

085832

COMMISSION OF THE EUROPEAN COMMUNITIES

SEC(90) 156 final

Brussels, 31 January 1990

THE FIGHT AGAINST FRAUD

REPORT ON WORK DONE AND PROGRESS ACHIEVED IN 1989

~~(presented by the Commission)~~

2010-2011 See 756 f

- 2 -

The fight against fraud - Report on the work done and  
progress achieved in 1989

1. INTRODUCTION
  - 1.1 The aims
  - 1.2 Historical context, political background and developments in 1989
2. MAIN ACTIVITIES IN 1989
  - 2.1 Customs
  - 2.2 Agriculture
  - 2.3 Structural Funds
3. THE COMMISSION'S WORK PROGRAMME - PROGRESS IN 1989
  - 3.1 Prevention
    - 3.1.1 Simplification of legislation
      - a. Setting-up of a group of experts
      - b. Rationalization of the differentiated refund arrangements
      - c. European Customs Code
      - d. Community transit arrangements
    - 3.1.2 Introduction of appropriate controls and administrative sanctions
      - a. Harmonization of the rules on CAP controls and sanctions
      - b. Revision of the rules on monitoring export refunds
      - c. Reexamination of proof of arrival at final destination of agricultural products
      - d. Amendment of Directive 77/435 and control of public stocks

- 3.1.3 Assessment of the applicability and controllability of regulations
  - a. Examination of new rules
  - b. Audit of national systems for combating fraud
  - c. Application of Regulation No 283/72
  - d. Guidelines for administering and monitoring the structural Funds
    - A. Monitoring arrangements
    - B. Code of conduct for bringing actions in cases of irregularities

3.1.4 Development of new control structures and methods

3.2 Cooperation

- 3.2.1 Improving the exchange of information and ideas
  - a. Stepping up the dialogue with the national authorities
  - b. VAT
  - c. Computerization
  - d. Community Committee on Fraud Prevention
  - e. Indirect taxation
  - f. Seminars and training

3.2.2 Member States' reports to the Commission of cases of fraud

3.2.3 Cooperation with non-member countries

3.3 Counteraction

4. CONCLUSION

4.1 Results in 1989

4.2 Proposals for action in 1990

4.3 The leitmotiv of the fight against fraud

Annex I : List of budget headings relating to fraud prevention

Annex II: Table showing implementation of the work programme

1. Introduction

1.1 The aims

In its statement to the Council meeting (Economic and financial affairs) on 13 March 1989 the Commission undertook to take action on several fronts as part of its stated strategy against fraud. This included presenting an annual report to the European Parliament and the Council on the work done and progress achieved in combating fraud. This document meets that requirement for 1989.

1.2 Historical context, political background and developments in 1989

In response to growing political and public concern over the problem of fraud affecting the Community budget, the Commission produced a report (COM(87) 572 final) on tougher measures which could be taken to combat fraud. This proposed, *inter alia*, the setting-up of a coordination unit to direct and oversee all the Commission's fraud prevention activities. The President of the Commission presented a plan of action for the new Unit for the Coordination of Fraud Prevention in a communication adopted by the Commission on 21 December 1988. The new unit - UCLAF - started the year with a staff of some ten people, which has now increased to about thirty, a figure which does not include the staff already engaged in fraud prevention in other Commission departments (mainly in DGs VI and XXI).

Fraud prevention was a major topic in 1989. Parliament held a public hearing on the subject in January and continued to show a special interest in fraud prevention activities throughout the year. On 13 April 1989 it adopted a resolution on fraud affecting the Community budget.

At the Council meeting (Economic and financial affairs) on 13 March, the Council itself issued a statement on combating fraud, appealing to its

own departments and to the authorities in the Member States to make full use of their powers to ensure that the Commission had the necessary legislative weapons at its disposal with which to combat fraud.

At the second meeting of the Community Committee on Fraud Prevention held on 25 and 26 May 1989, the Commission presented the Member States' delegations with a programme for implementing fraud prevention policy, which was subsequently transmitted to the Council and the European Parliament. The guidelines set out in this programme broadly reflect those contained in the abovementioned Parliament resolution. The declaration of support for the Commission's work programme made by the Madrid European Council in June 1989 gave this document the seal of approval at the highest political level.

Political support for the fight against fraud produced tangible results. The main developments in 1989 were as follows:

- adoption by the Council of Regulation No 1552/89 of 29 May 1989 on the system of the Communities' own resources, which resolves the long-standing problem of the Commission's powers to carry out autonomous on-the-spot inspections in the Member States. The new provisions bring the Commission's rights of inspection in the field of traditional own resources into line with those already existing in Community agricultural legislation. These new powers will lend considerable force to the Commission's efforts to safeguard the integrity of the Community's traditional own resources;

- a second major development was the ruling of the Court of Justice in Case 68/88 concerning the export of 20 000 tonnes of Yugoslavian maize from Greece to Belgium. The maize was declared as originating in Greece on the basis of T2L forms issued in Thessaloniki, although it had not been entered for free circulation in Greece. This fraudulent operation cost the Community DR 447 053 406 in lost levies.

The judgment in this case not only enabled the Community to protect its financial interests by recovering the lost levies and the interest on late payment, but also reaffirmed a number of basic principles of law, including:

- the power of the Community to impose sanctions to ensure compliance with Community law;
- the obligation facing the Member States to take effective dissuasive action to penalize fraud affecting the Community budget in the same way as fraud affecting their national budgets.

On the budgetary front, the Commission proposed very substantial funds for fraud prevention in 1990, setting aside more than ECU 70 million for the purpose. The fact that this section was included in the final budget adopted in December 1989 is very significant, as it demonstrates clearly the determination of the Community institutions to tackle the fraud problem. A breakdown of the appropriations earmarked for fraud prevention activities is shown in Annex I.

\* \* \*

Political awareness of fraud prevention has had the happy effect of improving cooperation between the Member States, leading to intensified practical action. This has been apparent in all the sectors concerned. Chapter 2 gives a broad outline of the most important measures.

A progress report on the work programme is given in Chapter 3.

2. MAIN ACTIVITIES IN 1989

2.1 Customs

As regards administrative cooperation within the Community on customs matters (Regulation No 616/78 on rules of origin for textiles and Regulation No 1468/81 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), notable improvements were achieved in 1989 in terms of both quantity and quality.

The increase in the number of cases on which there was coordination at Community level was satisfactory but plenty of scope still exists for further improvement. The number of mutual assistance reports or textile fraud reports circulated was 95 in 1989, compared with 58 in 1988 and 37 in 1987.

These reports relate to 71 new cases as against 50 in 1988 and 29 in 1987. Not all of them affect own resources as the above regulations are much broader in scope, dealing with the proper functioning of the customs union and the sound development of international trade, notably in economic terms.

In terms of quality the general conclusion to be drawn is that the current cases are more substantial than those handled in previous years, in that the reports circulated brought to light in an appreciable number of cases important ramifications in Member States other than those initially concerned. Even though contributions, in terms of the number of reports, continue to vary enormously from one Member State to another, all the countries are gradually becoming involved in this Community coordination and are participating actively in inquiries. The cohesion of the Community system for combating fraud in this area is thus being constantly enhanced by everyday practice. This growing uniformity is also essential as the single internal market draws nearer.

The further development of the SCENT system and the extension of its possibilities (access to new databases) have been a major contributory factor, facilitating the exchange of information and providing the departments concerned with more clues in their investigation of cases of fraud. At the end of 1989 all the Member States apart from Spain, which still has some technical problems with connections, were linked up to the system. In addition, a survey of users is being conducted to carry out an evaluation of the present system and to define needs so that a more efficient version can be designed.

A wide range of goods are involved: textiles, fishery products, animal and plant products, electronics (radio, TV, hifi, video), footwear and steel products.

Most cases of fraud involve false declarations of origin or nature of goods and also of value, the aim being to qualify illicitly for preferential arrangements or more favourable rates of duty or to circumvent quotas or anti-dumping duties.

With the growing complexity of international trade and hence of the fraudulent transactions that it can attract and with the Member States becoming increasingly interdependent because of the free movement of goods within the Community, frequent contacts are essential between the operational departments concerned. So apart from the many meetings organized bilaterally by the Member States to consider specific cases which do not have a Community dimension, the Commission departments concerned organized 14 contact meetings in 1989, some of them being restricted to specific matters and hence attended on the Member States' side only by investigators from the countries concerned. Various meetings with Commission representatives on cases of fraud also took place in the Member States. Three Community inquiry missions, involving



officials from the Commission and the Member States were also organized in non-member countries under Article 15 of Regulation No 1468/81.

Two of these inquiries were in western Africa and concerned fishery products. The third was in Mauritius and involved textiles. The findings were as follows:

- **Inquiries into fishery products**

Two missions to two African countries revealed that 71 forged EUR 1 certificates had been used for products originating in non-ACP countries. The duty evaded is estimated so far at ECU 2 million. The investigations conducted resulted in the full identification of the fraud organization - proceedings have started in the Member States concerned - and in the discovery of a new fraud process based on the planned use of 200 Form A certificates of origin which were all seized during the inquiries. All the information gathered is now being processed.

- **Inquiry into textile products in Mauritius**

A mission to Mauritius revealed two types of fraud:

Use of EUR 1 certificates issued by the local authorities for imports of non-originating products. So far 144 certificates have been identified and evaded duty is estimated at ECU 1 million.

Use of certificates of origin wrongly issued by local authorities for imports into the Community of various textile products of Asian origin in order to circumvent the quota restrictions to which they were subject. The goods in question are valued at ECU 3 million.

Additional investigations are being made, in coordination with the Member States, in order to identify the exact scale of these two frauds.

Examination of cases mentioned in earlier reports (beef from Brazil, for instance) is being actively pursued.

## 2.2 Agriculture

Work to prevent fraud in the agricultural sector was also stepped up appreciably in 1989. This was reflected above all in the activity on the legislative front, including Regulation (EEC) No 4045/89 of 21 December 1989, which is dealt with in Part 3 of the report.

As regards the number of new cases of irregularities reported by the Member States pursuant to Article 3 of Regulation No 283/72, it must be stressed that the figures currently available for 1989 relate to the first three quarters of the year only. The figures for the final quarter are not due until early 1990.

However, on the basis of the data available, it seems safe to assume that the number of cases reported will exceed the figure for 1988 by an appreciable margin, since 352 cases were reported in the first three quarters of 1989, compared with 386 for the whole of 1988. The amount involved was ECU 57.98 million, as against ECU 122.96 million in 1988. The amount recovered in the first three quarters of 1989 totalled ECU 11.97 million, compared with ECU 5.53 million in 1988.

In the Commission's view, this does not reflect an increase in the incidence of fraud, but an improvement in the systems operated by the Member States for detecting and reporting cases of fraud.

During 1989, particular attention was paid to closing long-standing cases where the (generally very lengthy) recovery and prosecution procedures had been completed. In cases where sums lost as a result of irregularities could not be recovered or were only partially recovered, a decision had to be taken, pursuant to Article 8 of Regulation No 729/70, as to whether the Community or the Member State should bear the cost. Out of 74 cases closed, the Community agreed to bear the cost of 67 (a total of ECU 2 166 724), while the costs in the remaining seven cases were met by the Member States (ECU 400 364).

In 1989 the Commission also stepped up its efforts with regard to on-the-spot inquiries pursuant to Article 9 of Regulation (EEC) No 729/70. A total of 23 inquiries were conducted in sectors where fraud and irregularities were suspected, in particular the following:

- Private storage: beef/veal /

Fears that the checks carried out in this sector were inadequate, backed up by reports of irregularities, prompted the Commission to initiate inquiries in this sector in the three Member States most concerned.

A number of refrigerated storage establishments were inspected in the Member States in question. The checks, carried out in the presence of a Commission expert, related to the figures given for the weight and quality of beef. In two Member States, the authorities carried out additional checks for any irregular practices which might have gone undetected. The Commission is awaiting the results before sending its findings, particularly those relating to the shortcomings of the monitoring arrangements, to the national authorities concerned.

The experience acquired in carrying out these checks also served as the basis for a thorough revision of the monitoring arrangements, now incorporated in Commission Regulation No 2965/89.

- Quality of beef bought into intervention

The Commission had received information from a variety of sources which cast doubt on the quality of beef bought into intervention in some Member States.

An inquiry has started on the basis of Article 9 of Regulation No 729/70. Checks were carried out in only one Member State in 1989, but the inquiry is to continue in 1990. They covered a number of refrigerated warehouses, chosen to provide a representative sample of carcass and boned meat in store and so to enable the Commission's experts to make all the necessary checks.

Further investigations were carried out by the national authorities. The Commission is awaiting the results before informing the Member States of its observations on the full range of checks carried out.

- Butter bought into intervention (NIZO)

An inquiry was carried out following allegations by a Member of the European Parliament that the Dutch authorities had bought butter into intervention between 1982 and 1987 which had been manufactured from sweet cream, a practice which is illegal.

Following preliminary discussions with the national authorities, six creameries were selected for inspection, with the chief aim of examining documents relating to production and the purchase of raw materials. The Commission is awaiting further information before making known its findings about the arrangements for on-the-spot inspections and the quality of butter bought into intervention by the national authorities.

- Checks on the quality of olive oil in intervention storage

In 1988 and 1989 two inquiries were carried out relating to the quality of olive oil in intervention storage in Italy and Spain.

Analysis of the samples taken showed that a large proportion of the oil in storage was of a lower quality than that which had been declared and checked on entering storage.

The substantial chemical and organoleptic differences detected in the Italian oil prompted the Commission to refuse financing for the measure for part of the 1987 intervention stocks and virtually all the intervention stocks for 1988.

The differences detected in Spain, which were principally organoleptic, could have been the result of the natural deterioration of the oils after a year of storage. However, 5 out of the 42 samples taken had chemical characteristics which were incompatible with the samples taken on entry. The Commission is awaiting a reply from the Member State before adopting a definitive position.

- Inward processing arrangements for durum wheat

This inquiry was initiated as a result of observations made by the Court of Auditors. It is already under way in one Member State, but is still in the preliminary stages, and is to be continued in other Member States in 1990.

- Ewe premiums

Prompted by concern at the increase in applications for subsidies and discrepancies between the official figures for ewes eligible for the premium and those for which it was actually paid in some Member States, the Commission decided to launch an inquiry into this matter pursuant to Article 9 of Regulation No 729/70. Accordingly, visits were paid to two Member States in 1989. The preliminary results have been sent to the Member States in question, revealing numerous shortcomings in the inspection systems and a number of irregularities.

Bilateral discussions are due to be held with these Member States in the context of the clearance of the accounts.

Investigations in other Member States are scheduled for 1990, and it is planned to draw up rules on inspections following the adoption of Council Regulation No 3013/89.

- Variable slaughter premium for products in the sheepmeat and goatmeat sector (claw-back)

In 1989 the Commission decided to organize an inquiry on the basis of Article 9 of Regulation (EEC) No 729/70, to look into the conditions under which the variable premium was paid back by operators exporting sheepmeat to other Member States.

The decision was prompted by:

- the discrepancy observed between the amount of the claw-back actually paid and the amount estimated on the basis of exports;
- market prices in some Member States;
- information obtained from some national authorities.

The inquiry covered seven firms in the Member State concerned which were selected by the Commission following a preliminary meeting with the national authorities.

The findings, including observations on the existing inspection arrangements, will be forwarded to the national authorities as soon as possible.

- Set-aside of arable land

This measure was introduced by Council Regulation (EEC) No 1094/88, amending Regulation (EEC) No 797/85. The implementing rules were laid down by Regulation (EEC) No 1272/88.

visits were paid to two Member States to look into the measures adopted by the national authorities to apply the system and carry out on-the-spot checks. It emerged that:

- the measure is generally applied only to very marginal land, thereby reducing its effectiveness in curbing production;
  - it is very difficult, and becomes increasingly so with the passage of time, to ascertain whether the land was used beforehand for cultivating one of the specified crops during the reference period;
  - some of the uses authorized during the set-aside period are also very difficult to monitor, e.g. extensive grazing, land lying fallow under a crop rotation system;
  - improved information from the national authorities would enable farmers to apply the scheme more correctly.
- **Fruit and vegetables**
- An inquiry was conducted in the citrus fruits sector relating to compliance with the quality standards on the wholesale markets of ten large towns in the Member State in question and for intervention stocks, and to the operation of the producers' organizations.

It emerged that a large proportion of the products taken into intervention, placed on the market or sent for processing did not meet the minimum quality standards laid down by the rules. Moreover, checks on a number of producers' organizations revealed various irregularities in the way they were operated. The Commission considers that the national authorities should tighten up their control systems, and intends to repeat its inspections at intervals, with the emphasis on the withdrawal of products.

In view of the unsatisfactory situation brought to light in the citrus fruit sector, an inquiry has been set up into the quality of fruit and vegetables withdrawn from the market in Italy.

A check was carried out in July on the withdrawal of peaches and nectarines, and another in November on the preventive withdrawal of apples. Checks will follow for other products.

Conclusions will be drawn from all these inquiries once the inspections in the fruit and vegetables sector have been completed.

- Aid for the production of durum wheat

The Commission carried out an inspection concerning the aid scheme for the production of durum wheat in one region within a Member State.

This aid is granted only for the production of durum wheat, on the basis of the area under cultivation for which an application is made.

Although it proved very difficult to conduct effective checks without recent maps or a land register reference number on the application, some irregularities were detected.

- Inquiry concerning export refunds

An inquiry was conducted in three European ports into the physical inspections carried out by the Member States on agricultural products declared for export and eligible for export refunds. The Commission's aim was to assess the scope for monitoring exports of agricultural products and compare its findings with the systems operated by the national authorities, in order to determine what action needed to be taken with regard to physical inspections to ensure that the refund paid related to goods corresponding, in quality and quantity, to the produce declared.

A report on this inquiry will be presented once the Commission has received further information, together with the results of some quality tests which it requested. The inquiries have shown that the present checks are inadequate to ensure that agricultural products are actually exported and that the rules in force are complied with.



### 2.3 Structural Funds

Hitherto there were no clear rules for the systematic notification of cases of fraud by the Member States, as in agriculture. Following the reform of the structural Funds, new arrangements for the notification of irregularities are now to be included in a code of conduct recently approved by the Commission for applying these new rules (see 3.1.3(d) B).

Nevertheless, the Member States notified the Commission of 67 cases affecting the EAGGF Guidance Section in the first nine months of 1989 under Regulation (EEC) No 283/72. These cases mainly relate to the modernization of farms (Regulation No 159/72) and improvement of the efficiency of agricultural structures (Regulation No 797/85) and involve ECU 352 851, of which ECU 115 344 was already recovered in 1989. It is mainly a question of practices such as false invoices, but there is also the reduction, abandonment or sale of farms and the early repayment of loans, obviously not criminal activities. These actions are well-known and have been analysed in previous years. As their number is relatively small compared with the large number of beneficiaries every year (over one million, most of whom are paid less than ECU 1 000), there is no need at present for any specific measures.

No cases of fraud were detected during 1989 concerning projects or programmes assisted by the Regional Fund. Some cases of possible irregularities were examined but it was found that no actual fraud had been committed.

As regards the Social Fund, one Member State in particular experienced difficulties in administering the requests for aid sent to the Social Fund departments and in absorbing the amounts granted because the

administrative organization was inadequate and the public and private promoters lacked stable infrastructures and sufficient premises, staff and training facilities. This situation attracted unscrupulous consultants and promoters, leading to the misuse of large sums and thus damaging the public image of Community structural policy and of the authorities responsible for implementing this policy at national level.

Action taken by the administrative and legal authorities of this Member State and by the Community controllers led to 243 cases relating to 1987, 1988 and 1989 being subject to a legal inquiry and 94 of them being referred to the appropriate criminal courts. In the three judgments passed up to November 1989, all the accused were found guilty, some received prison sentences and one consultancy bureau was wound up by decision of the court.

The seventy cases brought by the public prosecutor were for the following alleged offences:

- obtaining subsidies by false pretences:	55
- misappropriation of funds:	88
- corruption:	3
- criminal association:	2
- falsification of documents, other offences:	15

The abnormally high number of frauds in this sector in this Member State may be attributed to the inadequacy of the administrative structures employed together with the inexperience of all those responsible for monitoring these activities. The administrative and legal measures which have now been introduced should in future play a preventive role which will prove an effective remedy for the shortcomings noted and will rule out the possibility of fraud in this sector.

The Commission has also decided to bring a civil action in a criminal case involving the fraudulent use of public funds after receiving a writ to appear for the European Social Fund before the Civil and Criminal Court of Teramo, Abruzzi. The Commission recently received another writ for a similar case before the court in Chieti.

### 3. THE COMMISSION'S WORK PROGRAMME - PROGRESS IN 1989

Three main areas are covered by the Commission's Anti-Fraud Work Programme: prevention, cooperation and counteraction. This chapter of the report provides a snapshot of the main activities performed under these three headings during 1989. Annex II contains a detailed progress report on each of the 45 points in the programme. The figures in brackets after the various headings refer to the number used in Annex II.

#### 3.1 Prevention

##### 3.1.1 Simplification of legislation

###### (a) Setting up of a group of experts (1):

The high-level group of outside experts to review all existing agricultural legislation prior to simplification is to be convened in the first quarter of 1990.

###### (b) Rationalization of the differentiated refund arrangements (2,8)

In order to simplify the differentiated refund arrangements for exports of beef/veal, the Commission has reduced the number of refund categories listed in the annex to the Regulation by 35% from 254 to 164

by reorganizing the various countries of destination qualifying for special refunds into a smaller number of groups. The repeal of Regulation No 74/84 (distinction between unboned cuts of carcasses and quarters of adult male bovine animals) has led to a further saving of fifteen items.

The recent establishment of a single rate of refund for unboned meat from female animals and for frozen meat has also reduced the number of refund rates from 70 to 35.

All these measures represent a major step forward in simplifying export arrangements, thus reducing the risk of fraud in this sector.

Efforts to achieve even greater simplification in this market organization will continue in future.

(c) European Customs Code (3)

The Commission has produced a draft European Customs Code which will shortly be presented to the Council.

The standardization of customs formalities will simplify and clarify this procedure for business and administration, thus making abuses and fraud more difficult.

(d) Community Transit Regime

The Commission's proposal to do away with the transit advice note is another important step in this direction.

The arrangements for using this transit advice note involve a complicated procedure for the recovery of duties and charges when the goods are withdrawn from customs supervision. In such cases there is a long and tricky search procedure to determine the Member State in which the irregularity or fraud has been committed. In future it will be possible to obtain immediate payment of the duty involved from the "principal" who initiated the transit procedure.

3.1.2 Introduction of appropriate controls and administrative sanctions

(a) Harmonization of the rules on CAP controls and sanctions (6)

The Commission has examined the provisions in Community agricultural legislation and produced a list of existing control measures and sanctions. The results of this exercise will serve as a basis for the harmonization of these measures. /

The aim is to present a proposal in the near future for a coherent system of appropriate administrative sanctions and a guideline classification for minimum standards of controls to be performed by Member States. To avoid any ambiguity, the Commission will be presenting a proposal for a horizontal regulation to the Council. This proposal is essentially declarative in nature: the Commission will continue to exercise the powers attributed to it by the Council in the same way as it has done in the past. On this subject, the Commission underlines the importance of the recent judgment of the Court of Justice in case 68/88, which it regards as confirming the legal competence of the Community to impose sanctions.

(b) Revision of the rules on monitoring export refunds (7)

With regard to controls on goods attracting export refunds, the Commission has already proposed to the Council that a basic minimum of 5% be imposed for physical inspections of products declared for export with refund. This proposal has already been discussed at length by the Council and it is hoped that it may soon be adopted.

(c) Reexamination of proof of arrival at final destination of agricultural products (9)

A particular problem arises with exports of agricultural products attracting different rates of refund depending on the country of destination (differentiated refunds). In this case, the total refund is not paid until the operator provides evidence that the goods have been released for home use in the country of destination in the form of a customs document or a certified copy or photocopy. Regulation (EEC) No 3665/87 also allows alternative proof such as a certificate of customs clearance or even any other document endorsed by the customs authorities of the non-member country concerned, since it is sometimes difficult to obtain declarations of release for home use in these countries.

However, experience has shown that these documents are not always reliable since endorsement by the authorities of the non-member countries is often of no significance to them as these documents are not part of their administrative and customs procedures. As a result, there is a major risk of unwarranted payments of differentiated export refunds. In view of the large amounts involved, the Commission has decided that it will no longer accept these documents as proof of arrival at destination.

(d) Amendment of Directive 77/435 and control of public stocks (10, 11)

On 21 December 1989, acting on a proposal from the Commission, the Council adopted Regulation (EEC) No 4045/89 on the scrutiny by Member States of transactions forming part of the system of financing by the EAGGF Guarantee Section. This Regulation replaces Directive 77/435/EEC, which provided for the same type of controls. It relates to post-payment scrutiny of the trade documents of persons receiving aid from or owing money to the EAGGF Guarantee Section, with special attention being paid to the prevention and detection of frauds and irregularities.

The new Regulation differs from the Directive in a number of respects, the most important being as follows: the number of controls will increase considerably; national control programmes allowing harmonization at Community level will be submitted to the Commission; and a special department in each Member State will be made responsible for controls and the coordination of controls.

The Community will contribute for a period of five years to the additional expenditure incurred as a result of the increase in the number of controls and relating to salaries, staff training and the establishment of new departments.

The Commission's proposals for controls on intervention storage (e.g. stocktaking - reconciliation of accounting data with physical stock) have been presented to the Council and are currently being discussed at Council working party level.

3.1.3 Assessment of the applicability and controllability of regulations

(a) Examination of new rules (13)

The Commission departments are at present discussing a draft procedure which would guarantee that new proposals affecting the EAGGF Guarantee Section are examined by other departments within the Commission to evaluate their applicability, controllability and - where appropriate - provisions for appropriate sanctions. It is intended to extend this scrutiny system to other sectors.

(b) Audit of national systems for combating fraud (14, 28)

Before it is able to evaluate the quality of the Member States' systems, the Commission must, of course, first of all establish precisely how these function. The Commission has therefore embarked on an "audit" of national fraud-fighting systems. Work is currently at the trial stage. The resulting details of legal and administrative structures will be keyed into a new database ("DAF", Documentaire Anti-Fraude) being created in conjunction with the Joint Research Centre, Centre for Information Technologies and Electronics, Ispra.

(c) Application of Regulation No 283/72 (24, 25, 35)

The review of the application of Regulation No 283/72, which requires Member States to notify the Commission of irregularities discovered in the agricultural sector, continued in 1989.

A working paper was discussed by the appropriate EAGGF working party on the interpretation of the concept of irregularities in order to prevent this concept being interpreted differently by the Member States. It was again stated that, in keeping with Regulation No 283/72, the term irregularity was taken to mean any infringement of a legal provision, whether deliberate or not. The point at which the irregularity should be reported was also specified.



The Commission intends to send to the Council in the near future a proposal amending Regulation No 283/72 to provide for a financial contribution by the Community to help Member States detect irregularities and recover sums wrongly paid. These proposals will also contain provisions designed to encourage the Member States to report cases of fraud and irregularities and to specify the powers of Commission officials in national inquiries with which they are associated.

(d) Guidelines for administering and monitoring the structural Funds (15)

A. Monitoring arrangements

The Member States' responsibility for monitoring and surveillance has increased by comparison with the legal situation before reform of the structural Funds.

As a further step in the installation of the new policy, new rules have been put into effect for the administration of the structural Funds.

Various control mechanisms have been introduced:

1. Ex ante control measures

The implementing rules state, for example, that the Member States must designate the authorities which enjoy the powers of control and bear the responsibility for meeting the obligations incumbent upon them under the rules on financial control in Article 23 of Regulation (EEC) No 4253/88.

When presenting a request for assistance for a programme of operations, the Member State gives the Commission a description of the monitoring and control arrangements for the programme and full information on the administrative and legal measures proposed to ensure that its obligations in respect of financial control are honoured.

2. Rules for monitoring correct implementation of the programme

A monitoring committee set up under the partnership arrangement has the task of ensuring that the Community support framework is implemented. The monitoring committee will consist of representatives of the Commission, the EIB and the Member State.

3. Reports on the implementation of measures

All the reports which the authorities designated by the Member States have to present to the Commission will be drawn up in accordance with a jointly agreed standard model (for multiannual measures, a report is to be submitted within six months of the end of each financial year and there is to be a final report).

4. Technical assistance programme

A technical assistance programme is available to provide the Member States with assistance for setting up control mechanisms.

5. Model of standard Social Fund costs

In addition, a model of standard costs is proposed for the Social Fund in order to detect anomalies concerning the hourly cost of training courses, i.e. to check whether the costs in applications correspond to the actual cost of the measure.

B. Code of conduct for bringing actions in cases of irregularities (16)

Article 23 of Regulation (EEC) No 4253/88 requires Member States to report irregularities, to take preventive measures and to bring actions when irregularities occur. It was felt, however, that implementing provisions needed to be laid down. This has been done with a Code of Conduct containing ten articles dealing with the time limits for submitting reports, the description of the irregularities, information about the state of legal procedures, information about the department responsible for judicial proceedings and the closure of cases brought to court.

This Code of Conduct, which represents an approach similar to that for agricultural expenditure, was approved by the Commission on 17 December 1989 and will shortly be examined by the Community Committee on the Coordination of Fraud Prevention.

3.1.4 Development of new control structures and methods (21)

The Commission has made a proposal for an amendment to Council Regulation No 2262/84 laying down special measures in the olive oil sector. The proposal is designed to widen the scope of the national agencies' control activities in the olive oil sector to include consumption aid and intervention storage.

Remote sensing techniques can be used. New developments with satellite images are currently being studied by DG VI in cooperation with the Joint Research Centre to ensure better control of subsidised crops.

3.2 Cooperation

3.2.1 Improving the exchange of information and ideas

a. Stepping up the dialogue with the national authorities

In order to improve communications between the Commission and the Member States, a series of presentation visits was made to the national authorities to explain the role and activities of the new coordination unit and improve the dialogue with the national departments on the subject of Community fraud. The exchange of ideas and discussion of problem areas have proved to be of benefit to both sides.

b. VAT (41, 43)

On the VAT front, the Directorate-General for Budgets, in collaboration with the national authorities, is in the process of devising the procedures required to give effect to Council Regulation No 1553/89 of 29 May 1989. Article 12 of this Regulation is particularly important, as it requires the Member States to provide the Commission with information concerning their collection procedures, and in particular the results of their controls. The information supplied will be assessed jointly with the Member States to ensure that recovery procedures are correctly applied and fraud more effectively combated.

As the Council sees this work as an important stage in stepping up fraud prevention activities, the Commission is counting on the active cooperation of the national authorities.

c. Computerization (27, 29)

Work is progressing on version 3 of the IRENE system. The aim is to provide the Commission departments concerned, and ultimately the Member

States, with access to the information stored on the database. A study is also being carried out to examine the scope for liaison between the various fraud prevention units and UCLAF.

d. **Community Committee on Fraud Prevention**

The Committee met twice in 1989. The main object of the second meeting was to discuss the Commission's 45-point work programme, which was warmly received by the Member States and fleshed out with their constructive contributions.

e. **Indirect taxation**

A meeting was arranged with the competent departments in the Member States on combating fraud in the field of indirect taxation. The purpose was to hold a preliminary exchange of views, in parallel with the work going on in the Council on the elimination of tax frontiers, on the flanking measures which should be implemented with a view to stepping up administrative cooperation between the departments concerned and increasing the scope for action.

f. **Seminars and training**

During 1989 the Commission organized three seminars on combating fraud.

- (1) Seminar on the falsification of papers and supporting documents (October 1989) (33)

This seminar was attended by some 50 representatives from investigating departments in the Member States and from the Commission departments responsible for fraud prevention and a representative from the Court of Auditors.

The excellent papers given by representatives from a number of leading-edge institutions such as the Laboratory of the Government Chemist in London, the Bundeskriminalamt in Wiesbaden and the Zollkriminalinstitut in Cologne gave participants an insight into the latest techniques for falsifying documents and the means used to detect them.

It was decided to organize further seminars on the subject in order to provide more officials in the Member States with information on the risks of falsification.

- (2) Seminar on the common agricultural policy - combating fraud through better training (October 1989)

This seminar was attended by teaching staff from various customs training colleges. Commission experts gave talks on the economic importance and objectives of the various aspects of the common agricultural policy.

- (3) Seminar on the legal protection of the Community's financial interests (November 1989)

This seminar, attended by large numbers of European specialists in administrative and criminal law (27 speakers and 200 participants), met with a very favourable reception. In particular, Parliament's Committee on Budgetary Control offered its congratulations.

The topics dealt with filled an information gap in an area which is of relevance for a variety of national bodies, while at the same time responding to calls for a high-level debate within the Community.

The next, eagerly awaited step will be the publication of the proceedings and the summary reports.

- (4) In June a working meeting was held on combating fraud and irregularities in connection with anti-dumping duties (5).

As the investigation of irregularities in this sector is a source of particular problems for the national departments, this meeting was welcomed by all the Member States. It gave them an opportunity to compare notes among themselves and with the competent Commission departments.

- (5) The Community's MATTHAEUS programme on the exchange of officials responsible for inspections on the ground got under way with a pilot project involving 46 customs officials. Exchanges involving 800 officials are planned for 1990 (31).

3.2.2 Member States' reports to the Commission of cases of fraud (41)

Reference has already been made in part two above to the improved reporting performance in various fields. It should also be pointed out that a new notification system for fraud and irregularities affecting own resources came into force in 1989 (Regulation No 1552/89). The Advisory Committee on Own Resources has been consulted on the implementation of the new system.

3.2.3 Cooperation with non-member countries (37, 38)

On a proposal from the Commission, the Council adopted a Decision on 10 October 1989 concerning Community participation in the negotiation of mutual administrative assistance agreements with the EFTA countries in the customs sector.

Once the negotiations are concluded and ratification is complete, the agreements will act as the legal base enabling the investigating departments to obtain proof from the countries concerned in cases of suspected fraud relating to both imports and exports.

### 3.3 Counteraction (39)

The draft treaty on the criminal law protection of the Community's financial interests and prosecution of infringements of Community law, first presented in 1976, is still before the Council.

Two events occurred in 1989 which have an important bearing on the future of the draft treaty. The first was the judgment of the Court of Justice in Case 68/88, already referred to in this report. The second was the preparation by a working party, in the context of political cooperation, of draft treaties on extradition and the transfer of criminal proceedings from one country to another.

The Commission is currently looking into the implications of these two issues for the draft treaty before the Council.

## 4. CONCLUSION

### 4.1 Results in 1989

A great deal of progress was achieved in 1989 in combating fraud, thanks largely to the political support given to the Commission by the European Parliament and the Madrid Summit.

But this does not mean that everything is perfect between the Community institutions as regards the application of the anti-fraud policy.



The Commission regrets, for instance, that progress in the Council towards the adoption of a number of anti-fraud proposals has been unduly slow, in particular that certain Member States challenge the Commission's powers to set minimum control standards and administrative penalties.

It is also most unfortunate that some Member States do not report cases of fraud and irregularities detected. It is essential that full details of such cases be reported to the Commission at once; this is one of the most important duties of the national authorities.

#### 4.2 Proposals for action in 1990

The Commission will continue to implement the anti-fraud work programme from the three angles of prevention, cooperation and counteraction, endeavouring to respect the timetable set.

The following can already be identified as priority items in this programme:

- (i) Restatement when this report is debated of the political determination to combat fraud shared by all the institutions.
- (ii) Introduction of the code of conduct for the structural Funds.
- (iii) Solution of the problem concerning the Commission's legal powers for determining controls and penalties in common agricultural policy legislation.
- (iv) Continuation of the sector-by-sector review of differentiated refunds under the common agricultural policy with a view to simplification and reduction of the risk of fraud.
- (v) Improvements in the reporting of cases of fraud and irregularities by the Member States.

- (vi) Inquiries in the high-risk sectors of the CAP.
- (vi) Improvement of the controls carried out by the Member States.

The internal coordination of the Commission's anti-fraud departments will remain a prime objective and the Commission obviously undertakes to keep the Council, Parliament and - through the Community Committee on Fraud Prevention - the Member States fully informed of its work in combating fraud and of the progress achieved.

#### 4.3 The fight against fraud : the leitmotiv

The fundamental theme running through this first annual report is the need for cooperation at all levels, without which the fight against fraud will founder. Administrative and political cooperation between the Community institutions, between these institutions and the Member States and between the Member States themselves is vital if fraud is to be stemmed, especially in the post-1992 Community where controls at the internal borders will have disappeared and where Community-wide surveillance and intelligence will be of paramount importance.

List of budget headings relating to fraud prevention

PART	ARTICLE ITEM	HEADING	APPROPRIATIONS	APPROPRIATIONS
			1990	1989
A	353	Coordination of action against fraud		
	3530	Unit for the coordination of fraud prevention	195 000 (non-comp) (non-diff)	180 000
	3531	Controls, studies and analyses <sup>1</sup>	9 000 000 (non-comp) (non-diff)	
	354	Computerized customs network for fraud prevention	2 000 000 (non-comp) (non-diff)	743 000
	355	Coordination of customs inspections	2 500 000 (non-comp)	-

<sup>1</sup> Part of the ECU 70 million proposed by the Commission in the preliminary draft budget.

PART	ARTICLE ITEM	HEADING	APPROPRIATIONS		
			1990	1989	
B	298	Measures to combat fraud affecting the EAGGF Guarantee Section <sup>1</sup>	p.m. (see Ch. 100)	(non-comp) (non-diff)	-
	302	Measures to combat fraud affecting the EAGGF Guidance Section	p.m.		-
	382	Inspection in agriculture			
	3820	Controls and fraud prevention <sup>1</sup>	40 000 000	(non-comp) (non-diff)	27.300.000
	3821	Other agricultural controls	12 000 000		2 700 000
	501	Measures to combat fraud affecting the Regional Fund	p.m.		
	601	Measures to combat fraud affecting the Social Fund	p.m.		
	Ch. 100	(Provisional appropriations) - amount earmarked for Article 298 <sup>1</sup>	21 000 000		

<sup>1</sup> Part of the ECU 70 million proposed by the Commission in the preliminary draft budget.

ANTI-FRAUD POLICY  
COMMISSION WORK PROGRAMME

ANNEX II

Measures and planned dates*	Action already taken	Action still to be taken
<p>1. <u>PREVENTION</u> 1.1 <u>Simplification of legislation</u></p> <p>1. Setting-up of a group of experts to review agricultural legislation (second half of 1989)</p> <p>2. Rationalization of the differentiated refund arrangements (second half of 1989)</p> <p>3. Finalization of the draft European Customs Code (proposal for a regulation to be forwarded to the Council in December 1989)</p> <p>4. Measures to simplify Community transit arrangements (end of first half of 1989)</p>	<p>Preparations are well advanced.</p> <p>The number of tariff headings for export refunds in the beef/veal sector has been reduced by one third (see Regulation No 1468/89)</p> <p>Preparations are continuing for the code to be submitted to the Council in the first quarter of 1990.</p> <p>Commission proposal to the Council of 21 June 1989</p> <p>Proposal for a Council Regulation presented by the Commission on 17 October 1989 (COM(89)480 final - SYN 55) to replace Council Regulation No 222/77</p>	<p>Work due to start in the first quarter of 1990</p> <p>The review will continue in all sectors</p> <p>Proposal to be submitted in the first quarter of 1990 Adoption by the Council in 1990</p> <p>Adoption by the Council</p> <p>Adoption by the Council</p>

( )  
↓

\* The dates shown in this column are for the start and not the end of the measure.

Measures and planned dates	Action already taken	Action still to be taken
5. Possible tightening-up of legislation on anti-dumping duties (end of first half of 1989)	A conference with representatives from the Commission and the Member States was held in June to analyse the difficulties encountered in fraud prevention in connection with anti-dumping duties	Permanent monitoring necessary
1.2 <u>Introduction of appropriate controls and administrative sanctions</u>	1. A list of all control measures and sanctions has been drawn up	
6. Harmonization of the rules on CAP controls	2. A proposal for a horizontal regulation is being prepared	2. Proposal to be submitted to the Council and adopted
	3. A number of recent regulations contain provisions relating to controls and sanctions	3. Operation to be continued
	4. A report to the Commission is now being prepared	4. Report to be sent to the Commission
7. Revision of the proposal for a regulation on monitoring the payment of amounts granted in respect of exports of agricultural produce (first half of 1990)	Proposal submitted to the Council on 16 June 1989 (COM(89)294)	Adoption by the Council

38

Measures and planned dates	Action already taken	Action still to be taken
8. Adoption of specific rules on granting of export refunds in beef/veal sector (first half of 1989)	This item is covered by a more wide-ranging review	Proposal for a regulation to be submitted to the management committee
9. Reexamination of concept of proof of arrival at final destination of exported agricultural products as defined by Regulation No 3665/87 (second half of 1989)	1. Proposal for a regulation: The management committee has given an unfavourable opinion on deletion of the "Annex II" document 2. The proposal has been sent to the Council	Adoption by the Council
10. Amendment of Directive 77/435 with a view to tightening controls (first half of 1989)	On 21 December 1989 the Council adopted Regulation No 4045/89 replacing Directive 77/435	Monitoring application of the Regulation and, possibly, establishment of implementing provisions

3  
6

Measures and planned dates	Action already taken	Action still to be taken
11. Measures to improve operation and monitoring of public storage on basis of findings of Member States working party (presentation to the Council in the first half of 1989)	Reform of the flat-rate system for financing storage costs	Further adjustment of the regulations governing public storage and improvement of national and Community accounting systems; amendment of Regulation No 3247/81 - adoption by the Council and implementing measures by the Commission
12. Assessment of the susceptibility to fraud of contractual expenditure and possible measures to be taken (second half of 1989)	Appointment of heads of the anti-fraud units in the Directorates-General concerned	Thorough analysis with the departments responsible
1.3 <u>Assessment of applicability and controllability of regulations</u>		
13. Definition of procedures for preventing fraud and introduction of preventive control system (first half of 1989)	In preparation within the Commission departments. Already implemented by DG VI	Adoption by the Commission in first quarter of 1990

GH



Measures and planned dates	Action already taken	Action still to be taken
14. Audit of national systems for combating fraud (second half of 1989)	Preliminary study in connection with own resources completed	The compilation of data has started and will continue for around three years
15. Setting-up of working party to oversee harmonization of procedures for administering and monitoring financial assistance from structural Funds (first half of 1989)	The guidelines have now been drawn up and were approved by the Commission on 17 December 1989	Communication to the Member States scheduled for the first quarter of 1990
16. Constitution of working party to define in detail rules for implementing provisions of Article 23(1) of Regulation (EEC) No 4253/88 of 19 December 1988 (first half of 1989)	On 17 December 1989 the Commission approved a code of conduct containing the implementing provisions which will be presented to the Member States in the near future in the UCLAF Committee	The text of the code of conduct must be agreed between the Commission and the Member States

Measures and planned dates	Action already taken	Action still to be taken
17. Audit of national arrangements for monitoring operations under the structural Funds (second half of 1989)	A methodological approach is now being developed	Visits and discussions with the Member States
18. Inquiry into the conditions under which Member States grant aid for private storage in beef/veal sector (first half of 1989)	On-the-spot inquiries completed	Further information to be obtained before the conclusions are drawn up
19. Inquiry into risks of fraud in connection with ewe premiums in some Member States (first half of 1989)	Major irregularities discovered during controls already conducted	Controls in other Member States planned for 1990. Establishment of control procedures following adoption of Council Regulation No 3013/89, in line with experience gained.

Measures and planned dates	Action already taken	Action still to be taken
20. Inspection of procedures and methods available to the Member States for determining number of cattle and sheep in respect of which premiums are paid (second half of 1989)	The controls conducted in some Member States (see 19) have revealed defects and shortcomings in the national management and control procedures	Controls in other Member States planned for 1990
21. Possible creation of new national departments or agencies (second half of 1989)	Proposal of 13 July 1989 amending Regulation No 2262/84 (olive oil) (COM(89)349 final)	Adoption by the Council
22. Gradual involvement of specialized firms in activities carried out by Member States (second half of 1989)	Draft proposal for a Commission Regulation amending Regulation No 3365/87 in preparation	To be submitted to the Trade Mechanisms Committee

43

Measures and planned dates	Action already taken	Action still to be taken
23. Introduction of specific control measures in wine-growing sector (second half of 1989)	Regulation No 2048/89 was adopted by the Council on 19 June 1989	Operation completed
24. Survey on conditions of application of Regulation No 283/72 concerning irregularities in CAP (second half of 1989)	Surveys carried out in several Member States. The findings were taken into account for drawing up the proposal amending Regulation No 283/72	Surveys in the other Member States planned for 1990
25. Clarification of concept of irregularity in Article 3 of Regulation No 283/72 (first half of 1989)	The EAGGF Irregularities and Mutual Assistance Working Party has reached agreement on the interpretation of the concept of irregularity (Working Paper VI/680/89 presented to the Working Party on 7 April 1989)	Operation completed

hb

ANNEX II

Measures and planned dates	Action already taken	Action still to be taken
<b>11. Cooperation</b>		
<b>2.1 Improving channels of communication and analytical methods</b>		
26. Generalized use of the SCENT system by the Member States (nearing completion)	All but one of the Member States use the SCENT system	Connection of the twelfth Member State. Inclusion of fraud prevention units in agricultural sector
27. Extension of capacity of IRENE database (starting in second half of 1989)	As a result of DG VI's activities, a subsidiary IRENE base system has become operational for the computerized management of the irregularities communicated. UCLAF recently began its IRENE-3-UCLAF programme to record communications under Regulation No 1552/89 (traditional own resources)	Creation of a navigator and increase in user-friendliness; extension of the system to sectors other than agricultural expenditure and traditional own resources
28. Creation of DAF hand-in-hand with audit of national systems (feasibility study by end of 1989)	Assistance in computer matters from Ispra Research Centre. Information now being analysed with a view to a feasibility study	Completion of project linked with audit (see 14); duration: around three years

sh

ANNEX II

Measures and planned dates	Action already taken	Action still to be taken
29. Gradual expansion of capacity of instruments for assessment of cases of fraud in conjunction with IRENE database (second half of 1989)	See also 27	Development of analytical tables
<u>2.2 Stepping up cooperation between Commission and national fraud prevention departments</u>		
30. Stepping up administrative cooperation between customs departments and the Commission (in progress)	Development of mutual assistance, Regulation No 1468/81 95 cases dealt with in 1989	Continuation of cooperation with Member States within framework of mutual assistance
31. Training for national customs officials under MATHAEUS programme, with view to implications of internal market (from 1990)	Trial project for 46 officials in progress  Organization of vocational training seminars for customs departments	Pilot project for 800 officials in early 1990 Actual programme in early 1991  Operation to be continued and expanded in coming years

46

ANNEX II

Measures and planned dates	Action already taken	Action still to be taken
32. Seminar on legal protection of Community's financial interests (November 1989)	Seminar held from 27 to 29.11.89 and attended by national judges, academics, and senior representatives of Community institutions	Operation completed ) The training ) and ) conference ) programme ) for 1990 is ) being ) drawn up )
33. Seminar on the falsification of papers and supporting documents (second half of 1989)	Seminar held at Ispra from 18 to 20 October with experts from investigation departments of Member States	Operation completed )
2.3 Incentives		
34. Study on sharing of financial losses between Member States and Community (second half of 1989)	In progress at Commission	Completion in first half of 1990

44

Measures and planned dates	Action already taken	Action still to be taken
35. Financial contributions to strengthen national control departments and to meet some costs of recovering amounts wrongly paid (new measures)	1. Council adopted Regulation No 4045/89 on 21 December 1989 2. The Commission is drawing up a draft proposal amending Regulation No 283/72 3. Draft proposal for a Council Regulation tightening up controls on certain EAGGF expenditure	1. Operation completed 2. Proposal to be submitted to the Council and adopted 3. Proposal to be submitted to the Council and adopted
36. Charging to Community budget of financial consequences of failing to recover amounts wrongly paid (first quarter of 1989)	74 cases settled	Ongoing action
<u>2.4 Expanding possibilities of Community intervention in relations with non-member countries</u>		
37. Conclusion of mutual assistance agreements with Community's main trading partners (first half of 1989)	On 10 October 1989 Council adopted a negotiating mandate for mutual assistance agreements with EFTA countries	Finalization of negotiations

84



ANNEX II

Measures and planned dates	Action already taken	Action still to be taken
38. Inclusion in Lomé IV of provisions guaranteeing cooperation of ACP countries on cases of fraud involving exports of agricultural products (under negotiation, to be completed by end of 1989)	1. This subject was dealt with in Commission's communication to Council on negotiating directives for new ACP-EEC Convention 2. The Fourth Lomé Convention was signed on 15 December 1989	
<u>III. Counteraction</u> <u>3.1 Additional protection for the Community's financial interests</u>		
39. Adoption of draft treaty on criminal law protection of Community's financial interests and prosecution of infringements of Community law (in progress)	The strategy to be adopted after the Court's ruling in case 68/88 is now being examined	Adoption of guidelines in first quarter of 1990
40. Inclusion in Community rules of concept of subsidy fraud (second half of 1989)	Examination now in progress in connection with audit of national systems (see 14)	Adoption of guidelines for 1990

6h

ANNEX II

Measures and planned dates	Action already taken	Action still to be taken
<u>3.2 Consolidating and extending Commission's supervisory powers</u>		
41. Clarification, in conjunction with national authorities, of scope and aims of new rules contained in Regulations No 1552/89 and No 1553/89 on own resources (operation began in June 1989)	Finalization of standard irregularity report presented to Member States within ACOR  Computerization of information (see 27)	Develop computerization of irregularity reports in cooperation with Member States
42. Analysis and assessment of anti-fraud activities carried out by national authorities on basis of the information obtained under new regulation on traditional own resources		Action to be taken in the first half of 1990 on the basis of information to be supplied by Member States
43. Scrutiny of national VAT controls in accordance with Regulation No 1553/89	Operation in progress	Drafting of a three-yearly report on procedures applied in Member States and possible improvements to be made

50

ANNEX II

Measures and planned dates	Action already taken	Action still to be taken
44. Stepping-up of cooperation with national judicial bodies (ongoing action)	Seminar mentioned at 32	Operation to be continued
45. Increased recourse to firms specializing in auditing and controls, and to private experts (ongoing action)	An appropriation for this operation is contained in draft 1990 budget	Implementation in 1990