Fight against fraud and protection of the Community's financial interests. 1998 annual report

2000/2032(COS) - 17/12/1999 - Non-legislative basic document

PURPOSE : To present the Commission's Annual Report on protecting the Communities' financial interests and the fight against fraud. CONTENT : The report cites the special circumstances under which the tenth annual report was drafted. On 16 March 1999, the Commission resigned. This report was begun during the period of the outgoing Commission under the direction of UCLAF and has been finished by the European anti-fraud Office (OLAF). It describes the unique period of transition between the two Commissions as well as from the anti-fraud structure to the new Office. It states that cases of fraud and other irregularities must be detected by the Member States and the Commission, working closely together. The principal obligation is on the Member States, since they collect traditional own resources and administer about 80% of the Budget (which amounted to ECU 82.8 billion for 1998). On the basis of definitions of concepts of 'irregularity' and 'fraud' an attempt has been made for the first time to quantify the number of frauds on the budget. This amounts to about 20% of the number of irregularities notified by the Member States. The figures need to be interpreted with caution, since a limited number of cases can have a large effect on the statistics. Fraud against own resources was significantly reduced in 1998 from 1997, chiefly owing to increased detection of cigarette trafficking. Fraud against theStructural Funds decreased in amount, but this is related to the small number of cases UCLAF dealt with. The same unit that investigates the Funds also dealt with internal matters in the institutions, and the latter were made the highest priority. In the area of the EAGGF Guarantee Section, the amount involved in fraud or irregularities increased, due to the fact that Member States reported new cases in 1998 covering several years of investigations. The report details the investigations undertaken both by work of task groups and by budget sector. It goes on to discuss the main developments in the protection of the Communities' financial interests. - reform of the Community transit system reform of the preferential tariff arrangements - Indirect taxation, particularly the need to set up an early warning system for movements of tobacco and alcohol and, in the longer term, to set up a computerised monitoring and control system. - Co-operation and partnership with the Member States, including judicial and police co-operation and plans for the protection of the euro against counterfeiting from 1 January 2002. In addition, the new Customs Information System was introduced in 1998. It enables national administrations in the Member States to exchange information on customs fraud cases quickly and securely. - Co-operation with non-member countries. Agreements have been concluded with 33 providing for mutual assistance on customs matters. With regard to a pre-accession strategy on fraud, UCLAF concentrated on Poland, partly because it is the largest of the applicant countries and receives the biggest share of PHARE funds. Part of its border will form part of the Union's external border when it joins. A multidisciplinary central structure to fight fraud has been established.