

Annual report on the protection of the European Union's financial interests - fight against fraud

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The Committee on Budgetary Control adopted an own-initiative report by Marian-Jean MARINESCU (EPP, RO) on the 2017 annual report on the protection of the European Union's financial interests - Fight against fraud.

Members welcomed the fact that the total number of fraudulent and non-fraudulent irregularities reported in 2017 (15 213 cases) fell by 20.8% compared to 2016 (19 080 cases) and that their value fell by 13% (from EUR 2.97 billion in 2016 to EUR 2.58 billion in 2017). They stressed the need for **closer cooperation between Member States** with regard to the exchange of information in order to improve data collection and enhance the effectiveness of controls. They reiterated their request to the Commission to set up a **uniform system for collecting comparable data** on irregularities and cases of fraud in the Member States.

Revenue - own resources

Members expressed concern that, according to Commission statistics, the **VAT gap in 2016 amounted to EUR 147 billion**, representing more than 12% of the total expected amount of VAT revenue, and that the Commission estimates that intra-Community VAT fraud cases cost the Union around EUR 50 billion annually.

The report noted the stable trend in the reported number of fraudulent and non-fraudulent cases linked to traditional own resources (TOR) (4 647 in 2016, 4 636 in 2017), as well as in the sums involved (EUR 537 million in 2016 and EUR 502 million in 2017). It noted however the uneven distribution of irregularities among Member States, with Greece (7.17 %), Spain (4.31 %) and Hungary (3.35 %) clearly above the EU average of 1.96 % for non-collected TOR.

Members noted with dismay that the average recovery rate for cases reported as fraudulent over the years 1989-2017 was only 37 %. They invited the Commission to look for remedies to improve this situation.

The Commission should report annually the amount of EU own resources recovered, following the recommendations made by OLAF, and to communicate the amounts still to be recovered.

Expenditure

Members welcomed the **significant drop** in the number of cases (from 272 in 2016 to 133 in 2017) reported as fraudulent in rural development, and the consequent drop in the value of fraud from EUR 47 million to EUR 20 million. They noted, however, the opposite trend occurring in direct support to agriculture, where the value of irregularities reported as fraudulent grew sharply from EUR 11 million to EUR 39 million.

Underlining the fact that detection capability is a key feature in the context of the anti-fraud cycle, the report called on the Commission to continue supporting Member States with a view to ensuring that both the quality and number of controls are improved, and to share best practice in the fight against fraud.

Members welcomed:

- the creation of the [EU's anti-fraud programme](#), which will be implemented by OLAF under direct management;
- the decision of 22 Member States to set up the [European Public Prosecutor's Office](#) through enhanced cooperation; the Commission is called on to encourage Member States that have so far been reluctant to participate in the European Public Prosecutor's Office;
- the adoption of the Directive on the fight against fraud affecting the Union's financial interests by means of criminal law (the [PIF Directive](#)), which clarifies the issues of cross-border cooperation and mutual legal assistance between the Member States, Eurojust, the European Public Prosecutor and the Commission in the fight against VAT fraud;
- the Commission [proposal](#) for a Regulation of the European Parliament and of the Council on the protection of the Union's budget in the case of generalised deficiencies as regards the rule of law in the Member States.

Members highlighted the benefits of e-procurement for the fight against fraud. They also invited the Commission to:

- engage in a more comprehensive and coherent EU **anti-corruption policy**, including an in-depth evaluation of the anti-corruption policies in each Member State and to develop a systematic and proportional approach to the challenge of the 'revolving door' effect;
- ensure that inspections at the EU's borders are appropriate and harmonised, thereby guaranteeing the Union's security, safety and economic interests, and to commit to fighting trade in illegal and counterfeit goods in particular;
- present a legislative proposal on mutual administrative assistance in those areas of expenditure of EU funds where no provision is made for this to combat transnational fraud;
- swiftly establish the new action plan and the comprehensive EU strategy to fight the **illicit tobacco trade**, that was envisaged for late summer 2018; according to OLAF's estimates, the illicit trade in cigarettes represents an annual loss of EUR 10 billion in public revenue to the EU and Member States' budgets.

Members stressed the need to protect **whistleblowers** who play an important role in preventing, detecting and reporting fraud. They also suggested encouraging and supporting investigative journalism by the Member States and EU.

Lastly, the report called on the Commission and the Member States to jointly ensure that **investigations by OLAF** and by the Member States complement each other, that OLAF enjoys equal investigative powers in every Member State, including access to bank account information, and that evidence collected by OLAF is admissible as criminal evidence by the judiciaries of all Member States.