Protection of the financial interests of the Communities, fight against fraud. 2004 annual report

2005/2184(INI) - 19/07/2005 - Non-legislative basic document

PURPOSE : to present the Commission's annual report 2004 on the protection of the financial interests of the Communities - fight against fraud.

CONTENT : The protection of the European Communities' financial interests and the fight against fraud is an area in which responsibility is shared between the Community and the Member States. Consequently, each year the Commission draws up a report in cooperation with the Member States on the measures taken to implement this obligation. In order to make the report more readable, this year the Community and national measures are presented in parallel in each area (rather than being treated separately in two different parts as in previous reports). The aim of this new presentation is to give a fuller overview of an area where Community and national powers complement each other.

The first section of the report deals with major developments in 2004 in the protection of the Communities' financial interests: the reform of the European Anti-Fraud Office (OLAF), the accession of ten new Member States, the signing of a cooperation agreement with the Swiss confederation, the fight again cigarette smuggling, the cooperation agreement concluded with the cigarette company Philip

Morris International to fight against fraud and the signing of the Treaty establishing a Constitution for Europe.

The second section begins by summarising the results of the statistics on the irregularities reportedby the Member States under the sectoral Regulations. The total number of irregularities notified in 2004 was 9 463. The total amount involved was EUR 982 291. There was an overall increase in the number of irregularities notified for 2004. However, the estimated financial impact of the irregularities is lower for all areas except for structural funds. The average financial impact of the irregularities is around 0.19% for agricultural expenditure, 1.5% for own resources and 2% for structural funds (including cohesion funds). The report cautions that there is a distinction between fraud and irregularities. In the case of structural funds, fraud accounts for around 20% of irregularities, i.e. 0.4% of the structural and cohesion fund appropriations.

The report goes on to discuss the measures taken in 2004.The Member States indicated that they had adopted very wide ranging measures aimed at improving the protection of the Community's financial interests: measures to counter money laundering or corruption, national anti-fraud strategies, widening of the area of customs investigations, extension of the definition of certain offences so as to include attacks on the European budget, improvements in financial controls or procedures for the processing of data held on computers and so on.

The report gives a mid-term review of the Commission's 2004-05 action plan and the efforts made to increase OLAF's efficiency. OLAF has made considerable efforts to reduce the length of preliminary assessments and investigations. The average length of assessments of information on suspected irregularities, which rose to 18 months in the period July 2000-June 2001[39], fell to 5 months in 2003-04. The average length of investigations has been falling steadily since 1999 and is now around 22 months compared with 29 months five years ago. In addition, 29 legislative measures programmed were identified as risk measures in terms of fraud proofing. The Office has thus been able to contribute its operational experience in relation to the drafting of Community documents. A sub-section discusses the question of public information in the fight against fraud.

The third section deals with the implementation of the Regulation on mutual assistance in the area of customs and agriculture (Regulation 515/97/EC.) While in general the implementation of the Regulation is satisfactory. Analyses shows that the quality of both Member State and Commission statistical data could be improved and that certain practical problems should be resolved. Given the numerous different kinds and levels of authorities with powers in these fields, cooperation is essential to ensure that the Community's financial interests are effectively protected. This year, mutual assistance between the relevant authorities was chosen by the Commission and the Member States as one of the central questions covered in the questionnaire on which the Member States' contributions are based.

Lastly, section 4outlines the measures taken to improve recoveryof amounts not received or wrongly paid. Clearly, organised financial monitoring is the only way of remedying damage caused to the European budget by fraud and other irregularities. The report only gives a summary and overview of the measures taken and the results achieved by the 25 Member States.