

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

2018/2152(INI) - 31/01/2019 - Text adopted by Parliament, single reading

The European Parliament adopted by 509 votes to 88, with 46 abstentions, a resolution on the 2017 annual report on the protection of the European Union's financial interests - Fight against fraud.

Parliament stated that sound management of public expenditure and the protection of the Union's financial interests should be essential elements of the Union's policy. It considered that achieving good results with simplification processes involves regular assessment of income, expenditure, results and impacts through performance audits. In view of the diversity of Member States' legal and administrative systems, the Commission should step up its efforts to ensure that the fight against fraud produces more tangible and satisfactory results.

Detection and notification of irregularities

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 in 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.

Parliament stressed the need to make the granting of direct and indirect loans conditional on the publication of tax and accounting data on a country-by-country basis and on the reporting of beneficial ownership data by beneficiaries and financial intermediaries involved in financing operations.

Revenues - 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 the cost to the Union of intra-Community VAT fraud cases amounts to around EUR 50 billion per year.

The resolution noted the stable trend in the number of fraudulent and non-fraudulent irregularities reported in relation to traditional own resources (TOR) (4,647 in 2016, 4,636 in 2017) and the amounts concerned (EUR 537 million in 2016, EUR 502 million in 2017). However, it noted the uneven distribution of irregularities among Member States.

Noting that the average recovery rate for cases reported as fraudulent over the period 1989-2017 was only 37%, Members called on the Commission to seek solutions to improve this situation. They called on the Commission to report annually on the amount of the Union's own resources recovered following OLAF's recommendations and to communicate the amounts still to be recovered.

Expenditures

Members welcomed the significant decrease (from 272 in 2016 to 133 in 2017) in the number of cases reported as fraudulent related to rural development, and the accompanying decrease in the amount of fraud from EUR 47 million to EUR 20 million. However, they noted that there is a reverse trend with regard to

direct support for agriculture, where irregularities reported as fraudulent have increased significantly from EUR 11 million to EUR 39 million.

In order to improve detection capacity, Parliament called on the Commission to support Member States' efforts to increase the quality and number of controls carried out and to share good practices in the fight against fraud.

Members welcomed:

- the creation of the [Union's anti-fraud programme](#), which will be implemented by OLAF under its direct management;
- the decision of 22 Member States to set up the [European Public Prosecutor's Office](#) as part of enhanced cooperation; the Commission is invited 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's [proposal](#) for a Regulation of the European Parliament and of the Council on the protection of the Union's budget in the event of a general failure of the rule of law in a Member State.

The Commission was called upon to:

- develop a more comprehensive and coherent anti-corruption policy, including by carrying out a thorough evaluation of each Member State's anti-corruption policies and to address the issue of slippery floors in a systematic and proportional way;
- develop a framework for the digitisation of all procedures for the implementation of EU policies (call for proposals, application, evaluation, implementation, payment) to be applied by all Member States;
- ensure adequate and harmonised control at the Union's borders, so as to guarantee the Union's security and the protection of its economic interests, with particular emphasis on combating trade in illegal products or counterfeits;
- present a legislative proposal on mutual administrative assistance in the areas of allocation of European funds for which no such provisions are currently in place to combat transnational fraud;
- rapidly establish the new action plan and the overall EU strategy to combat the illicit trade in tobacco products, which was scheduled for late summer 2018; according to OLAF's estimates, the illicit trade in cigarettes causes financial losses of €10 billion to the budgets of the Union and the Member States.

Members stressed the need to protect whistleblowers and to encourage investigative journalism by legal means both in the Member States and within the Union.

Lastly, Parliament called on the Commission and the Member States jointly to ensure that OLAF and Member States' investigations are complementary, that OLAF has the same investigative powers in each Member State, including access to information on bank accounts, and that evidence collected by OLAF is accepted as criminal evidence by the courts in all Member States.