System of the Communities' own resources: implementing Decision 94/728/EC, Euratom

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In accordance with Council Regulation (EC, Euratom) No 1150/2000, the Commission presents its fifth report on the operation of the inspection arrangements for traditional own resources (2003-2005). This report describes and analyses the operation of the inspection system for traditional own resources for the period covering 2003 to 2005. It describes the Commission's inspection measures over this period, assesses the measures carried out and draws conclusions. The report also outlines the financial, legal and regulatory follow-up to these inspections. Finally, this report gives an account of the outcome of other Commission measures over the period in question to improve recovery and prepare the acceding countries. The annex to this report describes the objectives of the inspections and how the inspection system operates at Community level.

During the period 2003-2005, the Commission carried out **73 inspections** (as against 65 during the period 2000-2002) revealing **297 anomalies** with a financial impact of €127 million (not including interest on late payment). Of the 297 anomalies noted (as against 304 anomalies during the period 2000-2002), 130 had a financial impact (43.80% of the anomalies), 101 a regulatory impact (34%) and 66 fell into the category "other" (22.20%). The Commission has taken appropriate measures to resolve the financial consequences of the anomalies observed.

In 2003 and 2004, the Commission initiated an inspection operation on the management of "electronic customs declarations". This was conducted in all the Member States which belonged to the EU in 2003, with the exception of the Netherlands and Luxembourg. A number of anomalies were noted, but the systems installed in the Member States were on the whole satisfactory. The Commission recommended that computerisation should be extended with a view to improving the management of customs clearance and the collection of own resources.

The inspection measures concerning inward processing carried out in 2003 (NL), 2004 (FR, IE, IT, AT) and 2005 (DE, UK) revealed a number of shortcomings as regards the management of control of this customs procedure, some with financial consequences. The Member States concerned have informed the Commission that they have taken the measures necessary. In 2004 inspections of simplified procedures in Community air transit in Germany, Luxembourg and the United Kingdom revealed major shortcomings in the management and control of these procedures. The three Member States concerned have since taken strict measures to improve the situation.

Inspections were also carried out on the entry and import of fishery products into the Community and customs warehousing.

At 31 December 2005, a total of **25 cases** involving 10 Member States were at various stages of the procedure (formal notice, reasoned opinion, referral). In 2005, the European Court of Justice delivered a number of important judgments following infringement procedures brought by the Commission. In 2005 three Court judgments upheld the Commission's position as regards Community transit and the financial consequences of errors by the Member States. In 2006 a judgment upheld the Commission's position concerning the time limit for entering duties in the accounts.

Over the reference period (2003-2005) additional entitlements totalling more than **€127 million** (not including interest for late payment) were paid to the Commission following observations it made in reports on joint or autonomous inspections, following inspections by the Court of Auditors or following the Commission's other inspection activities. Over the period 2003-2005 interest for late payment paid by the Member States totalled more than €77 million.

Over the period 2003-2005, the Commission was able to improve its monitoring of recovery in the Member States through the introduction of the new OWNRES data base, amendment of the rules on the writing-off of irrecoverable entitlements, the Court's case law on the financial consequences of errors by the Member States and monitoring activities geared to the acceding countries.

The results recorded from 2003 to 2005 show that the Commission's inspections of traditional own resources are necessary. This inspection activity ensures equality of treatment between the Member States as regards both application of the customs and accounting rules and protection of the European Union's financial interests.

In future, the Commission intends:

- to continue its traditional role as regards on-the-spot inspections, while improving its inspection methods (audit tools, etc.);
- to continue strengthening its monitoring of recovery measures in the Member States by introducing an IT tool allowing user-friendly treatment of cases of irrecoverable entitlements that are written off and reported to the Commission;
- to continue monitoring the acceding countries, so as to obtain a reasonable degree of assurance that these countries' systems for collecting traditional own resources meet Community requirements by the time of accession.