2013 annual report on the protection of the EU's financial interests - Fight against fraud

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The European Parliament adopted by 636 votes to 9, with 62 abstentions, a resolution on the Annual Report 2013 on the Protection of the EU's Financial Interests – Fight against fraud.

The resolution stressed that the **diversity of legal and administrative systems** in the Member States presents a challenging environment in which to overcome irregularities and combat fraud. The fight against fraud, corruption and money laundering in the Union must be a priority for political action by the Community institutions, and police and judicial cooperation between Member States is therefore crucial.

The main elements of the resolution may be summarised as follows:

Detection and reporting of non-fraudulent and fraudulent irregularities: Parliament stressed that **close cooperation and coordination between the Commission and the Member States must be strengthened in order to ensure that the Union's financial interests are protected effectively**. It also noted that number of **cases of fraud and errors rose significantly**, even though their financial impact decreased. The Commission is called upon to analyse these cases better to prevent further loss of funds.

Members underlined that the current lack of results in the fight against fraud is **not due to a lack of regulation but to a lack of implementation** and called for the EU funds to be properly managed and used in the most efficient way possible. The Commission is called upon to **assume full responsibility** for the recovery of funds unduly paid from the EU budget and to establish **uniform reporting principles** in all Member States for the purpose of collecting the appropriate comparable and accurate data.

Revenue: Parliament welcomed the fact that 98% of Traditional Own Resources (TORs) are collected without significant problems. It stressed however that the smuggling of heavily taxed goods causes significant losses of revenue to the budgets of the EU and the Member States, and that direct losses in customs revenue as a result of cigarette smuggling alone are estimated at more than EUR 10 billion a year.

As regards **VAT**, the resolution stated that in many Member States the VAT gap is continuously high owing to VAT fraud and avoidance. Therefore, the Commission is called upon fully use its powers in order to help the Member States in their **fight against VAT fraud and tax avoidance**.

Expenditure: the resolution noted the alarming 76% increase in the number of irregularities reported as fraudulent regarding EU expenditure. Parliament called for **proposals to reduce the number of spending programmes** and to target programmes at the Member States who are most in need of support. Members expressed concern that in the **agricultural sector the number of both irregularities in general and fraudulent activities in particular increased significantly in 2013** as compared with 2012. Targeted measures are needed to combat this trend.

The resolution acknowledged that in 2013, as part of the Pre-Accession Assistance (PAA), 33 irregularities were reported as fraudulent, involving an amount of EUR 14.4 million, and that those irregularities are mainly related to the Special Accession Programme for Agriculture and Rural Development (SAPARD). In this regard, it called for **proposals to reduce the number of spending programmes**, in particular when they partly overlap, and to target programmes, whenever possible, at the Member States who are most in need of support, so that not all programmes necessarily benefit activities in all Member States.

Problems identified and measures required: Parliament underlined its concerns as regards the persisting threats to the EU budget, which stem from both failures to comply with the rules (non-fraudulent irregularities) and purposeful wrongdoings and criminal offences (i.e. fraud). It called on the Commission to develop **common guidelines and indicators** in order to narrow the gap between the different approaches of the Member States and to develop a **unified and comprehensive information bank on irregularities** actually instigated and on measures taken, thus providing authorities and citizens with trustworthy, comparable and centralised data for the implementation of effective corrective measures.

Another problem is the delay between the occurrence of an irregularity and its detection. Reporting and management systems should be improved in this regard.

Cooperation with anti-fraud bodies: the Commission is invited to create a **mechanism for the exchange of information** between the national competent authorities with a view to helping to detect any transnational fraud in the context of the new MFF 2014-2020. Moreover, the Commission is called upon to promote adequate legislation on the **protection of whistle-blowers**, access to information and the transparency of lobbying, It should also further **enhance its supervisory role** in respect of EU budget expenditure.

AFCOS: Parliament welcomed the establishment of anti-fraud coordination services (AFCOS) in Member States which aims to facilitate effective cooperation and the exchange of information with OLAF and assist in facilitating better reporting of irregularities and contribute towards a balanced interpretation of the relevant EU acts. It is nevertheless concerned by the substantial discrepancies already existing between the different AFCOS established in the Member States in terms of functions, tasks and powers as well as human resources allocated.

Non-compliance with procurement rules: the resolution noted that the level of irregularities and fraud caused by non-compliance with public procurement rules remains high. Parliament called on the Member States to transpose rapidly into national law the recently adopted Directives on public procurement and on the award of concession contracts in order to further mitigate the risk of irregularities and fraud.

Investigations and OLAF: the resolution noted that in 2013 OLAF issued 353 recommendations for administrative, disciplinary, financial or judicial action to be taken by the relevant EU institutions, bodies, offices, agencies or the competent national authorities. However, Parliament is concerned that the rate of indictment following OLAF's judicial recommendations for the period 2006-2013 is only about 54%. It is worried as the low rate of indictment also sheds a bad light on the quality and usability of OLAF's investigative results. It called on the OLAF Supervisory Committee to inform it about the duration of OLAF investigations. It also deemed that a fully-fledged and proper oversight over OLAF's affairs by the Supervisory Committee (without interference in ongoing investigations) is indispensable. It regretted the lack of information available on conviction rates in cases involving offences against the Union's budget. The Commission is urgently called upon to improve the effectiveness of OLAF.