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ANNUAL REPORT FROM THE COMMISSION

on the fight against fraud

- 1992 Report and Action Programme for 1993 -

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INTRODUCTION

In the 1992 report on the fight against fraud (the fourth such annual report), covering an important transitional year, the Commission deliberately concentrated on the key elements in its anti-fraud campaign rather than trying to raise the level of awareness of the general issues as it was felt that this had already been adequately done by the previous reports. However, the report did follow the precedent set in previous years of dividing the part on the progress made into two sections: one on reports on fraud and irregularities and on-the-spot enquiries (Title I, Section I) and the other on implementation of the 1989 work programme (Title I, Section II).¹ Since the programme has for the most part already been implemented, the Commission has produced a new action programme for 1993, which will be updated annually (see Title II).

The most important points dealt with in the report are as follows:

- results of recent enquiries and checks in the Member States and non-member countries;
- further progress on simplification of agricultural regulations;
- adoption, as part of the reform of the CAP, of Regulation (EEC) No 3508/92 establishing an integrated administration and control system for certain Community aid schemes and Regulation (EEC) No 3887/92 laying down the relevant detailed rules;
- adoption of Regulation (EEC) No 593/92 amending Regulation (EEC) No 2262/84 laying down special measures in respect of olive oil;
- adoption of Regulation (EEC) No 2913/92 establishing the Community Customs Code and certain implementing decisions;
- adoption of Regulation (EEC) No 218/92 on administrative cooperation in the field of indirect taxation and Directive 92/12/EEC on excise duties;
- increase in the number of seminars and exchange programmes for national civil servants;
- more systematic targeting according to the level of risk;
- use of remote sensing in almost every Member State;
- progress regarding cooperation with non-member countries;

¹ The funding of the anti-fraud policy is dealt with in Title I, Section III.

- the IRENE database in operational mode and the implementation of the first phase of the customs information system, SID; and
- analysis of the question of how to protect the Community's financial interests in the light of the resolution adopted by the Council (Justice) on 13 November 1991.

The other Community institutions demonstrated considerable interest in anti-fraud measures in 1992.

- On 14 and 15 July 1992, the parliamentary Committee on Budgetary Control held detailed discussions on anti-fraud measures, as in previous years, and welcomed the third Commission report.¹ Prior to this, in discussions on the discharge for 1990, Parliament asked the Commission for information on the organization of anti-fraud activities and on the upgrading of the functions of the Unit for the Coordination of Fraud Prevention (UCLAF) in such a way as to maximize its role, authority and autonomy.² The Commission complied with Parliament's requests and duly redefined UCLAF's powers by its decision of 4 November 1992,³ which was presented to the parliamentary Committee on Budgetary Control on 1 December 1992 and which is reproduced, together with an organization chart, in Annexes 1 and 2.
- Taking note of the third report, the Council of 28 September 1992 (ECOFIN) welcomed the continuing efforts with regard to investigations carried out and progress achieved on the work programme and noted with satisfaction the progress made towards achieving the objectives adopted in 1991. Following the detailed discussions held by the Council on the report, a new political impetus was given when a high-level ad hoc working party on the fight against fraud was set up with the task of producing a report for the Council meeting of 23 November (ECOFIN). The report reaffirmed the importance of continuing the fight against fraud, particularly in view of the provisions in the Maastricht Treaty in this field. The Council identified a number of priority areas for 1992, viz.: further simplification of agricultural legislation and, in particular, the nomenclature with regard to export funds; improved ex-ante examination of the anti-fraud aspects of legislative proposals; extension of the principle of targeting on the basis of risk; seminars and exchanges for national agents responsible for the administration and internal management of the CAP; discussions with the Member States on the question of incentives; and the adoption of a regulation on the notification of frauds against the structural Funds.

1 See "The fight against fraud: report on work done and progress achieved in 1991" - SEC(92) 943 final of 26 May 1992.

2 See, inter alia, point 68 of the resolution containing the comments which form part of the Parliament Decision of 18 November 1992 giving discharge to the Commission in respect of the implementation of the general budget of the European Communities for the 1990 financial year as regards sections I to IV (OJ L 19, 28.1.1993).

3 SEC(92) 2045 final of 4 November 1992.

The stakes are high in the fight against fraud and the Community must respond as effectively as possible to the new challenges facing it, i.e. the running of the single market, implementation of the European Economic Area, the need to open up to the East, reform of the CAP and, of course, European Union.

TITLE I: DEVELOPMENTS IN 1992

SECTION I - FRAUD AND IRREGULARITIES: REPORTS AND ENQUIRIES IN 1992

This Section deals with the Member States' reports and the enquiries carried out by the Commission and the Member States concerning fraud and irregularities. The growing number of reports and enquiries is an indication of the amount of work done by the Commission and the Member States, which bear the primary responsibility for fraud prevention.

1. Reporting fraud and irregularities

In the interests of clarity, all reported cases of fraud and irregularity are recorded in a single table, despite the fact that the relevant legislation¹ (Regulation (EEC, Euratom) No 1552/89 and Regulations (EEC) No 595/91, No 4253/88² and No 1468/81) distinguish not only between cases involving revenue and expenditure but also between a number of other categories.

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- 1 Council Regulation (EEC, Euratom) No 1552/89 of 29 May 1989 implementing Decision 88/376/EEC, Euratom on the system of the Communities' own resources (OJ L 155, 7.6.1989); Council Regulation (EEC) No 595/91 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organization of an information system in this field and repealing Regulation (EEC) No 283/72 (OJ L 67, 14.3.1991); Council Regulation (EEC) No 4253/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards coordination of the activities of the different Structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments (OJ L 374, 31.12.1988); Council Regulation (EEC) No 1468/81 of 19 May 1981 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs or agricultural matters (OJ L 144, 2.6.1981).
- 2 The remarks on the structural Funds take account of the reporting instructions laid down in the Code of Conduct - see point 1.2.3 of this Section.

- Some reports cover known cases of fraud and irregularity involving sums in excess of a given amount, which differs from regulation to regulation (Regulations No 1552/89, No 595/91 (Articles 3 and 5) and No 4253/88), while others cover suspected cases which may or may not have financial implications (Regulations No 1468/81 and 595/91 (Article 4)).
- Some reports are written by the Member States alone and sent only to the Commission (Regulations No 1552/89, No 595/91 (Articles 3 and 5) and No 4253/88), while others are co-written by the Commission and are sent to the Member States directly (Regulations No 1468/81 and 595/91 (Article 4)).
- The amounts recovered must be stated in some cases (Regulations No 595/91 (Articles 3 and 5) and No 4253/88), but not in others (Regulation No 1552/89). In some cases, the question does not arise, given the nature of the report (Regulations No 1468/81 and No 595/91 (Article 4)).
- The frequency and the deadline for communication is different for each report (every six months, with no fixed deadline under Regulation No 1552/89; within two months of the end of each four-month period under Regulation No 4253/88; within two months of every quarter under Regulation No 595/91 (Articles 3 and 5); and under Regulations No 1468/81 and No 595/91 (Article 4), there is no set period or deadline).

1.1. CASES OF FRAUD OR IRREGULARITY REPORTED IN ACCORDANCE WITH REGULATIONS (1)

Member State	A) Own resources Art. 6(3) Reg. (EEC, Euratom) No 1552/80 (cases involving ECU 10 000+)				B) EAGGF - Guarantee section Art. 3 and 5 Reg. (EEC) No 595/91 (cases involving ECU 4 000+)				C) Structural funds Art. 23(1) Reg. (EEC) No 4253/88 (cases involving ECU 4 000+)				Mutual Assistance Art. 14/14a Reg. (EEC) No 1459/91		M.A. Art. 4/9(EEC) 595/91
	1991 - 2nd half		1992 - 1st half		1992		1992		1992		1992		1992		1992
	Number of cases	ECU million	Number of cases	ECU million	Number of cases	ECU million	Number of cases	ECU million	Number of cases	ECU million	Number of cases	ECU million	Number of cases	of which own res.	Number of cases
BE	23	1.01	45	2.45	69	3.46	48	2.51	0.35	-	-	11	11	2	
DA	15	0.49	-	-	15	0.49	32	1.37	0	0	0.02	1	1	-	
DE	53	67.30	221	16.71	274	84.01	100	7.95	1.27	0	0.18	8	8	-	
EL	32	1.18	-	-	32	1.18	56	1.46	0.28	0	0	2	2	-	
ES	21	1.28	32	0.61	53	1.89	66	4.44	0.37	-	-	2	1	-	
FR	69	9.55	68	5.69	137	14.24	102	4.81	1.45	-	-	12	11	-	
IR	2	0.25	2	0.73	4	0.58	24	0.81	0.01	-	-	5	4	-	
IT	17	3.62	30	20.13	47	23.75	366	79.49	1.24	0	0	8	8	-	
LU	0	0	0	0	0	0	0	0	0	0	0	-	-	-	
NL	3	0.07	7	1.20	10	1.27	89	7.5	2.95	0	0	13	12	-	
PO	10	0.69	2	0.03	12	0.72	10	0.85	0.09	-	-	2	2	-	
UK	99	12.13	70	7.95	168	20.08	132	6.57	1.83	0	0	10	9	1	
TOTAL	343	56.6	477	55.5	820	152.1	1030	117.8	9.9 (2)	8	0.20	52	35	3	
												126 (3)	104	6	

(1) In the table:

a) a zero indicates that the reports recorded zero cases of fraud or irregularity

b) a dash indicates that no reports were sent

(2) Amount recovered in cases reported (ECU 117,8 million); a total of ECU 13,9 million were recovered in 1992 - see Annex 3.1 for break-down by sector and by period.

(3) Including 87 new cases and 39 supplementary reports

1.2. Summary

1.2.1 Own resources

The following conclusions can be drawn from the reports which were sent to the Commission in accordance with Article 6(3) of Regulation No 1552/89 between its entry into force and the first half of 1992, a period comprising six half years:

- the distribution of fraud cases and irregularities is uneven: the UK accounts for around 26% of the total number of cases, compared with around 5% for Italy, and Germany alone accounts for around 45% of the total amount in question, although a large part of that (ECU 67.3 million) is accounted for by one case in the second half of 1991 involving false declarations of origin for consignments of alcohol, submitted over a five-year period;
- the majority of cases concern tariff headings (25% of all cases), the value of the goods (22%) and the origin (13%); and
- despite the efforts made by the national administrations over the period concerned, the reports are still incomplete, with the result that the breakdown of cases by category of goods, country of origin and customs arrangements is still of limited value (the category of goods was not stated in 25% of the cases, the origin in 50% and the customs arrangements in around 25%).¹

1.2.2 EAGGF - Guarantee Section

A total of 1030 cases of irregularities involving ECU 117,8 million were reported in 1992, compared with 600 cases involving ECU 135 million⁽²⁾.

At first glance, it would seem that the number of cases had increased significantly while the overall amount involved had remained more or less the same and that the rate of recovery of sums wrongly paid was still very low (ECU 9,9 million out of a total of ECU 117,8 million).

However, it should be pointed out that, in 1992, Italy reported 366 cases involving a total of ECU 79,5 million. Irregularities detected by the olive oil agency accounted for a large part of this figure. The other Member States with an olive oil agency do not report such irregularities.

1 The initial findings have been sent to the Advisory Committee on Own Resources and COCOLAF.

(2) Including an amount of Ecu 67,8 million for Italy in the cereals sector reported retrospectively.

Apart from olive oil (369 cases and ECU 75,2 million), the sectors with the highest concentration of cases are milk products (153 cases and ECU 7,4 million), cereals (100 cases and ECU 7,4 million), and beef and veal (95 cases and ECU 7,6 million).

At the meetings of the committee on irregularities and EAGGF mutual assistance, statistics showing the trends in the number of cases for each sector and the amounts involved were distributed and discussed. At each meeting, the Commission voiced its suspicion that the Member States reported only some of the cases they detected and stressed its dissatisfaction with this state of affairs.

The same committee also discussed more specific issues relating to irregularities, such as:

- the number and scale of irregularities in each sector;
- detection methods (40% of the cases in the period 1988-91 were detected through post-payment administrative checks and a further 35% through routine checks);
- the time taken to report cases - if the Member States delay reporting irregularities to the Commission, then it may be up to two years before the Commission is able to warn other Member States to watch out for new types of fraud when carrying out their own checks;
- the relationship between EAGGF expenditure and irregularities in the most important sectors.

1.2.3 Structural Funds

On 13 November 1991, the Court of Justice annulled the Code of Conduct laying down implementing provisions for Article 23(1) of Regulation No 4253/88, one of which was that Member States must report all irregularities involving sums in excess of ECU 4 000 every four months.¹ Despite the Court's ruling, the Commission asked the Member States to continue sending their reports, as this was still a requirement under Article 23(1) of the Regulation.

The situation at 31 December 1992 differs from one Member State to another. Half of them have continued to report irregularities (DA, DE, EL, IT, LU, NL and UK). Of these seven, only two (DA and DE) have reported cases with financial implications.

In order to remedy this unsatisfactory state of affairs, the Commission plans to introduce binding rules to require Member States to report irregularities relating to the structural Funds.

Despite the lack of reports, 1991 has been a fruitful year in terms of fraud detection. The Commission has assisted the national legal authorities. For example:

- where the European Social Fund was concerned, the Italian authorities asked the Commission to assist by allowing its officials to give evidence and providing documents for consultation in connection with a number of arrests for irregularities in Lombardy involving inflated or entirely fictitious claims for expenditure on the leasing of computer equipment and vocational training between 1989 and 1991;
- the Commission offered assistance to the Italian authorities after a series of arrests in the second half of 1992 in connection with irregularities in the procedure for selecting projects for the 1991 tranche of the multi-fund operational programme for Abruzzi (infringement of regional law regarding the publication of the list of eligible beneficiaries);
- the Commission has plans to send delegations to these regions in 1993 to audit the operational programmes.

The figures for cases involving the Social Fund reported by Portugal under the old regulations¹ are as follows:

- for the period 1986-89, Portugal reported 339 cases of suspected irregularities under Article 7 of Decision 83/673/EEC involving a total of ECU 125 million (146 closed cases concerning initial advances and final payments amounting to ECU 49.8 million and 193 unresolved cases involving initial advances amounting to ECU 75.2 million). The Commission decided to join civil actions to 29 criminal actions of which it had been notified by the Portuguese courts.
- In 248 cases, relating to the same period, the Portuguese authorities issued requests for final payments amounting to ECU 18.1 million. This was done not because of suspected irregularities but simply to provide maximum coverage against the risk of fraud.
- A working party comprising representatives from the Commission and the Member States has been set up to consider how these cases should be handled.

1.2.4 Mutual assistance

The following major cases (in terms of the amount involved or the nature of the fraud) were reported in accordance with Regulation (EEC) No 1468/81.²

1 These cases are not included in the table on page 8.

2 The Commission, in cooperation with the Member States, has introduced a system of half-yearly progress reports on enquiries involving mutual assistance, with a view to more efficient handling of cases and, in particular, better coordination with the half-yearly reports provided for under Regulation No 1552/89.

Industrial goods

Cooperation between the British and Irish customs authorities led to the detection of a fraud involving the importation of integrated circuits into Ireland via the United Kingdom under the inward processing arrangements: a number of related companies had operated price-fixing systems to avoid having to pay duty on the full value of the goods. The value of the unpaid duties was put at around ECU 4.5 million.

Other reports concern suspected cases of irregular implementation of generalized preferences and/or evasion of anti-dumping duties on electronic products (car radios, other radios, cassette recorders, CD-players etc)

Cigarettes

Following the reports in 1990 informing the Commission of the existence of fraud rings which were importing cigarettes into Italy, enquiries by the Italian authorities, in cooperation with the Polish and Czech customs authorities, revealed further cases of fraud. A total of almost ECU 3.9 million in own resources had been evaded.

A joint enquiry by the Belgian and Portuguese authorities also uncovered irregular transactions concerning cigarettes: T1 documents had been falsified and the transport documents had been addressed to a fictitious person in Lisbon. The total amount of unpaid duties (customs and excise duties, special taxes and VAT) for the goods in the two lorries that were seized has been valued at almost ECU 2.6 million.

Textile products

The French customs authorities established that goods (pullovers, cardigans and skirts) allegedly made by Jamaican companies and accompanied by what appeared to be Jamaican EUR 1 documents, had in fact been sold by companies in Hong Kong, which had also issued the invoices for them. The unpaid duties for France alone were estimated at around ECU 1.5 million.

There were a number of other cases concerning textile imports, covered by EUR 1 documents apparently issued in Zimbabwe and Lesotho which might involve the irregular implementation of the system of ACP preferences and the circumvention of quantitative restrictions applicable to the actual country of origin (generally China) under the MFA.

Fishery products

Irregularities were detected in the implementation of the preferences provided for in the bilateral agreement between the Community and Norway, concerning, in particular, the species of cod imported into the Community. The unpaid duties amounted to some ECU 1.3 million.

1.3 Planned changes to procedures for reporting cases of fraud and irregularities

The Commission has proposed amendments to Regulations No 1552/89 and No 1468/81. The main objectives of the proposals concerning fraud are as follows:

- to improve the Member States' reporting procedures provided for in Regulation No 1552/89 in such a way as to ensure:
 - a) more detail and a greater degree of consistency in information on cases involving sums in excess of ECU 10 000 and, in particular, better targeting according to the level of risk;
 - b) greater efficiency in recovering amounts where fraud or irregularities are detected, particularly in cases with major financial implications for own resources;¹ and
- to improve the quality of information given to the Commission in accordance with Regulation No 1468/81 where this might help to prevent or put a stop to fraudulent practices and to ensure rapid and systematic exchanges of information at Community and national level via SID, the customs information system.

Furthermore, the Commission will ensure that legislation creating new financial instruments makes provision for anti-fraud measures, including reports from the Member States to the Commission, as does the proposal for a regulation establishing a cohesion fund.²

In addition, following the annulment of the Code of Conduct,³ the Commission will adopt rules for the reporting of irregularities when it amends the regulations governing the structural Funds.

1 Belgium, Portugal and the UK have already made improvements facilitating recovery.

2 Proposal for a Council Regulation (EEC) establishing a cohesion financial instrument and revised draft proposal for a Council Regulation (EEC) establishing a Cohesion Fund - COM(92) 599 final of 23 December 1992.

3 See point 1.2.3 of this Section.

2. Enquiries into fraud and irregularities

2.1. Mutual assistance - administrative cooperation visits

Joint enquiries are conducted in third countries by Commission staff and representatives from the Member States (which together form a Community delegation) and the relevant authorities in the country in question. The aim of such enquiries is to gather the evidence to prove cases of suspected fraud in relation to goods imported into the Community.¹ The Commission is very pleased with the great amount of help it has received from the authorities in the countries concerned in combating fraud and irregularities and wishes to stress that the countries concerned are free from all suspicion.

2.1.1 This Section deals with the most important administrative cooperation visits to non-EEC countries for each category of goods.

Agricultural goods

. Livestock, meat and cereals in Poland

A number of visits have been made to Poland in accordance with the protocol on mutual assistance in customs matters attached to the Interim Agreement which entered into force on 1 March 1992. The visits were made as part of the enquiries into cases of fraud involving the importation of livestock, meat and cereals into the Community. Often the goods in question had been placed under the Community transit procedure and were supposed merely to transit the Community on their way to another non-member country, often in North Africa (e.g. Ceuta or Morocco). A number of different fraud networks were involved in various types of irregularity (e.g. failure to discharge T1 transit documents, discharge of transit documents bearing forged stamps, recording of values and weights lower than the actual ones, use of forged veterinary certificates, incorrect description of goods, etc.). In every case, the purpose of the fraud was to evade customs duties, particularly Community import levies. An estimated ECU 25 million in own resources are thought to be at stake, including ECU 15 million in three different frauds involving cattle. Prosecutions have been brought in the Netherlands in these cases and two people from one of the networks have already been sentenced to four years' imprisonment and fined Hfl 3.2 million. Another two have been sentenced to 3 years' imprisonment. Legal action is also being taken in other Member States.

1 Only the relevant national authorities are legally empowered to visit the firms concerned and inspect their accounts and administrative records.

Fishery products

- . Preferential origin of shelled shrimps imported from Iceland

The purpose of this visit was to investigate a case where the preferential arrangements provided for in the bilateral Agreement with Iceland had been incorrectly applied to imports into the Community. The enquiry confirmed that a certain quantity of shelled shrimps, covered by EUR.1 documents or declarations from suppliers stating the shrimps were eligible for preferential treatment, had first been imported into Iceland from non-EEC countries and did not qualify for preferential treatment under the Agreement as shrimps originating in Iceland. The amount of own resources to be recovered is estimated at ECU 3.5 million.

- . Preferential origin of preserved tuna from Seychelles

A visit was also made to Seychelles to investigate a case of imports of preserved tuna, covered by EUR.1 documents claiming preferential treatment under the Lomé Convention. The on-the-spot enquiry revealed that a certain proportion of the tuna had been caught by boats which did not meet the EEC/ACP/COT nationality conditions laid down by the EEC-ACP Agreement. The amount of own resources at stake has been put at ECU 1 million.

Textile products

- . Transshipment of textile products in Hong Kong

It was confirmed during a visit to Hong Kong that textile products had been transshipped and that forged documents had been submitted for imports into the Community, including forged GSP certificates of origin which had apparently been issued by other countries (Malaysia and the Philippines). Following a supplementary visit to the Philippines, the authorities there confirmed that 102 GSP certificates of origin were invalid, which translates into ECU 0.28 million in evaded duties.

The purpose of the fraud was primarily to circumvent quantitative restrictions on textile products originating in certain countries under the MFA (the value of the goods involved amounted to ECU 6.6 million) and, in some cases, to gain undue preferential treatment (GSP or ACP).

. Preferential treatment of textile products from Bangladesh

This visit provided confirmation that a number of GSP certificates of origin, apparently issued in Bangladesh, had been forged and used to gain generalized preferences for textile products originating in China and to circumvent quantitative restrictions on these products. The amount of own resources evaded has been estimated at ECU 10 million.

Industrial products

. Video cassettes in Hong Kong and Macao

A visit was made to Hong Kong and Macao to investigate an application for generalized preferences for video cassettes imported into the Community. The enquiry uncovered evidence showing that Macao had issued GSP certificates of origin on the basis of false information given by the exporter concerning the value and the origin of components and that production had been transferred to Macao in order to avoid anti-dumping duties on the same products originating in Hong Kong and China.

Current estimates put the amount of evaded duties at some ECU 20 million.

. Preferential origin of televisions in India

A visit was also made to India as part of an enquiry into the importation of televisions into the Community under the GSP. The enquiry confirmed that the products did not qualify for preferential treatment (because of the origin of some of the components); the Indian authorities withdrew 145 GSP certificates of origin for imports into the Community. An estimated ECU 1.3 million in own resources are to be recovered. The enquiry is continuing (a further 35 certificates will probably be withdrawn).

2.1.2 In addition, there are ongoing cases from previous years. These are described in brief below.

. Preserved fish imported under a different heading (bonito)

A visit was made to Thailand in 1991 during which the Community applied for post-clearance verification of 5 000 GSP certificates of origin. The Thai authorities' initial response was not

satisfactory under the provisions of Regulation (EEC) No 693/88¹ relating to administrative cooperation, and the Commission was therefore forced to consider suspending generalized preferences. Subsequently, however, the authorities gave a more satisfactory response.

Preserved tuna imported from Mauritius, Fiji and the Solomon Isles.

Although the three countries concerned did not contest the facts revealed by the joint enquiries into whether or not the products in question qualified for preferential treatment under the relevant regulations, they all requested that no action should be taken to recover duties from importers who submitted irregular EUR.1 certificates. For two of the countries, the Community could reduce the quantity of goods on which customs duties are to be recovered by granting special derogations for imports of preserved tuna produced in a given period, provided it is possible to identify the consignments to which the derogations could legitimately apply and the derogations have not already been used up. Duties on imports over and above the quantities covered by the derogations or on imports to which they do not apply must of course be recovered. The own resources to be recovered total ECU 8 million for the three countries, disregarding derogations.

Agricultural products brought into the Community from the countries of central and eastern Europe under transit arrangements:²

In addition to the enquiries conducted by the relevant departments in the Member States and coordinated by the Commission, the latter decided on certain legislative and administrative accompanying measures:

- the rules governing Community transit arrangements have been amended to include the products in question in the list of sensitive products (rules on comprehensive flat-rate guarantees have been tightened and the Community may now forbid the use of the global guarantee)³;

1 Commission Regulation (EEC) No 693/88 of 4 March 1988 on the definition of the concept of originating products for purposes of the application of tariff preferences granted by the European Economic Community in respect of certain products from developing countries, OJ L 77, 22.3.88.

2 See point 2.1.1 under agricultural products.

3 Regulation (EEC) No 2560/92 of 2 September 1992 amending Regulation (EEC) No 1062/87, OJ L 257 of 3 September 1992; replaced, with effect from 1 January 1993, by Regulation (EEC) No 3712/92 of 21 December 1992 amending Regulation (EEC) No 1214/92, OJ L 378, 23.12.92.

- an early-warning system has been introduced, involving the office of departure at the Community's external border and the office given as the office of destination or the office at the point of exit from the Community in another Member State. Under this system, which uses the SCENT network, prior identification of consignments which are liable to be diverted enables the country of destination within the Community to raise the alarm without delay if the consignment fails to arrive. Enquiries aimed at locating the goods and the people responsible for diverting them can be started immediately.

2.2 Enquiries concerning the EAGGF Guarantee Section

In addition to fact-finding missions, the Commission is empowered to carry out checks and enquiries under Article 9 of Regulation (EEC) No 729/70¹ and Article 6 of Regulation (EEC) No 595/91²

- 2.2.1 A great number of enquiries were carried out in 1992. The most important are described below.

. Aids for cotton production in Greece

Higher production figures than forecast in the 1991/92 marketing year prompted the Commission to carry out a number of enquiries in cooperation with the Greek authorities. Certain facts came to light which revealed that there were isolated cases of fraud. The whole sector is now being examined and supplementary enquiries will be held in 1993.

1 Council Regulation (EEC) No 729/70 of 21 April 1970 on the financing of the common agricultural policy, OJ L 94, 28.4.1970.

2 See point 1 of this Section.

. Abandonment premium for areas under vines

Large discrepancies were found between the figures for the permanent abandonment of wine-growing areas in Taranto in accordance with Regulations (EEC) No 1442/88 and No 2729/88¹ and the figures in the vineyard register. The discrepancies usually concerned vines which had not been grubbed up or land not used for wine-growing. The case is in its final stages.

. Tobacco

Following an initiative taken by the Court of Auditors, and with its cooperation, an enquiry was held in Spain into Burley E and Burley F tobaccos (substitution of one variety for another). No irregularity was detected. A new enquiry has been launched into suspected cases of fraud for which the Commission already has evidence concerning the exportation of tobacco to non-member countries.

. Food aid for Bulgaria

In accordance with Regulation (EEC) 2321/91,² emergency food aid has been granted to Bulgaria. In response to evidence that the milk powder sent as aid to Bulgaria was being sold in another country, the Commission held an enquiry in Egypt. The enquiry revealed that at least 740 tonnes of the milk powder had been diverted to Egypt, where it was being sold. The Commission has not as yet received an official reply from the Egyptian authorities. However, according to the Agency for International Assistance (the Bulgarian organization in charge of distribution), this is an isolated case.

1 Council Regulation (EEC) No 1442/88 of 24 May 1988 on the granting, for the 1988/89 to 1995/96 wine years, of permanent abandonment premiums in respect of wine-growing areas, OJ L 132, 28.5.1988; Commission Regulation (EEC) No 2729/88 of 31 August 1988 laying down detailed rules for the application of Regulation (EEC) No 1442/88, OJ L 241, 1.9.1988.

2 Commission Regulation (EEC) No 2321/91 of 31 July 1991 laying down detailed rules for urgent action for the supply of butter and skimmed milk powder to Bulgaria and amending Regulation (EEC) No 569/88, OJ L 213, 1.8.1991.

. Special sales of beef to the former Soviet Union

Separate enquiries in the United Kingdom, Ireland and Italy revealed that 200 tonnes of a 10 000 tonne consignment of Irish beef, intended for export to the USSR after processing in Italy in accordance with Regulation (EEC) No 2911/91¹, had been diverted to the UK, without being processed. Stamps were found on certain cuts indicating that the meat had come from the appointed supplier's refrigerated warehouses. The Irish authorities confirmed that these stamps were authentic. The Italian authorities let it be known that charges had been pressed in connection with the case. It is not yet possible to put a firm figure on the amount at stake.

. Exportation of animals declared as pure-bred breeding animals to Poland

There has been a spectacular increase in exports from Germany (and to a lesser extent the Netherlands) to Poland of cattle declared as pure-bred breeding animals. On such animals a flat-rate refund is paid, which is higher than the rate for cattle for slaughter. In the light of these facts, checks were carried out in the Member States concerned. These have led the authorities to conclude that hardly any of the animals in question are pure-bred breeding animals.

In Germany and the Netherlands, the authorities have confirmed that fraud has been committed in a number of cases and these have been reported to the Commission. However, the Commission feels that these two Member States have not done enough to prevent fraud. In fact, their excessively loose interpretation of the relevant regulations is clearly one of the main reasons for this flow of exports to Poland.

As a result, the matter will have to be dealt with as part of the clearance of the EAGGF accounts. The effect of these imports on the level of agricultural spending will therefore be assessed as part of the preparatory work prior to clearance.

Furthermore, the conditions under which refunds are granted for breeding stock have been clarified by Regulation (EEC) No 2342/92.²

1 Commission Regulation (EEC) No 2911/91 of 2 October 1991 on the sale by the procedure laid down in Regulation (EEC) No 2539/84 of beef held by certain intervention agencies and intended for export after processing to the Soviet Union, amending Regulation (EEC) No 569/88 and repealing Regulation (EEC) No 673/91, OJ L 276, 3.10.1991

2 Commission Regulation (EEC) No 2342/92 of 7 August 1992 on imports of pure-bred breeding animals of the bovine species from third countries and granting of export refunds thereon and repealing Regulation (EEC) No 1544/79, OJ L 227, 11.8.1992.

- . Food aid for the former Soviet Union (ECU 250 million under Regulation (EEC) No 598/91)¹

A contract has been concluded with an agency for the management and monitoring of the programme. In Russia and Belarus, the Commission has also been checking on both certain ONGs which are distributing the aid and on the monitoring agency itself. It has emerged that an Italian tenderer supplied 4 200 tonnes of preserved beef, intended for a number of southern republics. While 3 123 tonnes have already reached the bodies responsible for distributing the food, a certain number of cans were found to be substandard and were either destroyed on the spot or sent back to Italy. The matter is still being examined with a view to establishing who bears the responsibility - the national intervention agency, the supplier or both.

- . Public storage of beef

The scope of the enquiry into public storage, launched in 1990, has been enlarged to include France, the United Kingdom and Denmark. Anomalies have been detected in France and the UK: the information is still being processed but will soon be ready. The enquiry in Denmark will continue in early 1993.

- 2.2.2 In addition to these enquiries, work is progressing on some of the major enquiries from previous years. Progress is summarized in the table below.

¹ Council Regulation (EEC) No 598/91 of 5 March 1991 on urgent action for the supply of agricultural products intended for the people of the Soviet Union, OJ L 67, 14.3.1991.

Subject and period of enquiry	Known financial impact (clearance of accounts for 1989)	Other remarks
Citrus fruit (1989)	Italy - correction: LIT 7 646.790 million	
Withdrawals of fruit and vegetables (1990)		Italy - Quality control and checks on producers' organizations. Financial implications to be assessed Germany: no irregularity detected
Storage of dried grapes (1990)	Greece - correction: DRA 97.690 million	
Production of durum wheat (1989)	Greece - correction: DRA 269.995 million	
Cereals (durum wheat, soft wheat) into intervention (1990)		Italy - quality control - financial implications to be assessed Germany - no irregularity detected
Public storage of beef (1990-91)		Ireland and Italy - financial implications to be assessed United Kingdom and France - final stage and bilateral discussions
Private storage of beef (1989)	Germany - correction: DM 5.825 million Ireland - correction: IRL 3.656 million	Verification arrangements adopted (Regulation (EEC) No 2965/89)
Ewe premiums (1989-90)	Spain - correction: PTA 1 315.813 million Greece - correction: DRA 651.170 million United Kingdom - correction UKL 5.592 million	Portugal called on to amend its verification system

<p>Withdrawal of pig-treat following epidemic of swine fever in Belgium (1990)</p>		<p>Belgium - quantity and quality control and checks on origin - financial implications to be assessed</p>
<p>Variable premium for slaughter (sheep and goatmeat) (1993)</p>		<p>United Kingdom judgment of the Court of Justice of the EC of 10 March 1992 - adoption of Commission Regulation (EEC) No 1992/92. New appeal</p>
<p>Exportation of beef to: 1) Mauritius (1990) 2) Zimbabwe-Zaire (1990) 3) Yugoslavia and Lebanon (1991) 4) Ivory Coast (1991)</p>		<p>1) Mauritius - recovery in progress 2) Zimbabwe - Zaire - recovery in progress in France and Ireland; financial implications to be assessed for Germany, the Netherlands and the UK 3) Yugoslavia and Lebanon - recovery in progress in Germany and the Netherlands 4) Ivory Coast - lean meat content of boned meat laid down in nomenclature (50% minimum); national physical checks to be reinforced</p>
<p>Placing into intervention of butter (NIZO) (1989)</p>		<p>Netherlands - financial implications to be assessed</p>

2.3 Transnational import/export fraud enquiries

International networks are responsible for certain frauds committed to the detriment of Community finances (both receipts and expenditure). Large sums of money are at stake and such cases require careful monitoring. This means close cooperation between departments within the Commission and between the Commission and the relevant authorities both in the Member States and in non-member countries.

An account of these coordinated enquiries in 1992 is given below.

2.3.1 Olive oil

Fraud cases have come to light concerning olive oil imported from non-member countries or traded between Member States. The amount of agricultural levies evaded by the presentation in Italy of false T2Ls indicating that the oil originated in Greece is currently estimated at ECU 12.4 million. A further ECU 8.7 million in Community consumption aid is thought to have been fraudulently obtained. Administrative and legal proceedings have been started in the Member States concerned with a view to recovering the amount in question and prosecuting those responsible.

2.3.2 Milk powder

A number of enquiries were launched in 1991, the findings of which are summarized below.

- . An administrative cooperation visit was made to Russia and Ukraine in June 1992, with a view to checking whether 37 000 tonnes of skimmed milk powder, exported in the first place from Germany to Austria, where it was temporarily placed in a customs warehouse, had actually been released for consumption in the former Soviet Union.

Claims that the milk had been sold in the former Soviet Union, on the basis of which export refunds were paid, were found to be false: it emerged that two years after it had been exported, the milk powder was still in a customs warehouse.

The total to be recovered amounts to ECU 44 million.

- . Visits were made to Italy and Austria in September and November 1992 to investigate the importation into Italy from Austria of a skimmed-milk-based food preparation, to be used in the production of animal feed.

The enquiry in Austria confirmed that the milk powders imported from eastern Europe for use in the feed had a protein content of 32% or more and that, since the final product contained 8.33% dry matter, its protein content could not be less than 2.5%.

It has been established that, from January 1988 to 14 August 1991, variable duties should have been paid on the feed imported into Italy, since its protein content was higher than 2.5%. A total of ECU 40 million is to be recovered.

In addition, the visits revealed the need for changes in the rules concerning aid for skimmed milk,¹ to ensure that competition is not distorted.

3. Recovery

The present situation with regard to the recovery of duties evaded or aid wrongly paid, cannot be described as satisfactory. This goes both for cases which have been reported (a requirement under certain regulations)² and those discovered during on-the-spot enquiries.³

The situation has come about as the result of procedures which are not easy to change radically and the poor quality of the reports to the Commission, which could easily be improved.

3.1 Procedures

The Member States are responsible for recovering evaded own resources and wrongly paid Community subsidies through their national legal systems. Consequently, recovery is subject to the constraints imposed by those systems.

In a fraud case, each individual element must be identified precisely, each debtor must be notified of the amount he owes, time must be allowed for appeals. All of these considerations, added to the possibility of periods of limitation expiring or debtors being insolvent, make for follow-up operations which extend over several years and which cannot really be speeded up without changing some of the fundamental principles on which the national legal systems are based.

1 Commission Regulation (EEC) No 1725/79 of 26 July 1979 on the rules for granting aid to skimmed milk processed into compound feedingstuffs and skimmed milk powder intended for feed for calves.

2 See point 1 of this Section.

3 See point 2 of this Section.

3.2 Reporting to the Commission

The information the Commission receives is often incomplete for the following reasons:

- there is no rule requiring the Member States to report on the recovery of own resources and no link between reports of fraud and irregularity (Regulation No 1552/89) and the arrangements for mutual assistance (Regulation No 1468/81);
- there has been no provision for a reporting procedure on cases relating to the structural funds since the Code of Conduct was annulled by the Court of Justice;¹ and
- there has been a lack of systematic reporting on the follow-up to the enquiries carried out in the Member States and non-member countries.

The Commission has proposed the adoption of new legislation or the amendment of existing regulations to ensure it is kept fully informed,² and Financial Control is drafting its first report on the recovery of funds in cases of fraud and irregularity. This should help to bring to light the difficulties experienced and the lessons to be learnt.

Improving data-processing structures, and processing data using existing systems³ should help to improve matters. A sector-by-sector breakdown has been provided of the total recovered in duly reported cases of fraud or irregularity relating to the EAGGF (see Annexes 3.1 and 3.2), as requested by Parliament in its decision giving discharge for 1990.⁴

SECTION II - WORK PROGRAMME: PROGRESS ON THE 1992 PRIORITIES

The bulk of the Commission's 1989 programme for combating fraud has now been largely completed, thanks to its continuation in 1992 and the substantial progress achieved. This Section takes stock of the most significant work done.

1 See point 1.2.3 of this Section.

2 See point 1.3 of this Section.

3 See point 4 of Section II

4 See reference to decision in introduction (OJ L 19, 28.1.1993).

1. Simplification of agricultural legislation, including the refunds nomenclature

The Lachaux working party, which is now reaching the end of its term, has put forward a large number of proposals for simplification. The Commission intends to renew its three-year term of office in 1993.

The action taken on the working party's initial proposals has varied from one sector to another.

The proposals put forward in December 1990 concerning measures to encourage the sale of butter to certain sectors of the food industry were incorporated to some extent into Commission Regulation (EEC) No 1157/91.¹

As regards the refund on the use of starch, the Commission plans to follow the working party's recommendation that users should no longer be obliged to state in their certificate applications which product they intend to manufacture from starch.

As regards the export refund nomenclature products obtained by the primary or secondary processing of cereals, no further distinction is now made between uses in the petfood sector, as recommended by the working party.

The Commission is also considering the abolition of criteria relating to milk or starch content so that it can bring together certain Combined Nomenclature subheadings on which the same rate of refund is payable (this could reduce the present number of codes by more than two-thirds). At this stage, however, the distinction based on the type of cereals incorporated is to be retained.

The Commission has incorporated the working party's main recommendations on milk quotas into its proposals for the reform of the CAP. In the case of the compensatory payment scheme for sheep, the Commission has proposed a new definition of the "eligible ewe", although this definition does not entirely coincide with that proposed by the working party.

Although the Commission did not follow the working party's recommendation that a new document (EEC 5) should be introduced to replace the T5 control copy, it has adopted the suggestion that the T5 should circulate only between the inspection body and the payment agency.

1 OJ No L 112, 4.5.1991.

Commission staff are also considering the working party's recommendations concerning:

- table wine and quality wine produced in specific regions, as part of a wider study on the operation of the market organization in wine;
- intervention measures in the beef sector, and in particular the setting of a single price irrespective of the quality of the carcasses offered for intervention, provided that such carcasses meet the minimum approved quality requirement;
- the premium per hectare of forage area, irrespective of the type of livestock production; this would replace the various existing premiums paid per head of livestock and per unit of farmland;
- the production subsidy arrangements for olive oil; the subsidy for "small" and "large" producers would be calculated on the same basis.

Lastly, the working party plans to submit new recommendations concerning the following:

- withdrawals of fruit and vegetables from the market;
- export refund nomenclature in the milk sector;
- procedures for the granting of export refunds;
- distribution of school milk.

2. Controls

2.1 Control methods, including the targeting of high-risk areas

If controls are to be effective, consideration must be given to risk analysis techniques.

Constructive discussions are regularly held within the various Committees¹ with a view to drawing the necessary conclusions from practical experience at national level and from the statistics provided by data-processing techniques. Work is also being done to improve the targeting of the Commission's own resources controls towards high-risk areas.

In the customs context, several seminars have been held on risk analysis² and a practical guide on targeted controls is now being prepared.

1 These include the Customs Questions Committee, the Committee for Mutual Assistance, the Advisory Committee on Own Resources, the working parties on irregularities and mutual assistance in the EAGGF context and on Regulation (EEC) No 4045/89, and the Committee for the Coordination of Action against Fraud (COCOLAF).

Some Member States have also been gratified by the progress achieved within the Council's high level ad hoc working party on fraud prevention.

2 Cf. point 7 of this Section.

In the agricultural sector, there have been significant changes.

Member States have reacted very positively to the EAGGF's moves to provide information on the various aspects of risk analysis, such as exchanges of views on past experience, the production of documents outlining the subject and the applications of risk analysis at sectoral level, particularly in the context of exports.

Risk analysis is now mandatory under the integrated administration and control system for certain Community aid schemes.¹ Article 6(4) of Regulation (EEC) No 3887/92:

- stipulates that aid applications subjected to on-the-spot checking are to be selected on the basis of a risk analysis and an element of representativeness of the aid applications submitted;
- lists the factors which the risk analysis must take into account.

The Commission departments and the competent bodies in the Member States are currently giving consideration to amendments to the relevant legislation, at the request of certain Member States who would like to see greater flexibility so that their national resources can be redeployed in the optimum manner to cope with the actual risk at local level.

2.1.1 Post-payment administrative controls (EAGGF Guarantee Section)²

When Directive 77/435/EEC was replaced by Regulation (EEC) No 4045/89 on post-payment administrative controls, one of the aims was to concentrate checks on high-risk sectors and on the undertakings receiving most aid (all undertakings receiving over ECU 200 000 per year must be checked every two years). Now that Member States submit annual national programmes incorporating these two criteria, progress has been made towards the closer targeting of fraud and the concentration of necessarily limited resources on those sectors and companies which present the highest risk of fraud.

¹ Cf point 2.2. of this Section.

² Council Regulation (EEC) No 4045/89 of 21 December 1989 on scrutiny by Member States of transactions forming part of the system of financing by the Guarantee Section of EAGGF and repealing Directive 77/435/EEC: OJ L 338, 30.12.1989.

The importance of post-payment scrutiny and its role in the detection of fraud is now self-evident. If proof were needed, it is immediately obvious from the statistics forwarded to the Commission (source: Regulations (EEC) Nos 283/72 and 595/91):

Member State	Number of cases			Amounts involved (ECU million)		
	Cases notified (A)	Cases notified (B)	(A/B)	Cases notified (A)	Cases notified (B)	(A/B)
B	36	6	17 %	3,4	0,8	24%
DA	99	21	21 %	16,4	3,1	19 %
DE	291	196	67 %	90,9	85,2	94 %
EL	35	15	43 %	0,9	0,6	67 %
ES	140	76	54 %	3,9	2,7	69 %
F	407	256	63 %	19,4	13,8	71 %
IRL	39	7	18 %	3,5	0,1	3 %
I	499	258	52 %	332,9	209,7	63 %
L	1	1	100 %	--	--	-
NL	347	143	41 %	23,7	19,2	81 %
P	70	7	10 %	1,3	0,2	15 %
UK	592	30	5 %	18,1	1,6	9 %
EEC total	2556	1016	40 %	514,4	337	66 %

(A) Total number of cases notified (all methods of detection)

(B) Total number of cases notified which were detected solely by post-payment scrutiny.

Thus, over 40% of the irregularities notified to the Commission have been detected by post-payment scrutiny. Such cases represent 66% of the amounts involved.

The Commission therefore intends to press for wider checks along these lines.

Under Article 7 of the Regulation and in cooperation with the Member States, it has taken the necessary initiatives to obtain accurate and adequate information concerning those undertakings which benefit most from aid schemes and concerning the financial circuits used. The aim is to prevent fraud arising from the growing internationalization of trade, which is often used as a technical device to conceal the true objective of certain transactions qualifying for Community aid.

At the end of 1992, following an initial evaluation of the implementation of Regulation (EEC) No 4045/89,¹ the Commission asked the Member States to complete a detailed questionnaire on this subject. Throughout 1992 it emphasized the importance of the criteria to be applied when drawing up scrutiny programmes, which must be based on a prior analysis of the risk involved, and requested Member States to provide a written account of their procedures.

2.1.2 Physical checks and audits of export transactions

Pursuant to Article 7(2) of Regulation (EEC) No 386/90² a report to the Council was drawn up.³ This report stressed the need for the Commission to monitor developments so that, after two years' experience with the final system (at the end of 1993), appropriate measures could be taken to improve the system of controls.

At this stage, however, the Commission considers that:

- the minimum percentage to be checked (5%) is not in itself incompatible with an approach based on risk analysis, provided that Member States continue to select the cases actually scrutinized and determine the qualitative intensity of such scrutiny on the basis of an appropriate risk analysis, both within and beyond the said 5%;
- no sector can automatically be considered as free of any risk of fraud.

1 Report from the Commission on the implementation during the period from 1 January 1990 to 30 June 1991 of Council Regulation (EEC) No 4045/89: SEC(92) 2361 of 16.12.1992.

2 Council Regulation (EEC) No 386/90 of 12 February 1990 on the monitoring carried out at the time of export of agricultural products receiving refunds or other amounts: OJ L 42, 16.2.1990.

3 Report on the application of Regulation (EEC) No 386/90 on the monitoring carried out at the time of export of agricultural products receiving refunds or other amounts: COM(93) 13 final of 25 January 1993.

2.1.3 Clearance of EAGGF Guarantee Section accounts

The administrative and physical checks made by Member States before the payment of aid are the first line of defence against fraud and irregularities.

Following the recommendations of a working party set up by the Commission to examine in depth the procedure for the clearance of EAGGF Guarantee Section accounts (the Belle Group), this procedure is now being reformed:

- so that greater attention can be paid to improving the systems of national controls through the numerous national payment agencies;
- so that more thorough investigations can be made into whether the national inspection bodies are carrying out proper and adequate controls prior to payment and so that the necessary improvements can be requested in good time.

Most of these reforms have already been introduced for the purposes of the 1992 clearance.

2.2 Reform of the CAP: integrated administration and control system

Council Regulation (EEC) No 3508/92 of 27 November 1992 establishing an integrated administration and control system for certain Community aid schemes¹ provides essentially for the following:

- the integrated system is to apply both to crop production and livestock production;²
- the integrated system is to be based on computer data, using an alpha-numeric system to identify parcels of farmland and to identify and record livestock; aid applications will be subject to an integrated system of controls (on-the-spot administrative checks and, if necessary, verification by remote sensing from the air or from space);

¹ OJ No L 355, 5.11.1992.

² - Support scheme for producers of certain arable crops introduced by Council Regulation (EEC) No 1765/92 of 30 June 1992: OJ L 181, 1.7.1992; amended by Commission Regulation (EEC) No 2467/92 of 25 August 1992: OJ L 246, 27.8.1992.

- Premium schemes for:

(a) beef producers (Council Regulation (EEC) No 805/68 of 27 June 1968: OJ L 148, 28.6.1968; as last amended by Council Regulation (EEC) No 2068/92 of 30 June 1992: OJ L 215, 30.7.1992);

(b) sheepmeat producers (Council Regulation (EEC) No 3013/89 of 25 September 1989: OJ L 289, 7.10.1989; as last amended by Council Regulation (EEC) No 2069/92 of 30 June 1992: OJ L 215, 30.7.1992).

- Specific measures for hill farming and farming in certain less-favoured areas (Council Regulation (EEC) No 2328/91 of 15 July 1991: OJ L 218, 6.8.1991; as last amended by Council Regulation (EEC) No 2082/92 of 30 June 1992: OJ L 215, 30.7.1992).

- for a three year period beginning in 1992 the Community will co-finance up to 50% of Member States' expenditure on data-processing and control structures;
- Member States are free to extend one or more aspects of the integrated system to those Community aid schemes which are not subject to the Regulation.

On 23 December 1992 the Commission adopted detailed rules¹ for the implementation of this Regulation.

In line with the reform of the CAP this Regulation takes the integrated approach.

By integrating all the available data relating to areas, livestock and producers, the control body is able to carry out a very thorough scrutiny. This means that many more irregularities and discrepancies are discovered at the time when the aid applications are submitted and reduces the number of items which have to be checked on the spot. Since the scrutiny operations can be computerized, the checks are more effective and the cost is more acceptable.

This approach to the management of aid applications should also shorten the time that farmers have to wait for the payment of aid. The integrated treatment of applications for different types of production aid will also simplify the paper work required of the farmer.

2.3 Control structures and specific control techniques in the agricultural sector

2.3.1 Olive oil agencies

It should be pointed out that Council Regulation (EEC) No 593/92² extended the competence of the olive oil agencies by giving them responsibility for checking all Community aid paid to the sector with the exception of export refunds. This Regulation also extended for a further five years the Community's 50% co-financing of the agencies' actual expenditure.

2.3.2 Handbook on proofs of arrival at destination (differentiated refunds)

Given the large sums involved and with a view to the prevention of fraud, the Commission instructed a private company to collect all the documents and stamps used in non-member countries as proof that goods receiving differentiated refunds had arrived at their destination and to provide a complete overview of customs import procedures in some 70 non-member

1 Commission Regulation (EEC) No 3887/92 of 23 December 1992 laying down detailed rules for applying the integrated administration and control system for certain Community aid schemes: OJ L 391, 31.12.1992.

2 Council Regulation (EEC) No 593/92 of 3 March 1992 amending Regulation (EEC) No 2262/84 laying down special measures in respect of olive oil: OJ L 64, 10.3.92.

countries of destination. Following on-the-spot work in the countries concerned, the company produced a handbook of proofs of arrival at destination (differentiated refunds), which has been distributed to the Member States and to the Commission departments concerned.

2.3.3 Community control bodies

Following their initial missions in 1991 pursuant to Council Regulation (EEC) No 2048/89 laying down general rules on controls in the wine sector,¹ the Commission's special inspectors continued with their work (mainly checks on registers, grubbing and distillation operations), which was expanded to include the provision of assistance and the investigation of specific matters.

On 5 November 1992 the Commission presented a report on these activities over the period from 1 May 1991 to 30 April 1992.² This report threw light on several fraudulent practices, revealing for example that wines originating in Italy had been watered down in France and Germany and that some Italian wines contained methylisothiocyanate.

An inspectorate has also been set up for fruit and vegetables. The inspectors' work is chiefly concerned with the standardization of fruit and vegetables and their role is "advisory" rather than "preventive". At the same time, however, checks made on withdrawals of fruit and vegetables have revealed that in many cases the products withdrawn do not meet quality standards.

The temporary status of the staff employed as inspectors (annual contracts for auxiliary staff) may jeopardize the effectiveness of their work.

2.3.4 Remote sensing

In 1992 the temporary set-aside scheme for arable land and the new arrangements in the oilseeds sector were monitored by remote sensing techniques adopted jointly by the Member States concerned in response to a Commission initiative, namely:

- selection and computerization of files by the national administrations;
- collection and treatment of satellite images (combined where necessary with aerial photographs);
- superimposition of the cadastral limits (or equivalent references) of the parcels declared;
- photo-interpretation of the images (by firms selected via a tendering procedure) and classification in each case;
- on-the-spot verification of unacceptable cases by the national administration and confirmation of the photo-interpretation.

1 OJ L 202, 14.7.1989.

2 Report from the Commission to the Council and the European Parliament on the activities of the body of specific officials of the Commission for controls in the wine sector: SEC(92) 2014 final, 5.11.1992.

The number of applications checked in this way may be broken down as follows:

Member State	Set-aside	Oilseeds
BE	45	153
DA	14	1.502
DE	804	180
EL	100	517
ES	1.050	4.204
FR	56	49
IR	39	161
IT	--	5.432
LU	--	--
NL	--	99
PO	20	182
UK	47	736
TOTAL	2.175	13.215

In 1992 the Commission financed the total cost of this operation; the data are still incomplete but clearly show that remote sensing gives better results than traditional methods of verification and that its use has a deterrent effect.

To round off the 1992 programme a two-day seminar for the Member States and the management of the specialized companies was held in Brussels in November. All the Member States except Luxembourg have since decided to continue with remote sensing techniques in 1993, within the framework of the integrated administration and control system for certain Community aid schemes.¹

At the same time, technical research is continuing: documents based on satellite images or aerial photographs may replace the land register for the declaration of plots under cultivation; use may be made of radar satellite images which are not affected by cloud cover, and so on.

¹ Cf point 2.2 of this Section.

3. Ex-ante examination of the anti-fraud aspects of legislative proposals

Since 1990 the Commission departments responsible for the management of expenditure and for financial control in the agricultural and fisheries sectors have been assessing the susceptibility of proposed legislation to fraud, with the systematic introduction of control measures and/or penalties. Any proposed legislation which may affect own resources is also scrutinized by the departments concerned to ascertain whether fraud prevention measures have been incorporated.

In 1992 an anti-fraud heading¹ was included in the financial statement which must accompany any draft legislation that may have budgetary consequences. Internal guidelines drawn up to facilitate the preparation of this heading (Annex III to the budgetary circular concerning the statement of estimates and the preliminary draft budget for 1993) stipulate that the department concerned must specify what control measures are to be applied internally and, if necessary, vis-à-vis third parties.

Thanks to these guidelines, some progress has been made as regards the information to be given in the financial statements.

Consideration is now being given to optimizing these checks on proposed legislation, with a view to striking the correct balance between the ends pursued and the means employed. The Commission's Financial Controller should be able to assess whether the procedures described in the anti-fraud heading make provision for the proper monitoring and assessment of the measure in terms of its financial acceptability and whether these procedures will enable them to carry out the appropriate checks.

4. Data-processing structures

Quite apart from recent developments in the data-processing networks handling indirect taxation (VAT Information Exchange System - VIES), attention should be drawn to changes in the data bases used in the fraud prevention context:

. IRENE

The IRENE data base (IRregularities, ENquiries, Exploitation) has been operational since 1 December 1992. This base now covers agriculture, own resources, mutual assistance and the Structural Funds. In most cases the management of the data from the Member States is computerized. The data are easily transferable to PCs for graphical or statistical processing.

¹ Heading 8 of the "Financial Consequences" section of the financial statement provided for in Article 3 of Council Regulation (Euratom/ECSC/EEC) No 610/90 of 13 March 1990 amending the Financial Regulation applicable to the general budget of the European Communities: OJ L 70, 16.3.1990. This Article stipulates that "any proposal or communication submitted by the Commission to the Council which may have budgetary consequences ... must include a financial statement."

. DAF

The development of the DAF (Documentation antifraude) data base has entered a phase where the cooperation of the Member States will be required to supplement the information collected so far. All Member States have responded positively and a number of visits are now being made.

. SCENT

The Commission and the Member States have continued their joint operation of SCENT (transmission of messages relating to irregularities detected or suspected, questioning of data bases and statistical research). Users have been able to consult a help desk at the Commission.

. SID

The SID (Système d'information douanière) is a computerized network which will eventually cover all areas of customs cooperation involving Community rules (in progress) or non-Community rules (drugs, etc. - already operational). By the end of 1992 there were 70 terminals in the Member States connected to SID. In its initial phase the SID network is being used for the electronic transmission of data via standardized screens. The system is being established and brought into operation in close collaboration with the national authorities; the Commission's SID help desk is available to users should they have any questions or problems.

The Commission has organized training courses for users working for national bodies (ten Member States in 1992).

5. Administrative cooperation on indirect taxation

On 27 January 1992 the Council adopted Regulation (EEC) No 218/92 on administrative cooperation in the field of indirect taxation (VAT).¹

This Regulation lays down the ways in which national administrative authorities responsible for the application of laws on value-added tax are to cooperate with each other and with the Commission.

Information concerning intra-Community transactions is to be exchanged through the VIES (VAT Information Exchange System), the purpose of which is to monitor declared sales and purchases between Member States, account being taken of the changes arising from the abolition of internal Community frontiers on 1 January 1993.

1 OJ L 24, 1.2.1992.

Two Articles of the Regulation explicitly mention fraud prevention:

- Article 4 § 3 whereby, solely for the purpose of preventing tax fraud, the competent authorities in each Member State may obtain directly and without delay the following information, whenever this is deemed necessary for the checks on the intra-Community acquisition of goods:
 - (a) the VAT registration numbers of the persons who supplied the goods;
 - (b) the total value of the goods supplied by each such person.
- Article 11, whereby the Commission is to pool Member States' experience, in particular that regarding new means of tax avoidance or tax evasion, with the aim of improving the arrangements for administrative cooperation.

On 25 February the Council adopted Directive 92/12/EEC on the general arrangements for products subject to excise duty,¹ which replaces the control system by declarations and strengthens the legal basis for the prevention of fraud in this area.

To supplement VIES, which covers only transactions declared to the tax authorities, a computerized network (SCENT FISCAL) is being set up to detect those operations which have not been declared at all and are therefore particularly susceptible to fraud, including the evasion of excise duty.

6. Cooperation with non-member countries

The Community intends to develop, in cooperation with its trading partners, a legal framework for mutual assistance in customs matters, with a view to facilitating the detection and prevention of fraud within the Community.

In 1992 the main developments in the countries of Eastern and Central Europe (including the Baltic countries) were the following:

- the entry into force on 1 March 1992 of the interim agreements concluded with Poland, Hungary and the Czech and Slovak Republic, each including a protocol on mutual assistance (Protocol No 6);
- the signing on 11 May 1992 of the EEC-Albania Agreement on commercial and economic cooperation, which contains provision for administrative cooperation on the detection and prevention of customs fraud (entry into force: 1 January 1993);

¹ Council Directive 92/12/EEC of 25 February 1992 on the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products: OJ L 76, 23.3.1992.

- the signing with the Baltic States, on 11 May 1992, of agreements similar to that concluded with Albania;
- the negotiation of Interim Agreements with Romania and Bulgaria, each including a protocol on mutual assistance.

An interim agreement on trade and cooperation (including a protocol on mutual assistance) came into force with the Republic of San Marino on 1 December 1992.

The Agreement on the European Economic Area (EEA), which is to be reviewed to take account of the negative outcome of the Swiss referendum, also includes a protocol on mutual assistance.

In 1992 some framework agreements on customs cooperation with non-European countries came into force (Paraguay, Uruguay) or were initialled or signed (Andean Pact, Brazil, Macao and India).

7. Seminars and exchanges of national officials

- Further seminars on the Community's fraud prevention policy were held in Warnemünde (June 1992: 250 participants) and in Killarney (October 1992: 200 participants) to acquaint German and Irish officials with various aspects of the said policy.
- Alongside these highly specialized seminars, others were held on the financing, management and supervision of the structural Funds in Newcastle (March 1992), Dresden (September 1992) and Copenhagen (June 1992). The latter seminar dealt with the Community funds in greater detail, with special reference to the EAGGF Guarantee Section. In November 1992 a seminar on remote sensing was held in Brussels.
- Alongside these Commission initiatives, the associations of European lawyers, which now cover all Member States (associations having recently been established in Greece and Luxembourg), have been holding training courses (one-day courses for magistrates) and seminars for lawyers on the legal protection of the Community's financial interests. In 1992 sixteen such seminars and meetings were held, covering both practical and theoretical matters.
- Matthaeus programme

Pursuant to Article 10 of the Council Decision of 20 June 1991 on the adoption of the Matthaeus programme,¹ the Commission presented its report on the first year of the programme's implementation.²

In 1992 the main developments were:

1 OJ L 187, 13.7.1991; see also the Commission Decision of 13 December 1991 on a Community action programme for the initial training of customs officials.

2 Commission Report on the Matthaeus programme in 1991: SEC(92)735 final, 15.4.1992.

- a slight increase in the number of exchanges (420 officials instead of 403), with special emphasis on the exchange of instructors;
- the holding of 18 seminars on general or specific questions related to fraud prevention, including risk analysis for the targeting of customs controls, methods of checking the preferential origin of fishery products, audit systems and investigation methods in cases of fraud relating to anti-dumping duties;
- the new training programmes for experienced officials.

• The Interfisc programme:

A Community action programme on the training of officials dealing with indirect taxation should shortly be adopted by the Council, one of the aims being to ensure that the abolition of internal frontiers does not give rise to fraud or tax evasion.

This programme would follow on from the pilot scheme started in 1991 and 1992 (seminars and exchanges of national officials), with the addition of joint training programmes and the organization of language courses.

- A programme for the exchange of officials also exists in the agricultural sector (EAGGF Guarantee Section) and enables the staff of the payment agency in one Member State to take an active part in the work of a payment agency in another Member State. By the end of 1992 a total of 37 staff had been exchanged in this way.

8. Legal protection of the Community's financial interests

Member States are required to deal with infringements of Community law in the same way as infringements of national law. Further checks have been made on Member States' compliance with the principles laid down in the Court of Justice's ruling in Case 68/88, and in particular the principle of analogous treatment as set forth in the Treaty on European Union.¹

¹ Article 209a of Title II, Article 78i of Title III and Article 183a of Title IV.

Targeted checks on how the national courts deal with frauds to the detriment of the Community's financial interests have now been carried out in all Member States except Luxembourg and the conclusions that have emerged have gradually been incorporated into the anti-fraud documentation (DAF database).¹

The legal protection of the Community's financial interests has also been the subject of several studies.

- (a) A working party has been set up to consider what practical consequences should be drawn from the study on penalties for infringements of customs law.
- (b) The study on national systems of administrative and criminal penalties was completed in late 1992.

Its findings included the following:

- administrative penalties may be defined in terms of the administrative nature of the authority imposing the penalty, the infringement of a rule of law, the deterrent purpose of the penalty and its impact on the person or property concerned;
- the principle of legality is the principle most widely recognized among the Member States;
- the concept of fraus legis could usefully be introduced in those Member States where it is not recognized;
- the principle of proportionality as recognized by the Court of Justice should ensure that the combination of a national penalty with a Community penalty does not result in an excessively heavy sanction.

With regard to administrative penalties, attention should be drawn to the Court of Justice's ruling in Case 240/90² which recognized for the purposes of the CAP:³

- the Community's competence to provide in its legislation for administrative penalties such as the temporary exclusion of a farmer from an aid scheme;
- the Commission's competence to provide for administrative penalties (such as the abovementioned temporary exclusion or a surcharge calculated on the amount of aid overpaid) provided that such executive powers had been delegated by the Council. In this context the Court recalled its ruling in Köster⁴ to the effect that the imposition of penalties came within the Commission's powers if the Council had not reserved such powers to itself.

1 Cf. point 4 of this Section.

2 Judgment of 27 October 1992 in Case 240/90 Germany v Commission.

3 The action brought by Germany related to Commission Regulation (EEC) No 3007/84 of 26 October 1984 laying down detailed rules for the application of the premium for producers of sheepmeat (OJ L 283 of 1984) and Council Regulation (EEC) No 3013/89 of 25 September 1989 on the common organization of the market in sheepmeat and goatmeat (OJ L 289 of 1989).

4 Judgment of 17 December 1970 in Case 25/70.

In the light of this judgment and the recommendations of those conducting the abovementioned study, the Commission is now reconsidering its proposal for a Council regulation on the checks and penalties applicable under the common agricultural and fisheries policy.¹

- (c) A comparative study is now being conducted, as requested by the Ministers of Justice on 13 November 1991,² into Member States' legal and administrative provisions concerning fraud committed to the detriment of the Community budget. A working party consisting of academics and other experts in this field was set up and given the task of answering a list of questions drawn up by the Commission. Draft reports on each Member State were submitted in December; once they are finalized during the second phase of the study, comprehensive reports will be drawn up on those areas where fraud is committed against the Community budget. These reports will contain recommendations and the Commission will present the results of the study in mid-1993.

SECTION III - FINANCING OF THE FRAUD PREVENTION POLICY

1. Execution of the 1992 budget

In 1992 the fraud prevention appropriations amounted to ECU 76 556 000, which was a similar allocation to that in previous years. The bulk of these appropriations was allocated directly to the Member States, either to finance the improvement of national control structures in the agricultural sector (particularly under Regulations (EEC) Nos 4045/89, 307/92, 2392/86 and 593/92) or to subsidize certain forms of training (exchanges of national officials, information seminars).

As at 31 December the percentage of appropriations committed was 94.18%.

Details of how the 1992 appropriations were used are given in Annex 4.1. The following headings call for specific comments:

- Item 3531 (Controls, studies, analyses in connection with the fight against fraud): the national bodies have not used all the sums to which they were entitled for expenditure under Regulation (EEC) No 4045/89 on scrutiny by Member States of transactions forming part of the system of financing by the EAGGF Guarantee Section.³

1 As last amended by COM(91)378 final: OJ C 294, 13.11.1991.

2 OJ C 328, 17.12.1991.

3 Cf. point 2.1.1 of Section II of this Title.

Since the said Regulation came into force, the Commission has consistently urged Member States to make full and correct use of the funds placed at their disposal to increase staff numbers, raise training levels and expand their technical facilities and has shown flexibility in accepting that data-processing allocations which should have been used entirely during the first year of the Regulation may be spread over several years. In practice, however, the rate of utilization of such appropriations is still low and is rising only very gradually. For example, only 42% of appropriations for the remuneration of additional staff (Article 13) was used in 1990, rising to 59.23% in 1991. These average figures conceal wide national differences, ranging from very low utilization (EL, UK) to full utilization (DA, ES, FR, IT). Although Member States have consistently complained about training (Article 14), the rate of utilization of the appropriations for this purpose tells a different story (only 23% used in 1990 and only 20% in 1991).

The Commission will continue to monitor closely these rates of utilization and the ways in which Member States use the appropriations made available to them under this Regulation.

- Article A-355 (European documentation, coordination and study network to control cross-border crime and fraud): given the lack of interest shown by the Member States, there has been very little Community cofinancing, with the result that ECU 372 000 were transferred to Item A-3530 (mainly for the comparative study requested by the Council on 13 November 1991).
- Item A-4531 (Controls, studies, analyses in connection with the fight against fraud): ECU 623 000 were transferred to this heading by the budget authority to boost the capacity for intervention of the Secretariat-General's fraud prevention unit (UCLAF). Following this transfer and other Commission decisions, ten national experts are to be recruited on secondment over the first few months of 1993.
- Article B1-360 (Measures to combat fraud affecting the EAGGF Guarantee Section): where Regulation (EEC) No 307/91¹ is concerned, the overall rate of utilization of the Community contribution is expected to improve in 1992, having been only 36% in 1991. Total estimated expenditure by the Member States amounts to some ECU 11 million, which would correspond to 54% of the total appropriations placed at their disposal, i.e. ECU 20 million (Article 1: ECU 10 million for exports of agricultural products and non-Annex II products; Article 2: ECU 10 million for other measures).

¹ Council Regulation (EEC) No 307/91 of 4 February 1991 on reinforcing the monitoring of certain expenditure chargeable to the EAGGF Guarantee Section. OJ L 37, 9.2.1991.

These provisional figures indicate that the rates of utilization in the various Member States no longer differ so widely. Some countries such as Greece, Ireland, Italy and Portugal, where the rate was very low in 1991, are planning substantial increases which will bring their rate of utilization closer to that of the other Member States, whilst there has been little change in the position of the countries where high percentages were recorded in 1991. Moreover, whereas expenditure under Article 1 accounted for the majority of Community financing in 1991, the tendency in 1992 would seem to be for Member States to make wider use of the appropriations available for Article 2.

As regards Regulation (EEC) No 595/91,¹ complete statistics are not yet available on the arrangement whereby Member States may retain 20% of the sums recovered following the notification of irregularities but the initial figures will be known once Member States' expenditure for 1992 has been calculated.

- Item B2-5110 (Measures to control and combat fraud): the appropriations available to Member States under Regulation (EEC) No 2392/86 establishing a Community vineyard register have been seriously underutilized.²

2. Presentation of the 1993 budget

Details of the fraud prevention appropriations entered in the 1993 budget are shown in Annex 4.2. Although the sums allocated appear to be much the same as in 1992 (ECU 76.5 million in 1992; ECU 73.2 million in 1993), the actual situation is quite different:

- (1) The budget authority's decision to abolish the mini-budget headings means that the ECU 7.5 million entered in the 1992 budget for such purposes no longer figures in the new presentation of the fraud prevention appropriations.
- (2) Article B1-360 is allocated ECU 22 million but is to be supplemented in the course of the financial year by a reserve of ECU 60 million entered in Chapter B0-40 (for the integrated administration and control system set up by Regulation (EEC) No 3508/92).

1 Cf. point 1 of Section I of this Title.

2 Council Regulation (EEC) No 2392/86 of 24 July 1986 establishing a Community vineyard register: OJ L 208, 31.7.1986.

TITLE II - ACTION PROGRAMME FOR 1993

1. In 1993 the single market will be fully established and the Community's internal frontiers will disappear. Trade between the Community and its immediate neighbours will be increasingly liberalized with the implementation of the Agreement on the European Economic Area and association agreements with the countries of Central and Eastern Europe.

When the Treaty on European Union enters into force, it will open the way for major measures to improve economic and structural cohesion between the Member States.

However, these historic developments and the new possibilities they open up also carry the risk that some of the considerable financial resources devoted to implementing these policies might be misappropriated and fall into unscrupulous hands. To counter this new threat, it is essential that all those responsible for combating fraud maintain and indeed step up their vigilance.

First in line are the Member States. Their primary task is to monitor Community revenue and expenditure, to report on fraud and irregularities, to take action against fraudsters and to recover amounts evaded. Responsibility for fulfilling these obligations lies with their financial departments, the courts or, in some cases, the legislature.

And then there are the Community institutions. In its capacity as guardian of the Treaty and executor of the budget, the Commission plays a vital role in coordinating and monitoring action taken by the Member States, in particular to combat widespread cross-border fraud, while keeping a check on its own operations and prompting and supporting the activities of the Member States. The role of the Court of Auditors in this field is self-evident. But Parliament and the Council must also continue to play a full part in this important process as legislator and budget authority and, in Parliament's case, as the body exercising democratic control.

2. The 45-point multiannual programme drawn up in 1989, which has served as a guideline for action over the last three years, has been largely implemented and can now be closed with a positive record of achievement. To meet a fresh set of challenges and in response to a request from the Council of 28 September 1992, the Commission is now presenting a new action programme for 1993, which will take the form of a rolling programme.

However, this new programme retains the three main objectives of prevention, cooperation and counteraction, which form the basis for a series of practical measures. Some of these measures, in areas where constant vigilance is required, were already included in the previous work programme, while others are linked to recent developments and are included for the first time. In all, the 1993 programme contains 33 specific but interdependent measures.

3. None of these measures should be overlooked if significant progress is to be made in combating fraud. Nevertheless, special priority must be given to certain areas, as indeed the Council has requested.

3.1 On the prevention front, there are three types of measures which should be highlighted:

The mandate of the Lachaux working party on the simplification of legislation will be renewed. Its task is to review agricultural legislation with a view to reducing the risk of fraud and improving the efficiency of control measures. Work will also continue on simplifying the export refund nomenclature.

Ex ante controls will be extended to fields other than agriculture and fisheries, where satisfactory results have already been achieved. In the agricultural sector the Commission will monitor closely the introduction of the integrated administration and control system for certain Community aid schemes in the context of the reform of the CAP.

The Commission will make an effective contribution to the development and dissemination of risk-analysis techniques applied by the Member States to assist them in their control duties. The Commission's own departments will also make more use of these techniques when drawing up their programme of audits and investigations.

3.2 In the field of cooperation, strong emphasis will be placed on the stepping-up of mutual assistance through the introduction of a customs information service (SID).

Cooperation between the Commission and the Community's trading partners should improve as a result of the application and conclusion of mutual assistance agreements.

In the planning of seminars the Commission will pay particular attention to training for those in charge of the management and administration of the CAP.

3.3 As regards counteraction, the Commission will assess the results of the comparative study of the laws, regulations and administrative provisions of the Member States on action against fraudulent practices affecting the Community budget and draw the necessary conclusions as regards legislation. It is presently considering what legislative action to take in response to the study on administrative penalties.

The Commission will take steps to highlight any shortcomings in the recovery of entitlements which have been evaded or aid paid in error and will put forward appropriate solutions to improve the recovery of amounts lost to fraud.

4. In 1993 important decisions will have to be taken on the structural Funds. The Commission will lay before the Council a proposal for a Regulation amending the structural Funds Regulation from 1 January 1994. It will also set in motion plans for a special financial instrument to act as a forerunner of the Cohesion Fund until the provisions of the Maastricht Treaty are implemented.

The Commission will see to it that its proposals in this field contain adequate legal bases to allow it to take the necessary anti-fraud measures, in particular as regards the systematic notification of information (establishment of irregularities and subsequent administrative and legal action). In so doing it will lay a sound basis for more intensive action against fraud in this field, which accounts for an ever-greater share of the budget.

5. Besides the abovementioned measures, the Commission will continue its efforts to strengthen cooperation between the Member States - a vital factor in the fight against fraud. At the same time it will not neglect the role conferred on it by the Treaty and by its financial responsibilities, which it exercises under Parliament's supervision, to complement national anti-fraud measures by coordinated enquiries, in particular when controls have to be extended across frontiers and national authorities have limited scope for intervention.

ANTI-FRAUD POLICY
ACTION PROGRAMME
- 1993 -

Objective	Measures
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I. Prevention

1. Simplification of legislation	<p>1.1 <u>Expert working party reviewing agricultural legislation</u> Proposals to be drafted by 31 March 1993 on:</p> <ul style="list-style-type: none">- withdrawals in the fruit and vegetables sector- export refund nomenclature for milk products- distribution of milk to schools- procedure for granting export refunds <p>Decision on renewing the group's mandate from 31 March 1993</p> <p>1.2 <u>Rationalization of differentiated refund arrangements</u></p> <ul style="list-style-type: none">- Review of several sectors, in particular milk products <p>1.3 <u>Customs Code</u></p> <ul style="list-style-type: none">- Ensure that implementing measures are adopted in 1993 (July)
2. Tightening of controls	<p>2.1 <u>Harmonization of the rules on CAP controls</u></p> <ul style="list-style-type: none">- Proposal for a Council Regulation on checks and penalties to be reviewed in the light of the judgment of the Court of Justice of 27.10.1992 in Case 240/90- Conclusions to be drawn from the study on administrative penalties <p>2.2 <u>Physical checks - minimum threshold</u></p> <ul style="list-style-type: none">- Commission report to be discussed by the Council; conclusions to be drawn

Objective	Measures
	<p><u>2.3 Tightening of controls on destination for the payment of differentiated export refunds</u></p> <ul style="list-style-type: none">- Arrangements for Community recognition of surveillance firms to be drawn up by 31 December 1994 <p><u>2.4 Tightening of ex post controls on operations financed by the EAGGF Guarantee Section</u></p> <ul style="list-style-type: none">- Commission report on Reg. No 4045/89 to be discussed by the Council- Detailed review of rules for implementing Reg. No 4045/89<ul style="list-style-type: none">. problems arising from the growing internationalization of transactions. access to accounting data. risk analysis <p><u>2.5 Specialized team in the wine sector</u></p> <ul style="list-style-type: none">- Discussion of Commission report, conclusions to be drawn <p><u>2.6 Establishment of an integrated administration and control system for certain Community aid schemes in the reform of the CAP</u></p> <ul style="list-style-type: none">- System to be set up by the Member States- Monitoring by the Commission- Full application by the Member States by the beginning of 1996 <p><u>2.7 Application of risk-analysis techniques</u></p> <ul style="list-style-type: none">- Manual to be drawn up for national customs officials

Objective	Measures
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<p>3. Improving the controllability of legislation</p>	<ul style="list-style-type: none">- Further discussions in the Committee on Irregularities (EAGGF Guarantee Section) and the working party on Regulation No 4045/89- Preparation of an "audit package" for <u>ex post</u> controls <p>Application of risk analysis to be extended to other sectors</p> <p><u>2.8 Establishment of inspection agencies in the tobacco sector</u></p> <ul style="list-style-type: none">- Application of Council Regulation (EEC) No 2075/92 and Commission Regulation (EEC) No 85/93 providing for the establishment of control agencies in the tobacco sector. Agencies to be established by each Member State which produces tobacco. <p>Monitoring by the Commission</p> <p><u>3.1 Introduction of a system to assess the susceptibility to fraud of proposed legislation</u></p> <ul style="list-style-type: none">- Extension of <u>ex ante</u> controls to sectors other than agriculture and fisheries- Better use of the financial statement accompanying draft legislation
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Objective	Measures
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II. Cooperation

<p>4. Improving channels of communication</p>	<p><u>4.1 Detailed rules for implementing Article 23(1) of Reg. No 4253/88 - Notification - structural Funds</u></p> <ul style="list-style-type: none">- Transmission to the Council of a proposal for a Regulation creating a legal base to enable the Commission to adopt implementing rules: first half of 1993- Drafting of implementing rules: second half of 1993 <p><u>4.2 Clarification of the provisions of Reg. No 1552/89</u></p> <ul style="list-style-type: none">- Adoption of a Regulation amending Regulation No 1552/89, in particular Article 6 on notification to the Commission- Drawing-up of a standard form for notifications <p><u>4.3 Development of IRENE database</u></p> <ul style="list-style-type: none">- Assessment of statistical quality and development of risk analysis <p><u>4.4 Development of DAF database</u></p> <ul style="list-style-type: none">- Final collection, analysis and preparation of data in the form of reports for all the Member States for entry in the first version of the DAF base- Creation of computerized DAF system <p><u>4.5 SCENT</u></p> <ul style="list-style-type: none">- Improvement of system (installation of SCENT 2.0)- Further training for users- Connection of SCENT terminals to telecopier systems
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Objective	Measures
<p>5. Closer cooperation with national departments and between these departments</p>	<p>4.6 <u>Computerized systems in the tax field</u></p> <p>4.6.1. VIES (information for control purposes)</p> <ul style="list-style-type: none"> - System to be made operational - Training for users <p>4.6.2. SCENT - tax section (information on fraud)</p> <ul style="list-style-type: none"> - Introduction in the form of a pilot scheme in the second half of 1993 - Training for users <p>4.7 <u>SID (Customs information system)</u></p> <ul style="list-style-type: none"> - Installation of more terminals in the Member States - Further training for users and instructors in the Member States - Introduction of Phase 2: creation of a legal base to allow exchanged information to be entered in a database (see point 5.1) <p>4.8 <u>Computerization of transit procedures</u></p> <ul style="list-style-type: none"> - Assessment of pilot scheme on computerization and clearance of Community/common transit operations - Extension of pilot scheme to 18 EEC and EFTA countries <p>5.1 <u>Development of mutual assistance and administrative cooperation</u></p> <ul style="list-style-type: none"> - Adoption by the Council of a Regulation updating the mechanisms of Reg. No 1468/81 to improve the methods of assistance and cooperation at Community level

Objective	Measures
6. Training and exchanges of officials	<p>6.1. <u>Organization of seminars</u></p> <ul style="list-style-type: none">- General seminars:<ul style="list-style-type: none">- Italy: first half of 1993- Denmark: second half of 1993- Portugal: first half of 1993- Special seminars:<ul style="list-style-type: none">- Fraud investigation methods in the textile sector (Sep. 1993)- Fraud in customs/VAT/excise duties (Dec. 1993)- Structural Funds and the CAP- Legal protection of the Community's financial interests Seminars in Rome (April 1993) and Brussels (Nov. 1993) and a series of training courses in the Member States- Own resources aspects of VAT recovery and inspection procedures (2 seminars)- Own resources aspects of procedures for the recovery, entry in the accounts and inspection of traditional own resources <p>6.2. <u>Training and exchanges for officials working in the agricultural area</u></p> <ul style="list-style-type: none">- Special information courses for officials working on the CAP- Exchange programme for staff of disbursing agencies in the Member States to be continued and stepped up <p>6.3 <u>Training and exchanges for customs and tax officials</u></p> <ul style="list-style-type: none">- Continued training under the MATTHAEUS and "Interfisc" programmes

Objective	Measures
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<p>7. Closer cooperation between the Community and non-member countries</p>	<p>7.1 <u>Agreements with non-member countries on mutual assistance in customs administration</u></p> <ul style="list-style-type: none">- Implementation of mutual assistance provisions of the EEA Agreement (once it has entered into force)- Implementation of mutual assistance provisions of agreements with the Baltic States - Conclusion and implementation of mutual assistance provisions of agreements with Romania and Bulgaria- Negotiation, on the basis of directives adopted by the Council, of agreements with Slovenia and some of the Community's trading partners (Canada, USA, Japan, South Korea, Hong Kong) <p>7.2 <u>Technical assistance measures for non-member countries in the customs field</u></p> <ul style="list-style-type: none">- Further measures to help the countries of Central and Eastern Europe and the former Soviet Union to introduce modern customs legislation similar to Community legislation or to apply appropriate techniques of combating illicit forms of trade - Further training measures designed to disseminate knowledge of customs techniques (China, Thailand and the ACP countries) <p>7.3 <u>Training courses on specific Community schemes affecting non-member countries</u> (intended for administrations, commercial organizations, businesses)</p> <ul style="list-style-type: none">- Continuous programme of GSP seminars (CIS, Vietnam, etc.)- Seminars in the ACP countries on the rules of origin and administrative cooperation under the Lomé Convention
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Objective	Measures
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III. Counteraction

<p>8. Additional protection for the Community's financial interests</p>	<p>8.1 <u>Comparative study of the laws, regulations and administrative provisions of the Member States on fraudulent practices affecting the Community budget</u></p> <ul style="list-style-type: none">- Transmission of summary reports - 30 March 1993- Submission of final report - June 1993- Conclusions - second half of 1993 <p>8.2 <u>Study on penalties for infringements of Community customs law</u></p> <ul style="list-style-type: none">- Follow-up with the Member States in the Customs Questions Committee <p>8.3 <u>Study on the Member States' systems for administrative and criminal penalties</u></p> <ul style="list-style-type: none">- Conclusions to be drawn <p>8.4 <u>Weight given to evidence from Commission staff</u></p> <ul style="list-style-type: none">- Study of the use made in national courts of reports and evidence drawn up or assembled by Commission staff during inspections and investigations <p>8.5 <u>Conditions of access to schemes affecting the Community budget</u></p> <ul style="list-style-type: none">- Subordination of the right to receive subsidies or the right of access to import arrangements (in particular preferential arrangements) to conditions relating to the eligibility of recipients <p>8.6 <u>Financial monitoring of fraud cases</u></p> <ul style="list-style-type: none">- More intensive use of information from the Member States- Measures to improve the financial monitoring of fraud cases
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CONCLUSION

Anti-fraud policy is by its very nature a long-term policy which requires a constant effort.

The Community is faced with international challenges which require different responses throughout the world and bring with them the danger of fraud. Meanwhile, the advent of the single market increases the need for the Member States - assisted by the Commission - to act together to combat fraud and irregularities in trade both within the Community and with non-member countries. In these circumstances, the Community must be more vigilant and more active than ever, working in partnership with the Member States.

In 1992 further progress was made in combating fraud, both in on-the-spot inspections (investigations into cross-border import/export frauds) and in the implementation of the work programme laid down in 1989.

The bulk of the programme has now been carried out and the Commission is presenting a new action programme for 1993 with particular emphasis on:

- improving and simplifying legislation in the various areas of the Community's financial operations;
- the organization of seminars and exchange programmes for national officials, in particular in the customs and agricultural sectors;
- the development of administrative co-operation with Member States, in particular by means of data processing networks;
- combating fraud affecting VAT and excise duties;
- the dissemination of techniques and methods of risk analysis;
- the financial monitoring of fraud cases;
- the implementation of the integrated administration and control system following the reform of the CAP;
- assessing the implications of the various studies on the legal protection of the Community's financial interests.

The Commission will also continue to give top priority to on-the-spot inspections and investigations in cooperation with national authorities.

Such are the achievements and plans that the Commission now presents to its institutional partners.

THE MISSIONS OF UCLAF

The Commission stresses the importance which it attaches to the continuation of the fight against fraud in co-operation with Parliament, the Council and the Member States, using the most effective means available and heightening awareness amongst the services concerned.

1. The missions

In order to enhance the role it plays in coordinating, guiding and stimulating action to combat fraud, in particular in the high-risk sectors, UCLAF

1.1 prepares, adopts and monitors, in conjunction with the Directorates-General concerned, the programming of all operations extending beyond the responsibility of a single Directorate-General and concerned with preventing and combating fraud;

1.2 initiates, in concerted manner, the investigations and inquiries it judges necessary in the fight against fraud, in conjunction with the Directorates-General concerned;

NB The tasks and responsibilities of UCLAF do not affect or interfere with the specific responsibilities, independence and autonomy of opinion of the Financial Controller in his functions as set out in the Financial Regulation and the Commission Regulation of 11 December 1986 (86/610/EEC, Euratom, ECSC - OJ L 360, 19.12.1986).

- 1.3 organises and co-ordinates targeted inquiries and investigations which go beyond the competence of a single Directorate General, in accordance with the guidelines recommended by the European Parliament (1), given that such operations cover both own resources and expenditure in trade in agricultural products;
- 1.4 takes charge, together with the departments concerned, of cases of fraud and irregularities involving different types of financial instruments covering the activities of more than one Directorate-General;
- 1.5 takes part in the controls and inquiries organized in their particular areas of activity by the anti-fraud teams of Directorates-General authorizing or managing expenditure.

To ensure that the missions mentioned at 1.2, 1.3 and 1.4 are carried out, UCLAF will where necessary set up ad hoc interdepartmental teams.

In performing its missions, UCLAF makes systematic use of risk-analysis methods and techniques. To achieve this, UCLAF uses all the legal bases available to Commission departments authorizing or managing expenditure, acting in concert with the latter. The legal base(s) is (are) chosen in each individual case to suit the specific situation.

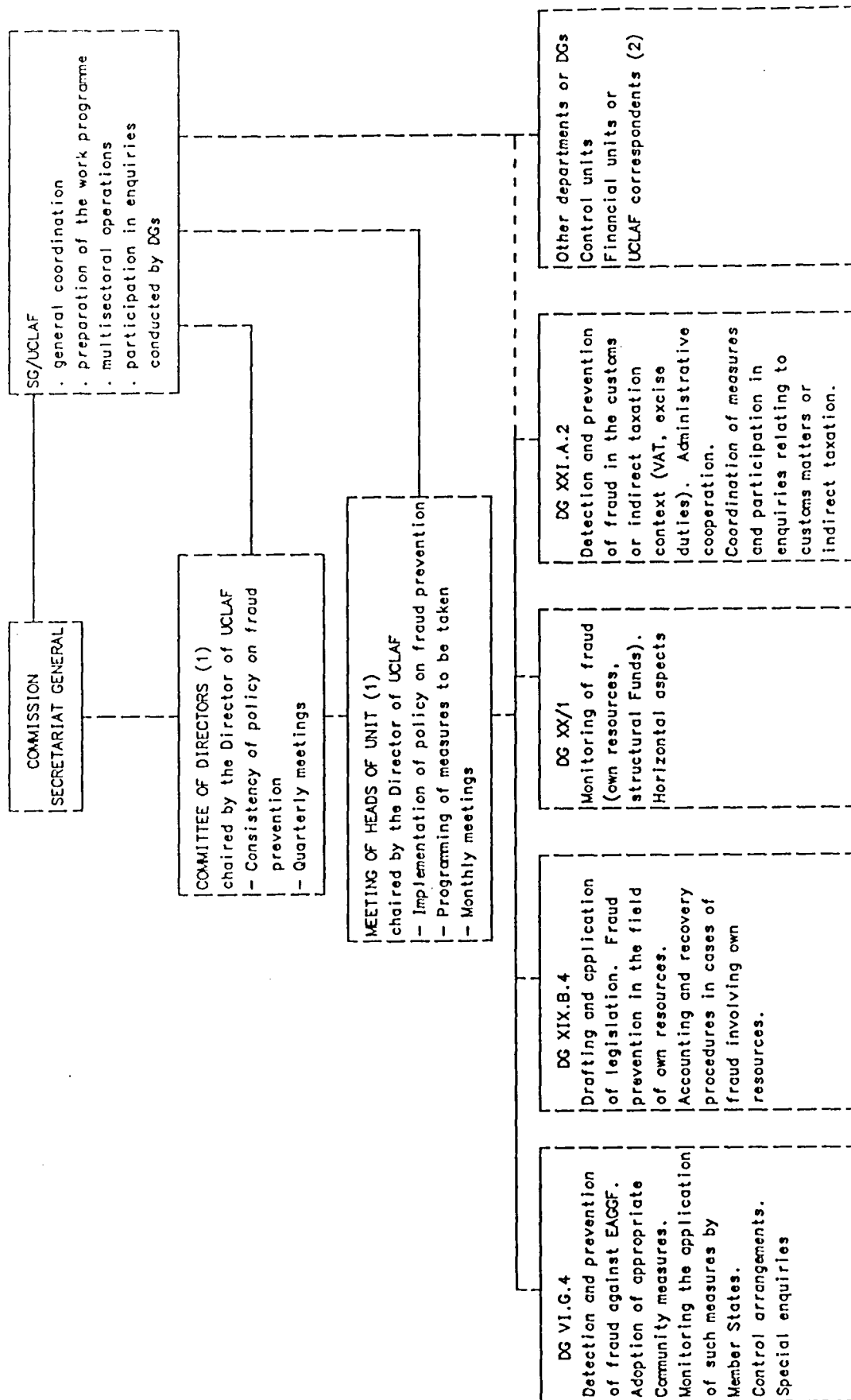
(1) These guidelines were set out in special report No 2/92 of the Court of Auditors on the audit of export refunds paid to selected major traders in the milk products sector (OJ C 101, 22 April 1992).

2. More specific action

Apart from its general planning, organization, coordination and representation role in the fight against fraud, UCLAF, in conjunction with the Directorates-General responsible, also undertakes

- . awareness-raising and training measures for officials of the Member States involved in the fight against fraud, under a programme drawn up jointly with the national authorities;
- . evaluation and dissemination of the results, in the form of periodic reports, to keep the other institutions and the Member States regularly informed;
- . any special tasks which might be of benefit to all departments concerned by the fight against fraud, such as legal protection of the financial interests of the Community.

ORGANIZATION OF FRAUD PREVENTION ACTIVITIES



(1) UCLAF and DGs V, VI, XVI, XIX, XX and XXI.

(2) Correspondents of DGs or departments with no fraud prevention unit.

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EAGGF - GUARANTEE SECTION (1992)
NUMBER OF IRREGULARITIES NOTIFIED AND AMOUNTS RECOVERED SINCE OUTSET

(EDU AT 1992 RATE)

Year of notification Sector	< 1985		1985		1986		1987		1988		1989		1990		1991		1992		TOTAL			
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
10 CEREALS AND RICE	6	0,322											2	0,005	5	0,122	32	1,896	45	2,396		
11 SUGAR AND ISOMULCIDE															4	0,083	19	0,773	23	0,956		
12 OILS AND FATS			1	0,007	1	0,004							1	0,005	2	0,033	55	1,264	60	1,314		
13 PROTEIN PRODUCTS															7	0,112	25	1,192	25	1,303		
14 FIBRE PLANTS, SILKWORKS																						
15 FRUITS AND VEGETABLES	1	0,082																	5	0,364	6	0,446
16 WINE	2	0,014			2	0,019					3	0,021			5	0,063	1	0,025	13	0,142		
17 TOBACCO																						
18 OTHER CROPS																						
20 MILK AND MILK PRODUCTS	12	0,139	4	0,025	1	0					2	0,004	4	0,122	15	-0,041	31	2,459	74	3,125		
21 BEEF AND VEAL	5	0,343			2	1,063					1	0,004	3	0,115	5	0,007	10	0,879	48	2,441		
22 SHEEPMEAT AND GOATMEAT																	2	0,008	8	0,061	10	0,069
23 PIGMEAT							2	0,066											4	0,063	6	0,129
24 EGGS AND POULTRY													1	0,019	4	0,162	3	0,459	9	0,640		
25 NON ANEX II PRODUCTS											1	0,014			7	0,101	7	0,105	15	0,220		
27 AC4																			1	0,238	1	0,238
29 IC4	7	0,134									2	0,058	2	0,060	3	0,096	2	0,048	16	0,396		
29 OTHER EAGGF/GUAR. MEAS.																			17	0,100	17	0,100
TOTAL	34	1,043	4	0,025	6	1,069	3	0,070	3	0,009	13	0,330	26	0,077	58	1,253	234	9,914	377	13,813		

A : number of cases
B : amounts recovered (EDU '000 000)

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EAGGF - GUARANTEE SECTION (1992)
 NUMBER OF IRREGULARITIES NOTIFIED AND AMOUNTS RECOVERED SINCE CUTOFF
 (NUMBER OF CASES AND AMOUNTS RECOVERED)

ECU AT 1992 RATE

Year of notification Sector	< 1985		1985		1986		1987		1988		1989		1990		1991		1992		TOTAL	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
10 CEREALS AND RICE	192 0,16362	124 0,07999	8 0,030	6 0,030	6 0,036	6 0,033	16 0,156	9 0,100	11 1,532	5 0,027	43 1,113	16 0,421	34 1,750	15 0,253	49 77,151	13 0,133	100 7,328	32 1,036	480 106,369	223 11,298
11 SUGAR AND ISOMULCOSE	9 0,353	4 0,050	12 0,041	11 0,161	6 0,046	6 0,046	5 0,046	5 0,046	7 0,156	5 0,105	25 0,976	21 0,956	21 0,454	20 0,379	15 0,227	13 0,230	33 1,136	19 0,773	135 1,443	124 2,826
12 OILS AND FATS	36 0,639	21 0,271	27 7,424	3 0,015	19 3,754	4 0,244	73 8,892	4 0,147	5 0,115	3 0,008	139 44,057	31 1,105	82 30,392	20 1,643	34 13,977	6 1,257	359 75,199	55 1,254	773 194,577	147 5,251
13 PROTEIN PRODUCTS	2 0,169	1 0,135	3 0,066	3 0,066			8 0,061	2 0,022	12 0,174	9 0,115	20 2,006	9 0,600	25 2,716	19 0,961	39 3,139	25 2,436	67 4,755	29 1,192	176 32,213	24 5,536
14 FIBRE PLANTS, SILVERSKIN	1 0,003	1 0,003											2 0,325				15 0,004		19 0,332	1 0,003
15 FRUITS AND VEGETABLES	62 27,152	15 2,071	11 4,707	1 0,033	32 8,485	10 0,904	61 61,433	5 0,232	72 89,729	27 1,572	31 31,193	6 0,501	41 40,515	12 0,343	36 17,915	4 0,809	27 6,269	5 0,364	375 228,026	79 6,449
16 WINE	32 0,221	22 1,213	45 0,292	29 0,067	57 0,405	34 0,187	49 0,607	40 0,725	19 0,336	14 0,223	39 0,621	35 0,339	36 0,659	28 0,211	27 0,291	22 0,276	3 0,068	1 0,025	308 3,476	225 2,477
17 TREESWOOD	1 0,003						2 0,056				4 0,429				2 0,067		4 0		13 0,255	
18 OTHER CROPS	5 0,012	5 0,012			4 0,009	4 0,009	7 0,065	7 0,065			1 0,003				2 0,068		4 0,896		23 1,032	16 0,075

* : Number of cases
 ** : Amounts recovered (ECU '000 000)
 A : Cases notified
 B : Amounts recovered

Year of notification Sector	1985		1985		1985		1986		1987		1988		1989		1990		1991		1992		TOTAL	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
20 MILK AND MILK PRODUCTS	1127	769	237	198	165	120	61	58	119	75	210	78	130	37	153	31	2312	1417	31	153	2312	1417
	36,124	12,695	2,760	1,647	6,179	1,710	2,961	1,484	12,768	6,112	17,286	3,817	8,901	1,619	7,420	2,459	96,754	32,354	7,420	2,459	96,754	32,354
21 BEEF AND VEAL	124	81	25	14	46	26	139	87	233	123	188	138	108	65	95	21	1082	623	21	95	1082	623
	6,681	1,808	4,215	0,788	3,901	1,497	6,003	1,005	49,241	4,979	29,553	0,430	8,010	1,687	7,619	0,878	162,576	13,567	7,619	0,878	162,576	13,567
22 SHEEPMEAT AND GOATMEAT	8	3					21	7	52	32	93	11	26	10	28	8	251	82	8	28	251	82
	0,022	0,006					0,071	0,031	1,025	0,369	1,435	0,158	0,119	0,037	0,204	0,061	3,190	0,863	0,204	0,061	3,190	0,863
23 PIGMEAT	56	33	8	3	29	10	20	13	13	6	14	12	32	4	36	4	221	92	4	36	221	92
	0,414	0,312	0,761	0,009	1,687	0,031	0,390	0,200	1,122	0,021	0,174	0,174	2,593	0,022	1,402	0,063	9,040	0,870	1,402	0,063	9,040	0,870
24 EGGS AND POULTRY	6	5	2	2	1	1	4	1	4	2	9	6	15	8	22	3	67	29	8	22	67	29
	0,142	0,136	0,177	0,177	0,003	0,003	0,004	0,004	0,449	0,449	1,077	0,555	0,460	0,250	1,302	0,459	3,696	2,035	1,302	0,459	3,696	2,035
25 NON ANNEX II PRODUCTS	29	24	7	6	11	10	8	7	16	15	15	11	39	17	25	7	153	101	25	25	153	101
	1,025	0,235	0,038	0,029	0,470	0,470	0,079	0,079	0,139	0,139	1,693	1,182	1,440	0,434	2,459	0,105	7,467	2,797	2,459	0,105	7,467	2,797
27 ACAS	20	12							1	1	35	34	14	8	3	1	73	56	3	3	73	56
	0,680	0,253							0,015	0,015	0,468	0,467	0,291	0,124	0,310	0,238	1,786	1,106	0,310	0,238	1,786	1,106
28 ACAS	318	177	24	15	9	8	4	3	14	7	14	11	11	4	20	2	430	233	20	20	430	233
	14,042	4,209	0,720	0,221	3,054	0,198	0,011	0,011	5,409	0,079	0,784	0,189	0,299	0,068	0,390	0,048	24,905	5,130	0,390	0,048	24,905	5,130
29 OTHER EXPORT QUANTITIES	2	2																				
	0,006	0,006																				
40 FISH PRODUCTS	5	3	1	1			1	1	1	1	1	1	1	1	1	1	12	9	1	1	12	9
	0,801	0,086	0,255	0,255			0,002	0,002	0,021	0,021	0,001	0,001	0,001	0,001	0,001	0,001	1,092	0,367	0,005	0,005	1,092	0,367
50 SPECIAL AIDS																						
			1	0																		
99 NON SPECIFIED SECTORS	8	6					1	1	1	1	6	1	6	1	6	1	18	10	1	1	18	10
	0,102	0,097					0,003	0,003	0,004	0,004	1,539	0,047	1,539	0,047	1,539	0,047	1,678	0,181	0	0	1,678	0,181
TOTAL	2042	1308	415	292	395	239	518	252	745	391	825	417	600	236	1,030	234	6946	3563	1,030	234	6946	3563
	104,953	30,602	22,446	3,518	28,889	5,582	81,120	3,502	149,741	16,308	130,635	10,832	135,170	9,608	117,814	9,914	914,708	94,368	117,814	9,914	914,708	94,368

• : Number of cases
 ** : Amounts recovered (ECU '000 000)
 A : Cases notified
 B : Amounts recovered

MEASURES FINANCED WITH 1992 BUDGET APPROPRIATIONS

Part	Chapter Article Item	Title	Measures financed	1992		
				Appropriations available (*)	Appropriations committed	%
A	2554	Conferences, congresses and meetings in connection with the activities of the associations of European lawyers for the protection of the financial interests of the Community	- Seminars + operating costs	280.000	279.511	99,82
A	3530	Unit for the Coordination of Fraud Prevention (UCLAF)	- Comparative study (Justice Council 13.11.91) : Contracts - Technical assistance to CIS ... - Seminars - Meetings (including COCOLAF) - Taking and analysis of samples	418.000	412.352 180.000 83.000 60.703 66.149 22.500	98,64
A	3531	Controls, studies, analyses in connection with the fight against fraud	- R. 4045/89 (strengthening of national controls: EAGGF Guarantee) - Seminars, conferences - Data-processing (DAF) - Enquiries in non-EEC countries: participation of national officials - Studies	5.032.000	4.933.388 3.965.701 632.132 142.555 135.000 58.000 58.000	98,04
A	354	Tax harmonization and computerized customs network for fraud prevention	- SCENT (including SCENT/SID assistance) - RTC - TARIC 2 - Transit study (phase 2) - Miscellaneous	2.860.000	2.852.175 649.990 370.900 1.288.000 110.000 433.285	99,72

(*) The appropriations available are the same as those entered in the budget except in the case of headings A 3530/A 3535/A 3531/A 4531 and A 2554 (where ... of the ECU 15 million entered in Chapter B 040) and B2 5110.

Part	Chapter Article Item	Title	Measures financed	1992	
				Appropriations available (*)	Appropriations committed %
A	355	European documentation, coordination and study network to control cross-border crime and fraud	- Advance (preparatory work to establish the network)	378.000	315.000 83,33
			- Feasibility study on a network to prevent drug addiction and urban crime (1)	70.000	200.000
			- Study on police cooperation (1)	45.000	45.000
A	4530	Expenditure in support of UCLAF	- Missions	154.000	151.466 98,35
			- Staff	100.000	100.000
				51.466	51.466
A	4531	Support expenditure A 3531	- Data-processing, hardware	3.740.000	3.692.852 98,73
			- Staff (incl. extra staff for UCLAF)	303.386	303.386
			- Missions, controls	1.913.118	1.913.118
			- Studies, working parties on agricultural legislation	1.142.932	1.142.932
			- Miscellaneous	306.900	306.900
				26.516	26.516
A	454	Support expenditure A 354	- Staff, equipment, data-processing, missions	3.640.000	3.636.420 99,90

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(*) The appropriations available are the same as those entered in the budget except in the case of headings A 3530/A 3535/A 3531/A 4531 and A 2554 (where transfers were effected). B1 360 (partial utilization of the ECU 15 million entered in Chapter B 040) and B2 5110.
 (1) These measures are not designed to combat fraud against the Community budget.

Part	Chapter Article Item	Title	Measures financed	1992		%
				Appropriations available (*)	Appropriations committed	
B 1	360	Measures to combat fraud affecting the EAGGF Guarantee Section	- R. 307/91 (tightening of national controls: EAGGF Guarantee Section) - R. 595/91 (repealing R. 283/72) - Remote sensing (controls + feasibility study)	26.000.000	23.119.910	88,92
B 2	5110	Measures to control and combat fraud	- Olive oil agencies - R. 2392/86 (Vineyard register) - Miscellaneous	25.833.127	24.790.183	95,96
B 5	3051	Community action programme concerning vocational training for customs officials (Matthaeus programme) and tax officials	- Matthaeus - Interfisc - Seminars	2.427.000	2.427.000	100
B 8	2510	Support expenditure B2 5110.	- Expenditure in support of the vineyard register	364.000	362.478	99,58
B 8	5351	Support expenditure B5 3051	- Expenditure in support of the Matthaeus programme and the programme for tax officials	273.000	271.999	99,63
TOTAL				71.399.127	67.244.734	94,18

(*) The appropriations available are the same as those entered in the budget except in the case of headings A 3530/A 3535/A 3531/A 4531 and A 2554 (where transfers were effected), B1 360 (partial utilization of the ECU 15 million entered in Chapter B 040) and B2 5110.

BUDGET ITEMS / THE FIGHT AGAINST FRAUD

<u>Item</u>	<u>Title</u>	<u>1993 appropriations</u>
TOTAL		73.242.000 ¹
<u>Part A</u>		
A 2554	Conferences, congresses and meetings in connection with the activities of the association of European lawyers for the protection of the financial interests of the Community	200.000
A 3530	Unit for the Coordination of Fraud Prevention	99.000
A 3531	Controls, studies, analyses in connection with the fight against fraud	4.341.000
A 3532	Action to combat fraud involving textiles (TAFI)	500.000
A 355	European documentation, coordination and study network to control cross-border crime and fraud	375.000

¹ Excluding support appropriations (disappearance of mini-budgets).

Part B

B1-360	Measures to combat fraud affecting the European Agricultural Guidance and Guarantee Fund, Guarantee Section	22.000.000 ¹
B2-102	Measures to combat fraud affecting the European Agricultural Guidance and Guarantee Fund, Guidance Section - agriculture	P.M.
B2-111	Measures to combat fraud affecting the European Agricultural Guidance and Guarantee Fund, Guidance Section - fisheries	P.M.
B2-121	Measures to combat fraud affecting the European Regional Development Fund	P.M.
B2-131	Measures to combat fraud affecting the European Social Fund	P.M.
B2-5110	Measures to control and combat fraud	33.500.000
B5-3051	Community action programme concerning vocational training for customs officials (Matthaeus programme) and tax officials	2.427.000
B5-3052	Networks covering indirect taxation and customs	9.800.000

1 An appropriation of ECU 60 million has been entered in Chapter B0-40 for Community co-financing of the integrated administration and control system in 1993.