

Basic information	
2009/2167(INI) INI - Own-initiative procedure	Procedure completed
Protection of the Communities' financial interests. Fight against fraud - Annual report 2008 Subject 8.70.04 Protecting financial interests of the EU against fraud	

Key players				
European Parliament	Committee responsible		Rapporteur	Appointed
	CONT Budgetary Control		COZZOLINO Andrea (S&D)	01/10/2009
			Shadow rapporteur MACOVEI Monica (PPE)	
	Committee for opinion		Rapporteur for opinion	Appointed
	REGI Regional Development		MAZZONI Erminia (PPE)	04/11/2009
European Commission	Commission DG		Commissioner	
	European Anti-Fraud Office (OLAF)		ŠEMETA Algirdas	

Key events			
Date	Event	Reference	Summary
11/11/2009	Committee referral announced in Parliament		
23/03/2010	Vote in committee		Summary
26/03/2010	Committee report tabled for plenary	A7-0100/2010	
05/05/2010	Debate in Parliament		
06/05/2010	Decision by Parliament	T7-0155/2010	Summary
06/05/2010	Results of vote in Parliament		
06/05/2010	End of procedure in Parliament		

Technical information	
Procedure reference	2009/2167(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 148-p2
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/01375

Documentation gateway				
European Parliament				
Document type	Committee	Reference	Date	Summary
Committee draft report		PE430.549	04/01/2010	
Committee opinion	REGI	PE430.762	27/01/2010	
Amendments tabled in committee		PE438.420	02/02/2010	
Amendments tabled in committee		PE439.320	01/03/2010	
Committee report tabled for plenary, single reading		A7-0100/2010	26/03/2010	
Text adopted by Parliament, single reading		T7-0155/2010	06/05/2010	Summary
European Commission				
Document type	Reference	Date	Summary	
Commission response to text adopted in plenary	SP(2010)4415	06/09/2010		

Protection of the Communities' financial interests. Fight against fraud - Annual report 2008

2009/2167(INI) - 06/05/2010 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on the protection of the Communities' financial interests and the fight against fraud – Annual Report 2008 in response to the [Commission's report](#) on the subject. It notes that the financial impact of irregularities, as far as they have been identified, fell from EUR 1 024 million in 2007 to EUR 783.2 million in 2008, with reductions being recorded in all spending areas except direct expenditure and pre-accession funds.

Parliament stresses that all Member States must provide all necessary resources to combat fraud effectively so as to protect the financial interests of the Union and its taxpayers and to fight organised crime, which, according to national indicators, is increasing its capacity for collusion within institutions, particularly by means of fraud against the Community budget. It also calls on the Commission to take appropriate action with a view to recovering funds that are wrongly paid.

Own resources: Members welcome the fact that the estimated amount affected by irregularities was 12.5% lower than in 2007. They consider it essential to **enact effective legislation to improve administrative cooperation in tackling harmful tax practices** and welcome [proposed legislation](#) to deal with this. The Commission is also asked to provide comprehensive information enabling a comparison to be made between the costs incurred by Member States in collecting traditional own resources and the amount withheld to cover those collection costs.

Agricultural expenditure: Members welcome the fact that the estimated amount affected by irregularities was 34% lower than in 2007, stressing that the relatively small number of irregularities would appear to stem mainly from the higher threshold for compulsory notification (EUR 10 000) introduced

under Commission Regulation (EC) No 1848/2006. They call on the Commission to take further steps to ensure effective implementation of Regulation (EC) No 1975/2006 which lays down new control rules for rural development support measures with a view to ensuring that beneficiaries meet their obligations.

Structural actions: Parliament welcomes the fact that the financial impact of irregularities was 27% lower than in 2007. It expresses concern that Italy, Poland, the UK and Spain reported the largest amount of irregularities, but welcomes the good collaboration initiated by some of these Member States with the Commission to resolve these problems and trusts that other Member States will do likewise. It goes on to note the high incidence of errors linked to ineligible spending and breaches of the rules on public procurement and considers it advisable, therefore, for the Commission to **introduce precautionary guidelines** to clarify how these rules are to be applied and to avoid the managing authority replacing expenditure refused by the Commission as ineligible with new expenditure that is also ineligible. Parliament also calls on Member States to supply the Commission more reliable information on financial corrections for the period 2000-2006. It calls on the Commission to be firm in requiring Member States to provide comprehensive information and meticulously to apply the financial correction rules in connection with operational programmes.

Pre-accession funds: Parliament deplores the fact that the estimated amount affected by irregularities reported by the EU-10 grew by 8%, while that for the EU-2 increased by 152%, and the amounts recovered were 15.6% down on 2007. It calls in particular on Bulgaria and Romania to build up their administrative capacity to manage EU funding, remove conflicts of interest in fund management, improve the supervision of public procurement procedures and swiftly introduce the necessary precautionary, corrective and/or disciplinary measures. The Commission is also asked to adopt a specific policy for ex-post controls under the centralised management arrangements, and to continue with initiatives to improve project design and implementation.

Direct expenditure: the resolution points out that external aid is a sector which is increasingly affected by irregularities and fraud, and it requests the Commission to pay attention to the problem of double financing of projects.

An integrated internal control framework: Members welcome the fact that the [Commission's communication](#) on tolerable risk provided a basis for a debate on this issue, and share the view that different tolerable error thresholds may be set for each sector. It considers that the annual summaries submitted to the Commission by Member States should have a firmer legal basis than that currently in place under the Financial Regulation. Furthermore, it is essential for the Commission to continue to promote Structural Funds' 'contracts of confidence' with Member States and, at the same time, secure additional guarantees in connection with national control systems by forging closer links with the independent Supreme Audit Institutions.

Increased transparency and the fight against fraud, corruption and financial crime: Parliament notes that the public procurement sector is the one most open to risks of mismanagement, and fraud. It calls on the Commission and Member States to improve current rules on public procurement. It asks the Commission to intervene to ensure that all Member States furnish reliable, uniform information on beneficiaries of EU funds which must be included in the Early Warning System and the Central Exclusion Database. The Commission is also asked to do the following:

- begin early discussions with interested stakeholders on all aspects related to the creation of the European Prosecutor's Office for combating crimes affecting the financial interests of the Union and to step up the adoption of all necessary measures for establishing this office;
- develop a proposal on the **mutual recognition of disqualifications**, in particular for professions in the financial area, such as the exclusion of fraudulent offenders from acting as chief executives;
- develop a proposal to extend the EU acquis on common definitions of offences in the area of financial and economic crime;
- consider **banning companies which operate through offshore havens from making business agreements with companies residing in the EU** if their offshore location will unilaterally delay the adoption of cooperation agreements with the Union;
- produce **indicators** that quantify efforts to fight corruption, paying particular attention to public procurement, in accordance with the provisions of the Stockholm Programme.

OLAF's work: Parliament takes the view that OLAF should draw more extensively on the work carried out by the Commission's internal audit services when initiating investigations, rather than relying mainly on information provided by officials or Member States. It is also important to monitor whether and how the Commission's internal audit service takes account of OLAF's recommendations, and Members call on OLAF to provide relevant statistics in its future annual reports. They go on to state that OLAF's work can be made still more effective by ensuring detailed planning of investigations, through the adoption of an ad hoc procedural regulation as a binding guide, promoting the use of SMART objectives and RACER indicators for the investigations themselves, improving cooperation between OLAF and national judicial authorities from the start of the investigative process and rapidly applying a 'core tasks' policy, as well as follow-up procedures during the initial stage of investigations by OLAF, under which small-scale fraud would be handled by other bodies while recurring small-scale fraud which results in large sums from irregularities due to structural problems may be of interest for OLAF investigations.

On **OLAF's cooperation with Member States**, Parliament deplores the shortcomings apparent in Annex I to the 2008 annual report (Implementation of Article 280 of the Treaty by the Member States in 2008) as regards both the way in which the Member States reply to the Commission's questionnaire and the types of question asked by the Commission, which fail to elicit quantifiable answers or which Member States easily avoid. It wants OLAF to present a detailed analysis of the strategies put in place by each Member State to fight fraud, including irregularities caused by corruption. Specific attention should be paid to the implementation of **agricultural and structural funds**. Members consider that the report, complete with 27 country profiles, should analyse the approach followed by national judicial and investigating authorities and the quality and number of controls performed, as well as statistics and reasons in cases where the national authorities have not followed up on OLAF's reports. The report should furnish a knowledge base to be used in better defining OLAF's strategy and the priorities to be followed in special investigations, launching bespoke initiatives, and improving cooperation with Member States and the efficiency of both OLAF and the local supervisory authorities

Lastly, Parliament calls on the Commission to restart the procedure for the adoption of the [Directive on criminal-law protection of the Communities' financial interests](#), blocked by the Council since 2002, and of the [Regulation on mutual administrative assistance for the protection of the Communities' financial interests](#), blocked by the Council since 2005.