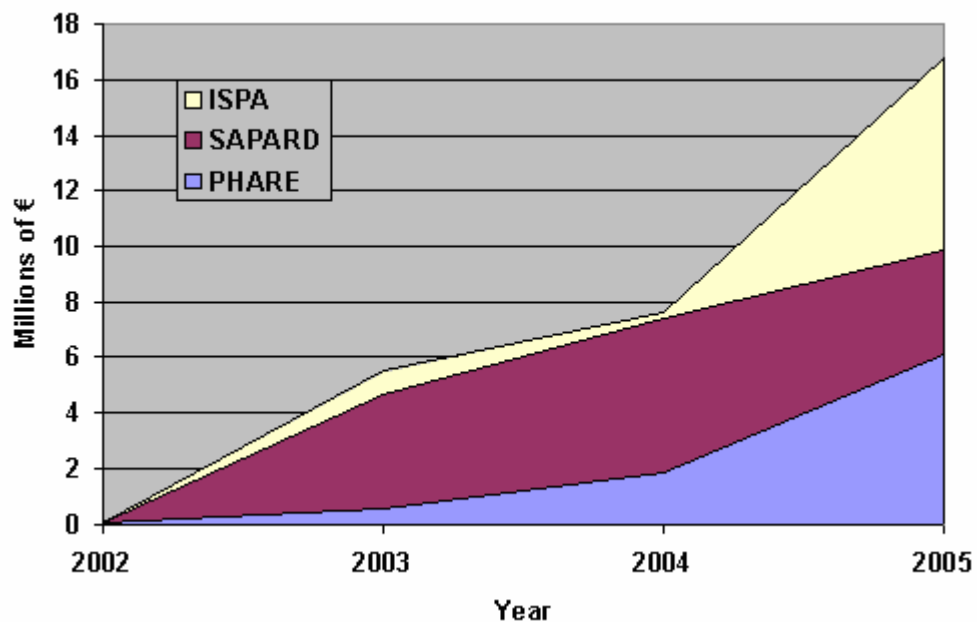
After a peak in 2003 reported eligible expenditure (Community financing) has been steadily declining from €587.6 million to €415 million. Despite the fact that the total amount of eligible expenditure (Community financing) has been declining, only reported eligible expenditure in ISPA-funded projects declined in 2005 to reach a level very similar to the one in 2003. In PHARE reported eligible expenditure has been following a very strange pattern, peaking in 2003 but then slumping in 2004 to 4% of the level reported in previous year. Growth in 2005 was sharp. The number of cases increased 5.6-fold but it must be taken into account that the level was very low. All together the amounts reported under PHARE in 2004 and 2005 made up only 25% of the eligible amounts reported in 2003. Eligible amounts under SAPARD have been growing slowly after a rapid 10-fold increase in 2004 last year growth was only 21%.

Chart P10: Eligible amount (Community financing)



The general downward trend in eligible expenditure should not be attributed to the decline in irregularities but rather to greater prudence on the part of the Member States/acceding countries in reporting eligible expenditure and also in moving from ISPA to the Cohesion Fund. This argument is supported by the fact that the irregular amount has still been growing rapidly. In 2005 irregular amounts (Community financing) doubled in comparison to 2004. The highest growth was in ISPA as the irregular amounts increased 270-fold, after one year at a very low value. In PHARE growth was much smaller at 231% year on year. SAPARD was the only fund in which the irregular amounts declined (by 32%) in 2005.

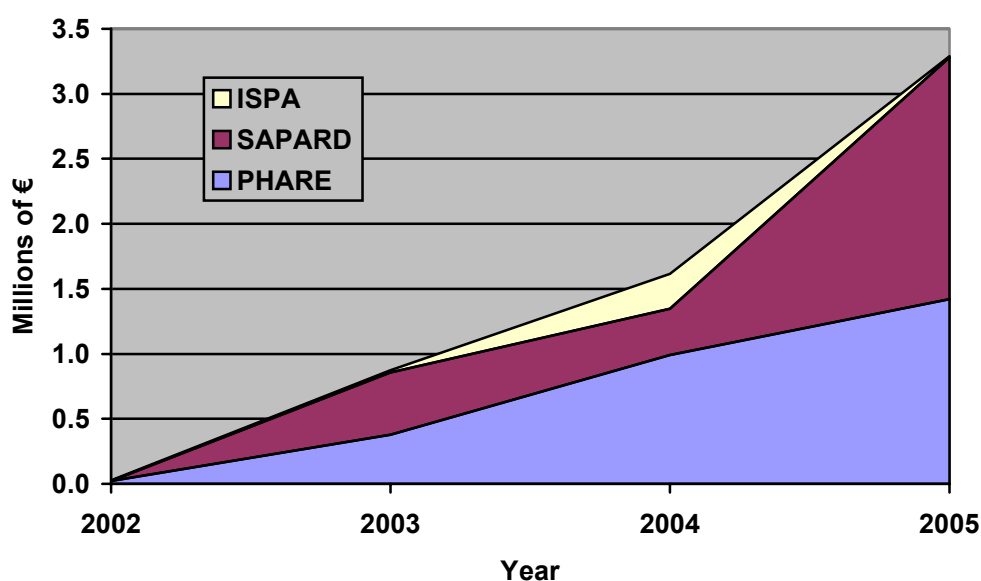
Chart P11: Irregular amount (Community Financing)



The amount recovered as a percentage of the irregular amount (Community financing) has been growing steadily to reach 21.9% in 2005. This marks an improvement on the average rate in previous years (16.8%). In 2005 the highest share was recovered under PHARE and ISPA (23%), while SAPARD achieved 16.9%. Over the years SAPARD has had the lowest figure for the amount recovered as a percentage of the irregular amount (only 5.8%). The best result was achieved in PHARE where 28% of the irregular amount was recovered.

The irregular amount still to be recovered in 2005 decreased to 19.6% (against the average of 19.4%). The lowest amount remaining to be recovered is in ISPA on 0.2% (€10 288) while the highest is in SAPARD with 49.4%. This is in line with the long-term trend where the lowest amount still to be recovered has been in ISPA (3.7%) and the highest in SAPARD (20.1%). Unfortunately Member States and acceding countries have been inconsistent about completing point 14 of the irregularity reports (amounts not yet paid) which allows only broad estimates about the irregular amount detected before payment. Logically, this should bridge the gap between the irregular amount and the sum recovered and to be recovered. Based on that assumption, an estimated 60% of the irregular amount was not paid to beneficiaries committing irregularities.

Chart P12: Amount to be recovered (Community Financing)



3.4.2. Conclusions

- The amount of eligible expenditure (Community financing) has been declining despite the growth in declared eligible expenditure under SAPARD and PHARE. ISPA accounts for the highest share but this is declining as the sum of reported eligible expenditure for all three funds declines.
- The sum of irregular amounts (Community financing) under all three funds has been increasing since reporting of irregularities began. The highest growth in the irregular amounts in 2005 was in ISPA.
- The proportion of irregular amounts (Community financing) recovered has been growing steadily in recent years. The best recovery rate (as a percentage of irregular amounts) can be observed in PHARE.

4. FINANCIAL MONITORING AND RECOVERY SITUATION

4.1. Traditional Own Resources

Decision 2000/597/EC¹⁵ on own resources, and in particular Article 8, stipulates that the Member States are responsible for collecting TOR. This responsibility applies both to established own resources and to amounts that should have been established. The Commission performs compliance audits to ensure that Member States meet their obligations to recover these resources under the Community provisions in force.

¹⁵ Council Decision 2000/597/EC, Euratom of 29 September 2000 (OJ L 253, 7.10.2000) which replaced Decision 94/728.

In 2005 checks on Member States' follow-up of recovery were based mainly on the following activities: (1) deciding, in the framework of the procedure for writing off irrecoverable TOR amounts over a certain threshold value, on Member States' requests to be released from the obligation to make those amounts available and (2) applying the principle of financial responsibility, recently confirmed by the European Court of Justice, for certain errors made by national administrations.

4.1.1. Procedure for managing Member States' requests for write-off

Member States are required to take the necessary measures to make TOR available, except in cases of force majeure or where recovery proves to be impossible for reasons which cannot be attributed to the Member State concerned. Cases of write-off (where the open amount of duties involved, after the adoption of Regulation 2028/2004 of 16 November 2004, exceeds €50 000) are to be referred to the Commission for examination. Where the Member State can demonstrate that the lack of recovery cannot be attributed to it, the demand for write-off is accepted. If not, that Member State has to bear the financial consequences of the failure to establish own resources and make them available to the Commission, on the basis of Article 8 of Decision 2000/597/EC and of Articles 2 and 17 of Regulation 1150/2000.

In 2005, under Article 17(2) of Regulation 1150/2000, 32 new requests for exemption of provision of TOR, totalling €5 571 723, were communicated to the Commission by five (5) Member States. A total of 138 requests were processed in 2005¹⁶. The results, in financial terms, of those 138 requests break down as follows (updated on 19 June 2006)¹⁷:

Commission position	Number of cases	% cas	Amount in €	% amount
<i>Write-off accepted</i>	77	55.80%	4,077,186	29.29%
<i>Write-off refused</i>	24	17.39%	2,042,749	14.67%
<i>Required additional information</i>	10	7.25%	1,612,026	11.58%
<i>Non suitable exemption request</i>	27	19.57%	6,189,151	44.46%
Total	138	100.00%	13,921,112	100.00%

Examination of the diligence of the Member States constitutes a very effective means of gauging Member States' recovery activities and encourages national administrations to intensify them, since lack of diligence leading to failure to recover will result in Member States being financially liable for the amounts concerned.

Since Regulation 2028/2004 amending Regulation 1150/2000 entered into force on 16 November 2004 Member States are required to provide the Commission with information on cases exceeding €50 000. A Task Force created within the Commission unit responsible (in DG Budget) is dealing with the anticipated increase in the number of cases.

¹⁶ 3 cases from Belgium, 94 from Germany, 1 from Denmark, 2 from Spain, 1 from Greece, 4 from Ireland, 2 from Italy, 23 from the Netherlands, 2 from Portugal and 6 from the UK.

¹⁷ At the moment the breakdown between the amounts for each heading is only estimated because sometimes the same case is partly accepted, not suitable or refused at the same time. Additional information from the Member States (in particular on the proportion of the guarantees) is then needed to decide the final classification and quantification of the amounts concerned.

4.1.2. Principle of Member States' financial responsibility for their administrative errors

Under the Own Resources Decision, Member States are responsible for collecting TOR (in return for performing this task, and to support sound and efficient management of public finances, they may keep 25% of the amounts recovered). Any negligence on the part of the Member States which results in a loss of TOR, however, gives rise to a financial liability towards the Union's budget. In this way the Commission holds the administrations financially responsible for their own errors¹⁸.

The Commission's position was confirmed by the European Court of Justice, which, on 15 November 2005, ruled that the Commission could hold Member States financially responsible when, in cases where all conditions for establishing a customs debt had been fulfilled, they had to transfer TOR to the Commission but did not¹⁹. As a consequence of that Court judgment, in December 2005 DG Budget sent reminders to all Member States concerned, asking them to make available the amounts due in connection with pending cases about financial responsibility for administrative errors committed, including cases arising in the course of the follow-up of sector letters from the Court of Auditors or from inspections carried out by DG Budget itself. These reminders covered a total of €58 484 760. The underlying amounts had already been claimed by DG Budget during the period from 1999 to 2005. Amounts mentioned before are nett-amounts to which belated interest is still to be added.

All cases of financial responsibility managed by DG Budget up until the end of 2005 add up to a total of €120 825 191. This includes not only financial responsibilities for administrative errors made by the Member States (as mentioned earlier) but also responsibilities for amounts which have become time-barred as a result of the customs authorities' failure to act, amounts irrecoverable for reasons attributable to the Member States and failure to enter duties because the relevant authorities had created legitimate expectations on the part of the person liable for payment (unlawful authorisations).

4.2. AGRICULTURAL EXPENDITURE (Guarantee Section) (Annexes 3, 4 and 5)

In 2005 Member States communicated, pursuant to Regulation No 595/91, 3 193 irregularities involving a total amount of €102 111 746 (see Annex 4).

The situation as regards recovery in 2005 (see Annex 5) is as follows:

- the overall sum to be recovered was €2 029 649 866 for the communications prior to 2005;

¹⁸ These cases are identified on the basis of Articles 220(2)(b) (non-perceptible administrative errors) and 221(3) (time-barring resulting from the inactivity of the customs) of the Community Customs Code, of Articles 869 and 889 of the Provisions for application of the Code or on the basis of non-observance, by the customs administration, of articles of the Community Customs Code giving rise to a situation of legitimate expectations on the part of the operator.

¹⁹ Case C-329/02 of 15 November 2005.

- €72 355 808 was added to this amount by the communications received during 2005;
- the amounts relating to cases for which a legal procedure is on-going add up to approximately €820 884 434 for the period prior to 2005;
- finally, in the same period €303 962 370 was declared irrecoverable pursuant to Article 5(2) of Regulation No 595/91 and is awaiting a formal clearance of accounts decision.

4.3. STRUCTURAL MEASURES (Annexes 6, 7, 8 and 9)

In 2005 Member States communicated, pursuant to Regulation No 1681/94, a total of 3 356 irregularities involving a total of €466 617 970 (see Annex 7).

The situation as regards recovery in 2005 (see Annex 8) is as follows:

- the sum to be recovered was €303 373 722;
- in the same period €1 422 165 was declared irrecoverable pursuant to Article 5 (2) of Regulation No. 1681/94, and is awaiting a formal decision.

Pursuant to Regulation No 1831/94, Member States reported 214 irregularities involving a total of €134 198 323 (see Annex 9), of which €42 080 807 remain to be recovered.

4.4. PRE-ACCESSION FUNDS (Annexes 11, 12, 13 and 14)

In 2005 Member States and acceding countries communicated 331 irregularities involving a total irregular amount of €26.5 million, including Community financing of €16.8 million.

The situation as regards recovery in 2005 is as follows:

- the amount of irregular Community financing already recovered totals €3.7 million for cases reported in 2005 and €9.1 million for all years;
- the sum of Community financing to be recovered is €3.3 million for cases reported in 2005 (see Annexes 12 to 14);
- the total amount of irregular Community financing still to be recovered is €5.8 million.

ANNEX 1

update 06/04/2006

TRADITIONAL OWN RESOURCES
NUMBER OF CASES OF FRAUD AND IRREGULARITY REPORTED BY THE MEMBER STATES* TO THE COMMISSION

YEARS 2001 - 2005

AMOUNTS IN €

Member State	2001		2002		2003		2004		2005		Increase % Cases	Increase % Amount
	# Cases	Amounts established	# Cases	Amounts established	# Cases	Amounts established	# Cases	Amounts established	# Cases	Amounts established	2004 - 2005	2004 - 2005
Austria	101	20,033,845	123	29,367,661	104	13,702,431	74	8,541,337	80	5,832,667	8.11%	-31.71%
Belgium	305	7,839,772	489	26,872,973	492	9,689,138	780	12,075,441	592	18,240,492	-24.10%	51.05%
Cyprus	0	0	0	0	0	0	2	54,136	14	322,011	600.00%	494.82%
Czech rep.	0	0	0	0	0	0	4	481,813	18	503,141	350.00%	4.43%
Denmark	67	5,206,666	94	5,485,175	68	8,033,263	79	6,834,942	60	5,430,982	-24.05%	-20.54%
Estonia	0	0	0	0	0	0	3	54,900	3	228,348	0.00%	315.93%
Finland	20	3,140,752	18	782,783	24	1,030,908	28	1,597,791	30	1,992,413	7.14%	24.70%
France	219	15,351,377	211	30,823,232	205	17,247,452	271	21,821,458	339	38,042,062	25.09%	74.33%
Germany	541	37,651,441	540	121,007,215	473	65,860,085	414	29,633,773	379	24,357,375	-8.45%	-17.81%
Greece	27	7,490,068	37	8,301,570	49	1,711,412	50	4,099,877	51	7,971,228	2.00%	94.43%
Hungary	0	0	0	0	0	0	26	1,545,314	38	1,534,700	46.15%	-0.69%
Ireland	34	1,303,005	45	4,122,045	33	2,340,846	10	401,444	22	673,822	120.00%	67.85%
Italy	208	95,940,547	318	35,723,684	251	55,744,246	208	26,678,641	289	33,987,427	38.94%	27.40%
Latvia	0	0	0	0	0	0	7	252,392	10	956,671	42.86%	279.04%
Lithuania	0	0	0	0	0	0	8	202,046	35	1,518,024	337.50%	651.33%
Luxembourg	0	0	1	23,666	1	0	0	0	0	0	N/A	N/A
Malta	0	0	0	0	0	0	2	125,735	5	856,231	150.00%	580.98%
Netherlands	491	32,606,260	293	80,649,819	784	60,296,003	554	46,224,322	1,729	61,906,439	212.09%	33.93%
Poland	0	0	0	0	0	0	17	651,365	55	1,327,752	223.53%	103.84%
Portugal	11	1,489,355	15	2,004,205	22	2,197,568	15	762,822	20	1,331,927	33.33%	74.61%
Slovakia	0	0	0	0	0	0	3	318,119	3	55,042	0.00%	-82.70%
Slovenia	0	0	0	0	0	0	7	586,379	22	233,855	214.29%	-60.12%
Spain	134	29,824,254	121	11,647,708	258	22,652,702	265	18,596,580	500	48,938,866	88.68%	163.16%
Sweden	22	2,532,851	40	2,729,252	47	1,239,516	66	5,880,230	59	3,270,387	-10.61%	-44.38%
United Kingdom	253	23,942,158	224	7,478,895	352	8,528,265	312	24,945,539	629	62,374,139	101.60%	150.04%
EUR-25 Total	2,433	284,352,351	2,569	367,019,883	3,163	270,273,835	3,205	212,366,396	4,982	321,886,001	55.44%	51.57%

* Member States must notify cases of fraud and irregularity where the amounts exceed €10 000 in accordance with a Community obligation laid down in article 6(5) of Regulation n° 1150/2000 of the 22nd of May 2000

ANNEX 2

update 06/04/2006

TRADITIONAL OWN RESOURCES
CASES OF FRAUD AND IRREGULARITY REPORTED BY MEMBER STATES

YEAR 2005

AMOUNTS IN €

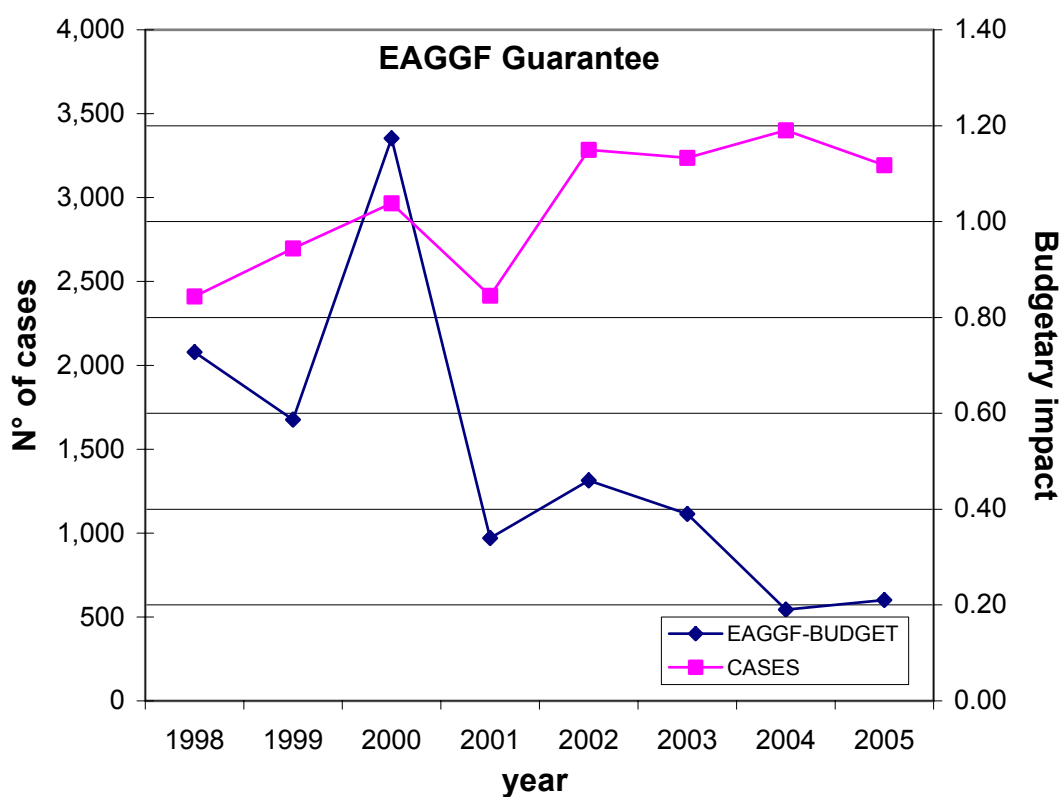
Member States	Number of cases notified for 2005	Amounts established	Amount as a % of total	Average amount per case	Amounts recovered in cases notified for 2005	% Recovery of total	Gross recovery rate
(1)	(2)	(3)	(4)	(5) = (3) / (2)	(6)	(7)	(8) = (6)/(3)
Austria	80	5,832,667	1.81 %	72,908	847,809	0.97%	14.54%
Belgium	592	18,240,492	5.67 %	30,812	1,835,401	2.10%	10.06%
Cyprus	14	322,011	0.10 %	23,001	246,742	0.28%	76.63%
Czech rep.	18	503,141	0.16 %	27,952	341,297	0.39%	67.83%
Denmark	60	5,430,982	1.69 %	90,516	4,666,097	5.34%	85.92%
Estonia	3	228,348	0.07 %	76,116	24,632	0.03%	10.79%
Finland	30	1,992,413	0.62 %	66,414	1,696,434	1.94%	85.14%
France	339	38,042,062	11.82 %	112,218	14,205,407	16.25%	37.34%
Germany	379	24,357,375	7.57 %	64,267	8,150,195	9.32%	33.46%
Greece	51	7,971,228	2.48 %	156,299	191,053	0.22%	2.40%
Hungary	38	1,534,700	0.48 %	40,387	293,983	0.34%	19.16%
Ireland	22	673,822	0.21 %	30,628	612,649	0.70%	90.92%
Italy	289	33,987,427	10.56 %	117,604	1,792,617	2.05%	5.27%
Latvia	10	956,671	0.30 %	95,667	292,759	0.33%	30.60%
Lithuania	35	1,518,024	0.47 %	43,372	1,113,721	1.27%	73.37%
Malta	5	856,231	0.27 %	171,246	0	0.00%	0.00%
Netherlands	1729	61,906,439	19.23 %	35,805	7,787,406	8.91%	12.58%
Poland	55	1,327,752	0.41 %	24,141	825,030	0.94%	62.14%
Portugal	20	1,331,927	0.41 %	66,596	114,723	0.13%	8.61%
Slovakia	3	55,042	0.02 %	18,347	14,607	0.02%	26.54%
Slovenia	22	233,855	0.07 %	10,630	178,153	0.20%	76.18%
Spain	500	48,938,866	15.20 %	97,878	15,586,495	17.83%	31.85%
Sweden	59	3,270,387	1.02 %	55,430	3,133,065	3.58%	95.80%
United Kingdom	629	62,374,139	19.38 %	99,164	23,469,817	26.85%	37.63%
EUR-25 TOTAL	4,982	321,886,001	100.00 %	64,610	87,420,092	100.00%	27.16%

EAGGF GUARANTEE

IRREGULARITIES COMMUNICATED BY THE MEMBER STATES
YEARS 1998 - 2005

(amounts in € 1,000)

YEAR	CASES	AMOUNT	% OF BUDGET	EAGGF-BUDGET
2005	3,193	102,112	0.21	47,819,509
2004	3,401	82,064	0.19	42,934,711
2003	3,237	169,724	0.39	43,606,858
2002	3,285	198,079	0.46	42,781,898
2001	2,415	140,685	0.34	41,866,940
2000	2,967	474,562	1.17	40,437,400
1999	2,697	232,154	0.59	39,540,800
1998	2,412	284,841	0.73	39,132,500



* The concept "irregularity" includes fraud. The qualification as fraud, meaning criminal behaviour, can only be made following a penal procedure.

ANNEX 4

update 16/05/2006

EAGGF GUARANTEE

IRREGULARITIES COMMUNICATED BY THE MEMBER STATES UNDER
REGULATION N° 595/91

2005

(amounts in € 1,000)

<i>Member States</i>	<i>Number of cases</i>	<i>Amounts</i>	<i>% of EAGGF expenditure</i>
AT	63	689	0.06
BE	80	1,085	0.10
CY	8	50	0.13
CZ	0	0	0.00
DE	521	15,034	0.23
DK	44	1,584	0.13
EE	7	56	0.08
EL	64	764	0.03
ES	711	45,763	0.71
FI	20	283	0.03
FR	482	8,746	0.09
HU	5	41	0.01
IE	82	947	0.05
IT	105	14,664	0.25
LT	32	422	0.18
LU	4	20	0.04
LV	1	13	0.01
MT	0	0	0.00
NL	146	2,087	0.17
PL	71	872	0.10
PT	302	3,542	0.40
SE	108	1,103	0.12
SI	0	0	0.00
SK	0	0	0.00
UK	337	4,346	0.10
TOTAL	3,193	102,112	0.21

EAGGF GUARANTEE

SITUATION OF RECOVERY IN CASES COMMUNICATED UNDER
REGULATION N° 595/91

(amounts in € 1,000)

Member States	To be recovered	To be recovered	In Justice *)	Amounts
	cases communicated before 2005	cases communicated in 2005	before 2005	declared "irrecoverable" by Member States before 2005
AT	2,581	115	384	579
BE	74,397	379	64,093	731
CY	0	0	0	0
CZ	0	0	0	0
DE	90,875	8,937	30,830	11,477
DK	1,121	705	8	884
EE	0	56	0	0
EL	63,798	660	34,068	2,313
ES	249,320	41,292	119,467	79,953
FI	195	110	16	0
FR	74,903	6,939	40,899	4,591
HU	0	32	0	0
IE	1,623	116	115	728
IT	1,397,133	5,503	498,561	184,060
LT	0	104	0	0
LU	20	12	17	0
LV	0	0	0	0
MT	0	0	0	0
NL	19,469	739	3,271	5,921
PL	0	220	0	0
PT	30,155	3,300	24,067	3,571
SE	337	264	0	178
SI	0	0	0	0
SK	0	0	0	0
UK	23,723	2,874	5,088	8,974
TOTAL	2,029,650	72,356	820,884	303,962

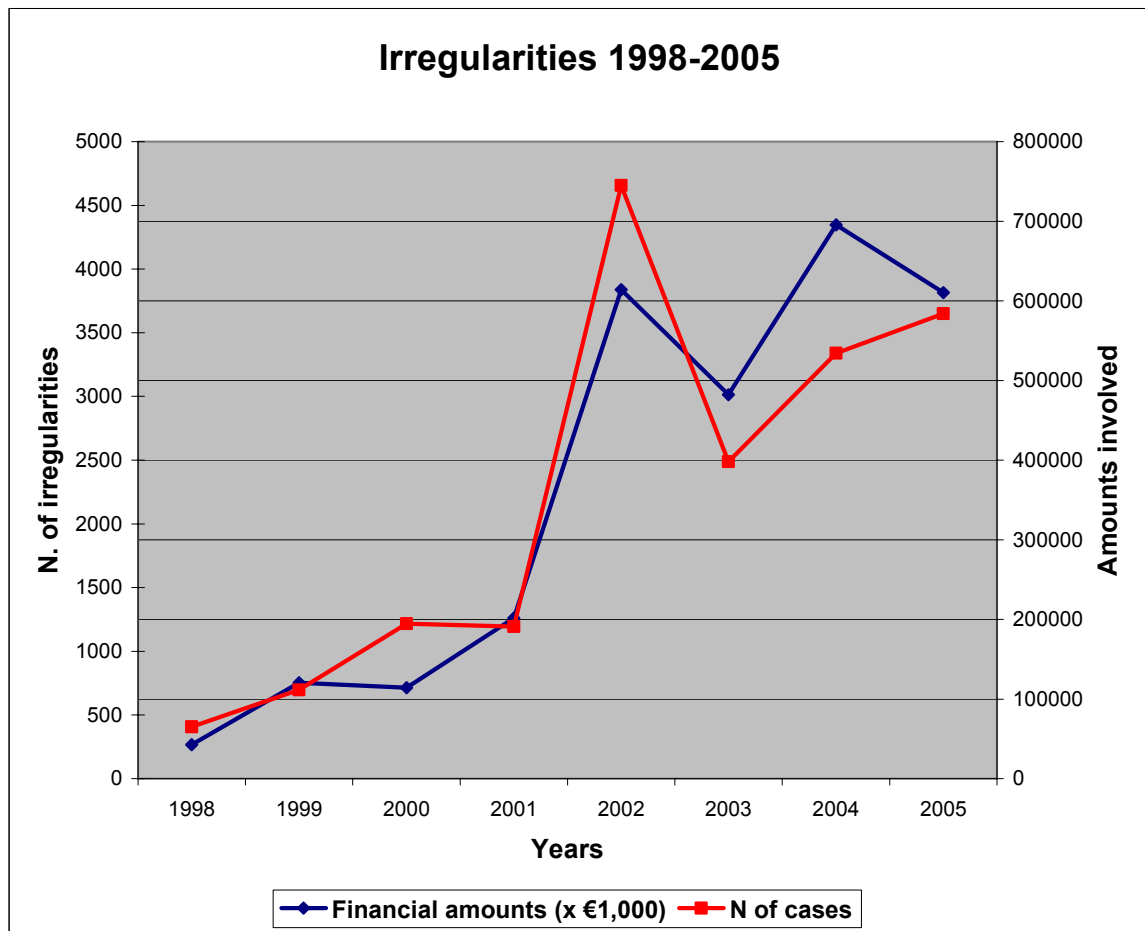
*) In justice: awaiting outcome of judicial proceedings in national courts

ANNEX 6

STRUCTURAL MEASURES

IRREGULARITIES* COMMUNICATED BY MEMBER STATES 1998-2005

Year	N of cases	Financial amounts (x €1,000)	Total budget (x €1,000,000)	Part of budget
2005	3,570	600,816	38,430	1.56%
2004	3,339	695,611	35,665	1.95%
2003	2,487	482,215	30,764	1.57%
2002	4,656	614,094	30,556	2.01%
2001	1,194	201,549	29,823	0.68%
2000	1,217	114,227	25,556	0.45%
1999	698	120,633	30,654	0.39%
1998	407	42,838	28,366	0.15%



*) The concept of irregularity includes fraud. The qualification as fraud, meaning criminal behaviour, can only be made following a penal procedure.

ANNEX 7**PART 1****STRUCTURAL FUNDS****IRREGULARITIES REPORTED BY MEMBER STATES
REGULATION 1681/94****N° OF IRREGULARITIES**

MEMBER STATES	ERDF	EAGGF	FIFG	ESF	TOTAL
AT	40	2	0	25	67
BE	7	0	0	19	26
CY	0	0	0	0	0
CZ	4	0	0	1	5
DE	756	65	12	375	1,208
DK	18	0	4	2	24
EE	2	0	0	7	9
EL	142	20	2	24	188
ES	108	50	12	167	337
FI	4	6	0	35	45
FR	59	1	0	1	61
HU	4	16	0	2	22
IE	0	0	4	0	4
IT	256	103	33	171	563
LT	0	2	0	0	2
LU	0	0	0	3	3
LV	1	7	0	0	8
MT	0	0	0	0	0
NL	19	2	0	45	66
PL	6	43	0	18	67
PT	90	47	7	60	204
SE	98	8	1	65	172
SI	0	0	0	0	0
SK	0	0	0	0	0
UK	110	25	4	136	275
TOTAL	1,724	397	79	1,156	3,356

ANNEX 7

PART 2

STRUCTURAL FUNDS

IRREGULARITIES REPORTED BY MEMBER STATES REGULATION 1681/94

FINANCIAL AMOUNTS INVOLVED IN IRREGULARITIES

MEMBER STATES	ERDF	EAGGF	FIFG	ESF	TOTAL
AT	6,835,372	32,038	0	302,233	7,169,643
BE	626,441	0	0	414,338	1,040,779
CY	0	0	0	0	0
CZ	24,200	0	0	240,186	264,386
DE	95,320,123	2,264,098	1,849,177	6,179,148	105,612,547
DK	1,414,599	0	38,061	52,202	1,504,862
EE	78,388	0	0	51,590	129,978
EL	55,520,564	2,724,099	81,728	1,170,355	59,496,746
ES	35,752,717	1,402,568	941,737	6,653,743	44,750,765
FI	966,141	55,291	0	342,287	1,363,719
FR	2,276,681	0	0	15,408	2,292,089
HU	24,627	788,222	0	49	812,898
IE	0	0	213,717	0	213,717
IT	111,279,721	4,373,586	4,785,162	58,713,930	179,152,400
LT	0	0	0	0	0
LU	0	0	0	42,771	42,771
LV	51,034	1,176,011	0	0	1,227,045
MT	0	0	0	0	0
NL	3,763,754	127,132	0	5,574,985	9,465,871
PL	443	344,788	0	80,170	425,401
PT	11,961,272	1,187,634	354,450	2,888,895	16,392,251
SE	1,985,792	281,188	7,238	1,031,764	3,305,982
SI	0	0	0	0	0
SK	0	0	0	0	0
UK	20,255,157	747,894	104,238	10,846,832	31,954,121
TOTAL	348,137,027	15,504,549	8,375,508	94,600,887	466,617,970

ANNEX 8

**IRREGULARITIES REPORTED BY MEMBER STATES UNDER
REGULATION 1681/94**

2005

STATUS OF RECOVERY

MEMBER STATES	AMOUNTS RECOVERED	AMOUNTS STILL TO BE RECOVERED	OF WHICH DECLARED "IRRECOVERABLE"*	IN JUSTICE**
AT	1,193,526	4,902,494	129,170	101,305
BE	1,057,607	555,779	0	0
CY	0	0	0	0
CZ	7,340	0	0	0
DE	5,801,023	99,811,525	664,025	1,089,779
DK	116,497	1,136,345	515,260	0
EE	0	82,761	0	0
EL	21,603,812	14,672,095	0	0
ES	14,870,629	29,880,136	75,201	25,090
FI	594,002	399,206	0	36,684
FR	178,311	1,858,655	15,408	113,601
HU	16,441	8,186	0	0
IE	213,717	0	0	0
IT	1,524,667	113,929,775	4,132	139,960,523
LT	0	0	0	0
LU	42,771	0	0	0
LV	0	144,176	0	0
MT	0	0	0	0
NL	958,147	4,078,029	0	768,532
PL	57,647	40,917	0	9,197
PT	6,490,910	8,685,254	0	733,132
SE	463,333	377,441	0	216,493
SI	0	0	0	0
SK	0	0	0	0
UK	4,722,839	22,810,948	18,969	0
TOTAL	59,913,219	303,373,722	1,422,165	143,054,336

*) Amounts irrecoverable: awaiting formal decision according to the procedure set out in art. 5, paragraph 2 of Regulation No. 1681/94

***) In justice: awaiting outcome of judicial procedures in national courts

ANNEX 9**IRREGULARITIES REPORTED BY MEMBER STATES UNDER****REGULATION 1831/94****2005**

MEMBER STATES	N° OF IRREGULARITIES	IRREGULAR AMOUNTS	AMOUNTS TO BE RECOVERED
CZ	6	145,880	49,405
EE	2	646,797	0
EL	152	91,653,202	24,872,456
ES	16	13,616,780	13,026,973
HU	1	132,852	0
IE	18	21,714,607	0
LT	3	83,062	476
PT	16	6,205,143	4,131,497
TOTAL	214	134,198,323	42,080,807

ANNEX 10
Irregularities communicated by Member States
2005

(AMOUNTS IN € 1,000)

MEMBER STATES		EAGGF		STRUCTURAL FUNDS		COHESION FUND		OWN RESOURCES		TOTAL	
		cases	total amount	cases	total amount	cases	total amount	cases	total amount	cases	total amount
AT	Austria	63	689					80	5,833	143	6,521
BE	Belgium	80	1,085					592	18,240	672	19,325
CY	Cyprus	8	50					14	322	22	372
CZ	Czech Republic	0	0					18	503	18	503
DE	Germany	521	15,034					379	24,357	900	39,392
DK	Denmark	44	1,584					60	5,431	104	7,015
EE	Estonia	7	56					3	228	10	285
EL	Greece	64	764					51	7,971	115	8,736
ES	Spain	711	45,763					500	48,939	1,211	94,702
FI	Finland	20	283					30	1,992	50	2,275
FR	France	482	8,746					339	38,042	821	46,788
HU	Hungary	5	41					38	1,535	43	1,575
IE	Ireland	82	947					22	674	104	1,621
IT	Italy	105	14,664					289	33,987	394	48,651
LT	Lithuania	32	422					35	1,518	67	1,940
LU	Luxembourg	4	20					0	0	4	20
LV	Latvia	1	13					10	957	11	970
MT	Malta	0	0					5	856	5	856
NL	the Netherlands	146	2,087					1,729	61,906	1,875	63,993
PL	Poland	71	872					55	1,328	126	2,199
PT	Portugal	302	3,542					20	1,332	322	4,874
SE	Sweden	108	1,103					59	3,270	167	4,374
SI	Slovenia	0	0					22	234	22	234
SK	Slovakia	0	0					3	55	3	55
UK	United Kingdom	337	4,346					629	62,374	966	66,720
TOTAL		3,193	102,112	0	0	0	0	4,982	321,886	8,175	423,998

Annex 11
Irregularities Communicated by Member States and Acceding Countries by Fund
2005

Year Millions of €	PHARE			SAPARD			ISPA		
	No Reports ¹	Eligible Amount ²	Irregular Amount	No Reports	Eligible Amount	Irregular Amount	No Reports	Eligible Amount	Irregular Amount
2002	1	3.00	0.02	0	0.00	0.00	6	0.18	0.02
2003	52	1,080.75	0.91	34	13.76	5.69	18	450.76	1.31
2004	68	32.38	2.38	134	78.21	7.49	25	724.27	2.23
2005	139	87.24	11.49	167	106.06	5.69	25	194.31	9.28
TOTAL	260	1,203.37	14.80	335	198.03	18.88	74	1,369.51	12.84

1. Number of first communications

2. If the amounts were not reported in € "Euro exchange rates" on the 12th of April 2006 published in OJ 2006/C 90/01 were used

Annex 12

Irregularities Communicated by Member States and Acceding Countries

PHARE – Community Financing

2005

Fund €	PHARE			
	No Reports ¹	Eligible Amount ²	Irregular Amount	Amount to be recovered
Bulgaria	15	570,020	257,380	248,720
Cyprus	2	3,094,616	23,807	0
Czech Republic	3	27,762	16,517	16,517
Estonia	6	443,826	307,899	57,328
Hungary	26	6,381,262	1,345,648	402,967
Latvia	2	132,638	6,833	5,644
Lithuania	7	269,941	144,504	140,203
Malta	0	0	0	0
Poland	5	15,339,506	2,874,506	24,293
Romania	38	29,893,187	857,874	297,633
Slovakia	33	7,672,206	123,766	81,127
Slovenia	2	648,192	147,837	147,837
Total	139	64,473,156	6,106,570	1,422,269

1. Number of first communications

2. If the amounts were not reported in € "Euro exchange rates" on the 12th of April 2006 published in OJ 2006/C 90/01 were used

Annex 13

Irregularities Communicated by Member States and Accessing Countries

SAPARD – Community Financing

2005

Fund €	SAPARD			
	No Reports ¹	Eligible Amount ²	Irregular Amount	Amount to be recovered
Bulgaria	15	1,797,921	892,438	869,177
Cyprus	0	0	0	0
Czech Republic	7	251,405	238,595	200,309
Estonia	4	1,075,279	989,414	80,434
Hungary	24	20,519,810	23,417	0
Latvia	4	65,246	65,246	65,246
Lithuania	3	744,706	121,888	103,474
Malta	0	0	0	0
Poland	24	2,871,024	324,915	43,693
Romania	82	47,258,178	984,520	489,046
Slovakia	1	52,038	52,038	0
Slovenia	3	253,221	61,953	4,786
Total	167	74,888,828	3,754,424	1,856,165

1. Number of first communications

2. If the amounts were not reported in € "Euro exchange rates" on the 12th of April 2006 published in OJ 2006/C 90/01 were used

Annex 14

Irregularities Communicated by Member States and Acceding Countries

ISPA – Community Financing

2005

Fund €	ISPA			
	No Reports ¹	Eligible Amount ²	Irregular Amount	Amount to be recovered
Bulgaria	1	5,322,630	5,322,670	0
Cyprus	0	0	0	0
Czech Republic	0	0	0	0
Estonia	0	0	0	0
Hungary	0	0	0	0
Latvia	0	0	0	0
Lithuania	2	40,212,133	2,332	476
Malta	0	0	0	0
Poland	0	0	0	0
Romania	22	146,999,021	1,613,706	9,812
Slovakia	0	0	0	0
Slovenia	0	0	0	0
Total	25	192,533,784	6,938,708	10,288

1. Number of first communications

2. If the amounts were not reported in € "Euro exchange rates" on the 12th of April 2006 published in OJ 2006/C 90/01 were used