Basic information

2008/2242(INI) INI - Own-initiative procedure	Procedure completed
Protection of the Communities' financial interests - Fight against fraud - Annual report 2007 **Subject** 8.70.03 Budgetary control and discharge, implementation of the budget 8.70.04 Protecting financial interests of the EU against fraud	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	DE BLASIO Antonio (PPE-DE)	02/06/2008

Committee for opinion	Rapporteur for opinion	Appointed
REGI Regional Development	STAES Bart (Verts/ALE)	05/11/2008
AGRI Agriculture and Rural Development	PEILLON Vincent (PSE)	07/10/2008

European Commission

Commission DG	Commissioner
European Anti-Fraud Office (OLAF)	KALLAS Siim

Key events

Date	Event	Reference	Summary
23/09/2008	Committee referral announced in Parliament		
16/03/2009	Vote in committee		Summary
25/03/2009	Committee report tabled for plenary	A6-0180/2009	
24/04/2009	Decision by Parliament	T6-0315/2009	Summary
24/04/2009	Results of vote in Parliament		
24/04/2009	End of procedure in Parliament		

Technical information

Procedure reference	2008/2242(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 55-p4 Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	CONT/6/66813

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	AGRI	PE414.304	02/12/2008	
Committee opinion	REGI	PE414.934	08/12/2008	
Committee draft report		PE414.996	18/12/2008	
Amendments tabled in committee		PE421.103	24/02/2009	
Committee report tabled for plenary, single reading		A6-0180/2009	25/03/2009	
Text adopted by Parliament, single reading		T6-0315/2009	24/04/2009	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2009)3615	27/10/2009	

Protection of the Communities' financial interests - Fight against fraud - Annual report 2007

2008/2242(INI) - 24/04/2009 - Text adopted by Parliament, single reading

The European Parliament adopted by 382 votes to 7, with 6 abstentions, a resolution on the protection of the Communities' financial interests and the fight against fraud - Annual report 2007.

The resolution notes that in the areas of own resources, agricultural expenditure, structural actions and direct expenditure, irregularities notified in 2007 totalled EUR 1.425 billion (compared to EUR 1.143 billion in 2006). The amounts notified by the Member States to the Commission in 2007 can be broken down as follows:

- own resources: EUR 377 million (EUR 353 million in 2006);
- agricultural expenditure: EUR 155 million (EUR 87 million in 2006);
- structural actions: EUR 828 million (EUR 703 million in 2006);
- pre-accession funds: EUR 32 million (EUR 14 million in 2006);
- direct expenditure: EUR 33 million.

The Parliament welcomes the efforts already made by the Member States but stresses once again that they should ensure the adequacy of their financial control mechanisms and emphasises the importance of preventive action by the Member States in order to increase the detection of irregularities before any payment is effectively made to the beneficiaries. MEPs emphasise the need for greater harmonisation of methods for collecting and using information, with the aim of providing a standardised framework for evaluating more efficiently the risk of fraud as part of an intensified prevention strategy.

Own resources: the resolution notes that the estimated amount affected by irregularities rose by 6% and that the products most affected by irregularities were, as in previous years, televisions and cigarettes. The Parliament deplores the delay in adopting the proposal for a regulation on mutual administrative assistance for the protection of the financial interests of the European Community against fraud and any other illegal activities, as well as the proposal for a regulation amending Regulation No 1798/2003 to combat tax evasion connected with intra-Community transactions. It therefore invites the Council promptly to adopt the regulation.

It follows with special attention both the Commission proposal for a Council directive concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures and the Commission proposal for a Council directive on administrative cooperation in the field of taxation.

MEPs stress that new political impetus is needed in order to achieve substantial improvements in cooperation in the fight against VAT fraud. The Commission is called upon to undertake a specific assessment of the potential for fraud, by product and by country, taking into consideration the possibility of carrying out systematic, targeted and, where appropriate, permanent, checks both in the country of origin and the country of destination, paying particular attention to the phenomenon of carousel fraud.

Agricultural expenditure: the resolution noted that the estimated amount affected rose by 44% and that the sectors most affected were milk and milk products, fruit and vegetables, sugar, rural development, beef and veal. It notes that the milk, fruit and vegetable, sugar and rural development sectors taken together account for about 77% of the total amount of irregularities and that rural development represents alone about 38% of all irregularities reported. MEPs ask OLAF to pay special attention in its next annual report to the irregularities affecting rural development.

The Commission is called upon to evaluate the efficiency and transparency of monitoring systems relating to payment of farmers in the context of its next annual report. It is also called upon to take a firm political decision should the Greek authorities fail to comply with the deadlines set by the action plan for setting up a new operational Land Parcel Identification System-Geographical Information System.

Structural actions: the resolution acknowledges that irregularities in the use of EU funds relating to mismanagement and sometimes even fraud occur in a large number of Member States. In this context, MEPs endorse the Commission's position in taking corrective action in the event of the detection of irregularities of a serious nature, including the suspension of payments and the recovery of undue or erroneous payments.

While acknowledging that effective absorption of the Structural Funds has posed significant challenges, especially for the new Member States, MEPs welcome the efforts made by these Member States to improve their implementation capacity and invites them to step up that work.

The resolution calls on the Commission and the Member States to work methodically to provide advice on ways of avoiding irregularities and administrative errors and failings. The Commission is called upon to simplify further the management and monitoring procedures of the Structural Funds programmes.

Moreover, MEPs are shocked by the lack of reporting discipline of the Member States after a number of years. They find it unacceptable that six Member States still do not use electronic reporting, 14 failed to comply with the reporting deadlines and some did not classify any of their reported cases of irregularities. They urge the Commission to find effective solutions, besides infringement proceedings, to address the situation, and invite the Commission to seriously consider establishing an effective financial sanctions system to be integrated in the future regulations, and to implement it systematically.

Furthermore, MEPs advocate that more efforts need to be undertaken in view of an improved harmonisation of reporting of irregularities, especially as regards the Cohesion Fund.

Pre-accession funds: the resolution notes that although the number of irregularities decreased, their financial impact increased by 2.2 times, and the financial impact of suspected fraud increased by 3 times, largely due to "non-eligible" expenditures.

MEPs stress that the insufficient quality of reported information remains an outstanding problem, as well as timely reporting. They therefore call on the Member States concerned to cooperate with the Commission to find ways to remedy this situation.

Recoveries: the Parliament regrets that recovery rates are still low, especially in sectors where Member States manage recoveries (according to the OLAF report, currently about EUR 3.75 billion in recoveries are still pending). The Commission is called upon to explore the possibility of introducing a system of surety, such as by putting a certain amount into a reserve or earmarking it, to speed up the recovery of outstanding amounts.

OLAF's relationship with Europol and Eurojust: MEPs feel that it is crucial to create a solid basis for operational and intelligence synergies with Eurojust and Europol, for example by means of a common operational and intelligence team, as this would certainly bring added value to the fight against fraud. The currently overlapping competencies of these bodies should be clarified.

OLAF's cooperation with Member States: MEPs support the major aim of the proposal for a regulation amending Regulation (EC) No 1073/1999 concerning investigations conducted by the European Anti Fraud Office (OLAF) of strengthening OLAF’s independence. They recall, however, the importance of interlinking the work and results of OLAF, the Commission’s services and the Member States’ authorities by effective communication channels avoiding duplication of work and lack of information.

The resolution stresses the need for clearer provisions on procedures and binding time limits for competent authorities in providing the assistance required and generally more binding provisions for cooperation identifying the national authority competent to provide assistance. The Commission is called upon to take appropriate measures, including infringement proceedings, against those Members States which do not assist its services in carrying out on-the-spot checks.

The anti-Fraud coordination service for OLAF in the Member States which acceded to the EU after 2004 are very important information/contact points for OLAF. The resolution notes, however, that so long as these offices are not independent from the national administration, their functional added value is minimal. It therefore invites the Commission to make a proposal to the relevant committee of Parliament about making the work of these offices more valuable and also considers it necessary to improve collaboration with the candidate countries.

Tobacco - Agreement with Philip Morris: MEPs regret that the Commission was unable to provide a comprehensive resolution on the follow-up to Parliament's resolution of 11 October 2007 on the implications of the agreement between the Community, Member States and Philip Morris on intensifying the fight against fraud and cigarette smuggling and progress made in implementing the recommendations of Parliament's Committee of Inquiry into the Community Transit System, and in particular paragraph 49 thereof, which explicitly asked the Commission to publish such a report by the end of 2008. MEPs expect that the Commission will come forward with this report before the end of the discharge procedure for the financial year 2007.

Organised crime: MEPs welcome the publication of the Communication from the Commission of 20 November 2008 on proceeds of organised crime, which deals with the confiscation and recovery of crime. They agree with the Commission that confiscation is one of the most effective ways to fight organised crime and that measures should be put in place in order to increase the limited number of confiscation cases and the modest amounts recovered.

The resolution stresses that it is essential to have in place expedient and effective mechanisms to freeze and confiscate assets abroad and therefore a recasting of the existing EU legal framework should be considered. The Parliament reiterates its call on the Commission to provide it with a detailed analysis of the system or systems used by organised crime to undermine the Communities' financial interest.