

# Fight against fraud: protection of the Community financial interests, Hercule II action programme 2007-2013

2006/0114(COD) - 26/10/2006 - Court of Auditors: opinion, report

**Opinion 6/2006 from the European Court of Auditors** on the proposal for a Decision by the European Parliament and the Council amending and extending Decision 804/2004/EC establishing a Community action programme “Hercule II”.

In its Opinion, the Court makes the following assessments:

- The main programme sectors namely, technical assistance, training activities and information exchange between legal authorities in the fight against fraud, have not been evaluated according to the terms of Article 27 (3) of the Financial Regulation, which require achievement of the objectives to be monitored by performance indicators. Instead activities have been judged in terms of activity level, without measurable indicators. As a result, the achievement of the expected results and the impact of the programme remain difficult to determine.
- Article 7 (a) of the proposal provides for a report by OLAF on the implementation of the programme and the appropriateness of continuing it by 31 December 2010. Article 7 (b) postpones the evaluation of the achievement of the programme until 31 December 2014. The Court considers that to be too late and therefore suggests that an independent evaluation should be delivered no later than 2010 and should include intermediate evaluation of the programme’s achievements and objectives. Furthermore, information on action financed, and the results obtained in the framework of the Hercule II programme, should be presented in the annual report submitted by the Commission.
- The public contracts referred to in Title V of the Financial Regulation offer OLAF the possibility of managing the programme. This procedure is welcomed as a means of enabling the Office to have greater control over the implementation of the programme.

The structure of the programme, as set out in the legislative financial statement, is expressing operational objectives, which themselves are broken down into activities. On the face of it this structure meets the requirements of the Financial Regulation. However, the structure in the legislative statement does not correspond to the programme’s management structures. The appointment of a programme co-ordinator is not likely to clarify the achievement of objectives that are both formal and diverse or of activities which do not correspond to the practical reality of management. The Court, therefore, considers it advisable for the stated objectives to be reformulated and linked more closely to the aims pursued by the managers. If this is not done performance indicators are likely to prove very difficult to put in place.

- Following action taken by OLAF in the fight against cigarette smuggling, an agreement was reached in June 2004 between the Commission, ten Member States and a major manufacturer of tobacco. Under this agreement, the manufacturer agreed to pay the sum of approximately \$ 1 250 million over a period of 12 years. This sum, which the Commission shares with the countries who signed the agreement, is intended to prove an additional source of funding for combating smuggling and counterfeiting. The annual budget of the Hercule II programme includes approximately EUR 6 million by virtue of the agreement. While the provision of additional funds

to combat fraud in the tobacco sector is to be welcomed, the Court considers it appropriate that measures should be taken to ensure that adequate resources are available for the fight against fraud in other equally sensitive sectors.