

Protection of the Communities' financial interests: fight against fraud. Annual report 2005

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The Committee on Budgetary Control adopted an own initiative report drawn up by Mr Francesco **MUSOTTO** (EPP-ED, IT) in response to the 2005 and 2006 annual reports from the Commission on the protection of the Communities' financial interests and the fight against fraud.

The parliamentary committee welcomes the fact that the annual reports on the protection of the Communities' financial interests have become more analytical, even though the statistics rely on very diverse national structures with different administrative, judicial, supervisory and inspection systems. Members call for the annual reports and the reports drawn up by Parliament on the basis of those reports, to be included in the Council's agenda, and for the Council, subsequently, to forward its observations to Parliament and the Commission.

As far as own resources are concerned, the report notes that the amount affected by irregularities rose by 7% from EUR 328 million in 2005 to EUR 353 million in 2006. The products most affected were televisions and cigarettes. The number of cases in Italy (+122%) and the Netherlands (+81%) rose sharply.

As far as agricultural expenditure is concerned, the amount affected by irregularities fell from EUR 105 million in 2005 to EUR 87 million in 2006. Spain, France and Italy were responsible for 57.2% of the irregularities, or a total of EUR 64.9 million, while the sectors most affected were rural development, beef and veal, and fruit and vegetables.

Concerned by the fact that the level of recovery of sums unduly paid remains low and varies between Member States, members call on the Commission to step up its efforts to improve the recovery rate.

MEPs fully support the Commission in the rigorous application of the legislation on suspension of payments. They urge that CAP funding should also be subject to the same procedure as the measures for the non-transfer of funds where the Commission does not have an absolute guarantee of the reliability of the management and control systems of the Member State which is the beneficiary of those funds.

The report also points out that the amount affected by irregularities relating to structural actions increased by 17% (from EUR 601 million in 2005 to EUR 703 million in 2006). In this respect, it regrets that of the 95 projects funded using Structural Funds audited over the current funding period, 60 were affected by material errors in declared project expenditure. MEPs consider that a greater number of projects should be audited. In addition, they call on the Commission to inform Parliament's relevant committees twice a year on the progress made and the specific measures taken in order to speed up the recovery of the outstanding amounts (EUR 266.5 million has still to be recovered for 2006, while for previous years EUR 762 million still needs to be recovered).

In order to remedy weaknesses, members call on the Commission to include an analysis of the Member States' structures involved in combating irregularities in the 2008 annual report. They also call on the Commission to indicate, as regards the own resources sector, which further actions it will undertake to put a stop to the fraudulent importing of televisions, cigarettes and counterfeit goods in general.

In terms of agricultural expenditure, MEPs consider it wholly unacceptable that for many years Germany and Spain have not been forwarding information to the Commission, in electronic form, on irregularities concerning agricultural expenditure. The Commission is therefore urged to start infringement procedures against these two Member States and to withhold 10% of agricultural payments pending the procedure. The Commission should also take a firm stance should Greece fail to comply with the action plan for introducing the Integrated Administration and Control System.

The report underlines that the Commission should attach particular importance to criminal networks specialising in the misappropriation of EU funds. The Commission is therefore called upon to provide Parliament's Committee on Budgetary Control with a detailed analysis of the system or systems used by organised crime, whether run on mafia lines or not, to undermine the Communities' financial interests.

As a general principle, members urge Member States to guarantee the quality of their supervisory and control systems and emphasise the direct responsibility of Member States in recuperating funds, the payment of which is affected by irregularities. They reiterate their encouragement to the Commission to suspend interim payments to Member States in cases of serious irregularity. They also call on the Commission to take the appropriate measures (including infringement procedures), against those Member States which do not assist the Commission services in carrying out on-the-spot checks.

As regards value added tax (VAT) fraud, the report is extremely concerned at the financial losses caused by 'carousel' transactions. MEPs consider that improved cooperation between the services concerned and with the Commission (OLAF) is essential.

Lastly, members remind the Commission that the Parliament is in favour of grouping together OLAF's investigatory powers in a single regulation. They therefore call on OLAF, as a matter of urgency, to submit an analysis of the interoperability of the different legal bases granting investigative powers to it, in the context of the future revision of the OLAF Regulation.