# Annual report 2015 on the protection of the EU's financial interests - Fight against fraud

2016/2097(INI) - 16/05/2017 - Text adopted by Parliament, single reading

The European Parliament adopted by 553 votes to 67, with 56 abstentions, a resolution on the Annual Report 2015 on the protection of the EU's financial interests – Fight against fraud.

Members expressed concern that the number of all fraudulent and non-fraudulent irregularities reported in 2015 **increased significantly, by 36 %**, compared with 2014. Moreover, despite the positive drop of 11 % in the number of irregularities reported as fraudulent, the sums involved increased by 18 % from EUR 538 million in 2014 to EUR 637.6 million in 2015.

**Revenue**: Members are concerned about the losses due to the **VAT gap and intra-community VAT fraud**, which is responsible for EUR 159.5 billion and EUR 50 billion respectively in lost revenue in 2014.

The Commission should have access to Eurofisc and to the information exchanged between Member States with a view to preventing and combating Missing Trader IntraCommunity (MTIC) fraud, commonly called carousel fraud.

Members States are called upon to recover the amounts of **traditional own resources** due more quickly, especially those Member States which need to recover the largest amounts such as Greece, Romania, Latvia, Malta and the Netherlands.

Parliament stressed that China is the primary originating country (80 %) for counterfeit goods, followed by Hong Kong, the United Arab Emirates, Turkey and India. It asked the Commission to raise these problems during trade negotiations with these countries. It also noted with concern that **tobacco smuggling** to the EU has intensified in recent years and, according to estimates, represents an annual loss of EUR 10 billion in public revenue to the EU and Member States' budgets.

**Expenditure**: although the number of reported fraudulent irregularities in 2015 for national resources on the expenditure side of the budget was 14 % lower than in 2014, Parliament is deeply concerned that the number of reported fraudulent and non-fraudulent irregularities relating to the **European Agricultural Guarantee Fund** (EAGF) and to the **European Agricultural Fund for Rural Development** (EAFRD) has been growing annually for at least five consecutive years. It urged the Member States with the highest number of non-fraudulent irregularities reported – Romania, Italy, Spain, Poland, Hungary, Portugal and Lithuania – to urgently and efficiently regulate the situation in order to reverse this trend.

Members regretted that the fraudulent and non-fraudulent irregularities linked to the **Common Fisheries Policy** in 2015 have doubled since 2014, and are the highest ever reported. Cohesion policy also reported a sharp increase in the number of non-fraudulent irregularities.

Faced with the issues highlighted, the resolution suggested that the following measures should be taken:

**Better reporting**: despite Parliament's numerous calls for the establishment of uniform reporting principles in all Member States, there are still significant differences in the number of fraudulent and non-fraudulent irregularities reported by each Member State.

The Commission is called on to:

- **unify the differing approaches** by Member States to preventing, detecting and reporting irregularities, and **non-homogeneous interpretations** when applying the EU legal framework; create a **uniform reporting system**;
- develop a system whereby competent authorities may **exchange information**, enabling cross-checking of accounting records for transactions between two or more Member States in order to prevent cross-border fraud in respect of the Structural and Investment Funds;
- supervise more effectively the use **of exemptions** and the widespread practice of splitting procurement contracts for instance when funds are used in emergency situations and for refugees.

Prevention should involve constant training and support for the staff responsible for the management and control of funds within the competent authorities, as well as exchanges of information and best practices between Member States.

Moreover, Member States should have specific laws against organised crime and step up their efforts in the areas of **public procurement**, financial crime, conflict of interest, corruption, whistle-blowing and the definition of fraud.

**Better controls**: Members States are urged to better carry out the ex-ante controls with the assistance of the Commission and to use all information available to prevent errors and irregular payments related to EU funds.

The Commission is called upon to: (i) further enhance its **supervisory role** through audit, control and inspection activities, remedial action plans and early-warning letters with a view to reducing irregularities; (ii) maintain its **strict policy on interruption and suspension of payments** as a preventive measure against irregularities affecting the EU budget.

Members also suggested that:

- **whistle-blowers** should have a clear position in the EU and Member States' legislative frameworks and ensure a minimum level of protection for European whistle-blowers;
- anti-corruption policies should be evaluated and a **corruption index** be developed in order to rank the Member States;
- encourage **investigative journalism** supported by legal means both in the Member States and in the EU.

As regards **tobacco**, Members pointed out the Commission's decision not to renew the Philip Morris International (PMI) agreement, which expired on 9 July 2016. They asked the Commission not to renew, extend or renegotiate the PMI agreement beyond its expiry date. They urged the Commission to put in place, at EU level, all necessary measures to track and trace PMI tobacco products, and to bring legal action against any illegal seizures of this manufacturer's products until all provisions of the Tobacco Products Directive are fully enforceable.

Members also recalled Parliament's longstanding support for the establishment of an efficient and independent European Public Prosecutor's Office (EPPO) in order to reduce the current fragmentation of national law enforcement efforts to protect the EU budget.

**Investigations and the role of OLAF**: Members regretted that the duration of its investigative phase has grown continuously since 2012 from 22.5 months to 25.1 months in the case of closed cases and from 17.3 months to 18.7 months in all cases. Concerned at the increase mentioned in OLAF's most recent annual report in the number of cases of cross-border fraud, Members called on the Commission to assess the use of joint operations in line with methods and procedures already successfully employed on the customs side.