Basic information

2014/2155(INI) INI - Own-initiative procedure	Procedure completed
2013 annual report on the protection of the EU's financial interests - Fight against fraud **Subject** 8.70.04 Protecting financial interests of the EU against fraud	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
CONT Budgetary Control	PIRINSKI Georgi (S&D)	01/10/2014
	Shadow rapporteur MACOVEI Monica (PPE) CZARNECKI Ryszard (ECR) THEURER Michael (ALDE) DE JONG Dennis (GUE/NGL) JÁVOR Benedek (Verts/ALE) VALLI Marco (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
REGI Regional Development	ARIMONT Pascal (PPE)	22/09/2014
AGRI Agriculture and Rural Development	The committee decided not to give an opinion.	
PECH Fisheries	The committee decided not to give an opinion.	
LIBE Civil Liberties, Justice and Home Affairs	MACOVEI Monica (PPE)	05/11/2014

European Commission

Commission DG	Commissioner
European Anti-Fraud Office (OLAF)	GEORGIEVA Kristalina

Key events

Date	Event	Reference	Summary
17/07/2014	Non-legislative basic document published	COM(2014)0474	Summary
24/11/2014	Committee referral announced in Parliament		
24/02/2015	Vote in committee		
26/02/2015	Committee report tabled for plenary	A8-0024/2015	Summary
10/03/2015	Debate in Parliament		
11/03/2015	Decision by Parliament	T8-0062/2015	Summary
11/03/2015	Results of vote in Parliament		
11/03/2015	End of procedure in Parliament		

Technical information

Procedure reference	2014/2155(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/8/01672

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE539.821	05/11/2014	
Committee opinion	REGI	PE541.457	05/12/2014	
Amendments tabled in committee		PE544.118	12/12/2014	
Committee opinion	LIBE	PE541.595	09/01/2015	
Committee report tabled for plenary, single reading		A8-0024/2015	26/02/2015	Summary
Text adopted by Parliament, single reading		T8-0062/2015	11/03/2015	Summary

European Commission

Document type	Reference	Date	Summary
Commission document (COM)	COM(2014)0474	17/07/2014	Summary

Commission response to text adopted in plenary	SP(2015)344	20/07/2015	

2013 annual report on the protection of the EU's financial interests - Fight against fraud

2014/2155(INI) - 17/07/2014 - Non-legislative basic document

PURPOSE: to present the Commission's annual report on the protection of the European Union's financial interests.

CONTENT: the report covers the measures taken by the Commission and Member State in the fight against fraud, and their results. The conclusions and recommendations included in the report are based on an analysis of the information available for the past five years (2009-2013) and the problems and risks identified during this time.

Measures to protect the EU's financial interests - 2009-2013 : this series of measures started in 2011, when the Commission adopted its multi-annual Anti-Fraud Strategy (CAFS). The Strategy was pivotal in raising awareness of fraud among the national authorities responsible. and specific antifraud provisions were introduced into the new spending programmes for 2014-20. A second milestone was marked by the adoption of the new OLAF Regulation in 2013.

In 2013, the Hercule II Programme (2007-13) continued to support actions aimed at strengthening the operational and investigative capacity of customs and law enforcement agencies to combat fraud against the EU.

In 2012 and 2013, the Commission **addressed the criminal law aspect of the protection of the**

EU's financial interests by adopting proposals for:

- a directive on the fight against fraud by means of criminal law in July 2012 which should remove loopholes in Member States' anti-fraud legislation that impede the effective prosecution of fraudsters;
- a regulation on the establishment of a European Public Prosecutor's Office (EPPO) in July 2013.

The Commission has also taken a number of significant measures specifically to protect the revenue side of the EU budget. These include:

- the proposal for an amendment of Regulation 515/97 on mutual administrative assistance in the customs area;
- the Directives on a quick reaction mechanism against VAT fraud and a reverse charge mechanism;
- the signing of the FCTC Protocol against illicit tobacco trade; and
- the Communication on the fight against tobacco smuggling in 2013.

The Commission invites the co-legislators to **swiftly complete the legislative work** started and to adopt the pending proposals.

Detection and reporting of irregularities : in 2013, **1609 irregularities** were reported as fraudulent (this includes both suspected and established fraud), involving EUR 309 million in EU funds.

- There are still significant differences in the number of fraudulent irregularities reported by each Member State, possibly due to different approaches to detecting fraud and different interpretations when applying the legal framework.
- Reported fraudulent irregularities have been decreasing on the revenue side.
- On the expenditure side, their number dropped sharply between 2009 and 2011, but is increasing again.
- The involvement of administrative bodies in detecting fraudulent irregularities has continued to increase and the use of falsified documentation has become the most common way of committing fraudulent acts.
- Irregularities not reported as fraudulent have increased, particularly in terms of amounts.

Preventive and corrective measures : in 2013, the Commission made several decisions to ensure that EU resources are spent according to the principle of sound financial management and that EU financial interests are protected.

- It made **217 decisions to interrupt payment** (involving over EUR 5 billion) in the cohesion policy area. Of these, 131 were still open at the end of 2013 (involving about EUR 2 billion of interrupted payments).
- The Commission also made four new suspension decisions (three of these were still ongoing at the end of the year).
- The Commission made financial corrections of over EUR 2.5 billion and issued recovery orders for EUR 955 million.

Anti-Fraud Coordination Services (AFCOS) : the report focuses on the requirement for each Member States to set up an Anti-Fraud Coordination Service (AFCOS) to facilitate effective cooperation and exchange of information with the European Anti-Fraud Office (OLAF).

So far, 23 Member States have appointed an AFCOS. These include all post-2004 Member States, plus Belgium, Denmark, Greece, France, Italy, the Netherlands, Austria, Portugal,

Finland and the United Kingdom.

The responsibilities of national AFCOS vary depending on the country. All Member States gave their AFCOS a coordinating role, albeit to varying extents. Only a few Member States empowered their AFCOS to act in an investigative capacity.

The four Member States who have not formally designated their AFCOS yet – Ireland, Spain, Luxembourg and Sweden - are expected to finalise these before the end of 2014.

Amongst other recommendations, the Commission invites Member States to :

- take into account the recommendations included in the **anti-corruption reports** and the best practices highlighted there ;
- implement the legal requirements regarding main regulatory provisions for the 2014-20 spending programmes according to the **guidelines** on fraud risk assessments and effective and proportionate ant-fraud measures, adopted with national authorities ;
- review their **control strategies** to ensure that well-targeted, risk-based customs controls are in place to make it possible to effectively detect fraudulent import operations ;
- step up work to **ensure timely reporting on and updating of fraud and irregularity cases.** To ensure effective monitoring and follow-up, reliable information on fraud and irregularity cases should be entered in OWNRES ;
- correctly implement the EU's anti-fraud rules, based on carefully prepared and up-to-date **fraud risk assessments**, and supported by adequate IT tools that will help to better target checks ;
- ensure **structured coordination** (exchange of data and information) between anti-fraud bodies and managing authorities, which has proved to be a best practice.

As some Member States report very low numbers of fraudulent irregularities, the Commission recommends **strengthening their work on detecting and /or reporting fraud**: (i) in the area of cohesion policy: France, Spain, Ireland, Hungary, Denmark and the Netherlands; (ii) in the area of agriculture: Lithuania, the Netherlands, Portugal and Finland.

It is recalled that the European Parliament resolution of 3 July 2013 welcomed OLAF's work on implementing the action plan on cigarette smuggling and the Protocol on eliminating illicit trade in tobacco products.

The Commission supports the European Parliament's recommendation for Member States to make it easier for **tax officials to access customs data.** It adopted new provisions on irregular payments, as requested by Parliament in discussions on the recovery system in the agricultural sector.

Lastly, the Commission appreciates the Parliament's support for the Anti-Fraud Strategy for administrative arrangements with third countries and international organisations.

2013 annual report on the protection of the EU's financial interests - Fight against fraud

2014/2155(INI) - 11/03/2015 - Text adopted by Parliament, single reading

The European Parliament adopted by 636 votes to 9, with 62 abstentions, a resolution on the Annual Report 2013 on the Protection of the EU's Financial Interests – Fight against fraud.

The resolution stressed that the **diversity of legal and administrative systems** in the Member States presents a challenging environment in which to overcome irregularities and combat fraud. The fight against fraud, corruption and money laundering in the Union must be a priority for political action by the Community institutions, and police and judicial cooperation between Member States is therefore crucial.

The main elements of the resolution may be summarised as follows:

Detection and reporting of non-fraudulent and fraudulent irregularities: Parliament stressed that **close cooperation and coordination between the Commission and the Member States must be strengthened in order to ensure that the Union's financial interests are protected effectively**. It also noted that number of **cases of fraud and errors rose significantly**, even though their financial impact decreased. The Commission is called upon to analyse these cases better to prevent further loss of funds.

Members underlined that the current lack of results in the fight against fraud is **not due to a lack of regulation but to a lack of implementation** and called for the EU funds to be properly managed and used in the most efficient way possible. The Commission is called upon to **assume full responsibility** for the recovery of funds unduly paid from the EU budget and to establish **uniform reporting principles** in all Member States for the purpose of collecting the appropriate comparable and accurate data.

Revenue: Parliament welcomed the fact that 98% of Traditional Own Resources (TORs) are collected without significant problems. It stressed however that the smuggling of heavily taxed goods causes significant losses of revenue to the budgets of the EU and the Member States, and that direct losses in customs revenue as a result of cigarette smuggling alone are estimated at more than EUR 10 billion a year.

As regards **VAT**, the resolution stated that in many Member States the VAT gap is continuously high owing to VAT fraud and avoidance. Therefore, the Commission is called upon fully use its powers in order to help the Member States in their **fight against VAT fraud and tax avoidance**.

Expenditure: the resolution noted the alarming 76% increase in the number of irregularities reported as fraudulent regarding EU expenditure. Parliament called for **proposals to reduce the number of spending programmes** and to target programmes at the Member States who are most in need of support. Members expressed concern that in the **agricultural sector the number of both irregularities in general and fraudulent activities in particular increased significantly in 2013** as compared with 2012. Targeted measures are needed to combat this trend.

The resolution acknowledged that in 2013, as part of the Pre-Accession Assistance (PAA), 33 irregularities were reported as fraudulent, involving an amount of EUR 14.4 million, and that those irregularities are mainly related to the Special Accession Programme for Agriculture and Rural Development (SAPARD). In this regard, it called for **proposals to reduce the number of spending programmes**, in particular when they partly overlap, and to target programmes, whenever possible, at the Member States who are most in need of support, so that not all programmes necessarily benefit activities in all Member States.

Problems identified and measures required: Parliament underlined its concerns as regards the persisting threats to the EU budget, which stem from both failures to comply with the rules (non-fraudulent irregularities) and purposeful wrongdoings and criminal offences (i.e. fraud). It called on the Commission to develop **common guidelines and indicators** in order to narrow the gap between the different approaches of the Member States and to develop a **unified and comprehensive information bank on irregularities** actually instigated and on measures taken, thus providing authorities and citizens with trustworthy, comparable and centralised data for the implementation of effective corrective measures.

Another problem is the delay between the occurrence of an irregularity and its detection. Reporting and management systems should be improved in this regard.

Cooperation with anti-fraud bodies: the Commission is invited to create a **mechanism for the exchange of information** between the national competent authorities with a view to helping to detect any transnational fraud in the context of the new MFF 2014-2020. Moreover, the Commission is called upon to promote adequate legislation on the **protection of whistle-blowers**, access to information and the transparency of lobbying, It should also further **enhance its supervisory role** in respect of EU budget expenditure.

AFCOS: Parliament welcomed the establishment of anti-fraud coordination services (AFCOS) in Member States which aims to facilitate effective cooperation and the exchange of information with OLAF and assist in facilitating better reporting of irregularities and contribute towards a balanced interpretation of the relevant EU acts. It is nevertheless concerned by the substantial discrepancies already existing between the different AFCOS established in the Member States in terms of functions, tasks and powers as well as human resources allocated.

Non-compliance with procurement rules: the resolution noted that the level of irregularities and fraud caused by non-compliance with public procurement rules remains high. Parliament called on the Member States to transpose rapidly into national law the recently adopted Directives on public procurement and on the award of concession contracts in order to further mitigate the risk of irregularities and fraud.

Investigations and OLAF: the resolution noted that in 2013 OLAF issued 353 recommendations for administrative, disciplinary, financial or judicial action to be taken by the relevant EU institutions, bodies, offices, agencies or the competent national authorities. However, Parliament is concerned that the rate of indictment following OLAF's judicial recommendations for the period 2006-2013 is only about 54%. It is worried as the low rate of indictment also sheds a bad light on the quality and usability of OLAF's investigative results. It called on the OLAF Supervisory Committee to inform it about the duration of OLAF investigations. It also deemed that a fully-fledged and proper oversight over OLAF's affairs by the Supervisory Committee (without interference in ongoing investigations) is indispensable. It regretted the lack of information available on conviction rates in cases involving offences against the Union's budget. The Commission is urgently called upon to improve the effectiveness of OLAF.

2013 annual report on the protection of the EU's financial interests - Fight against fraud

2014/2155(INI) - 26/02/2015 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the report by Georgi PIRINSKI (ALDE, BG) on the Annual Report 2013 on the Protection of the EU's Financial Interests – Fight against fraud.

The report stressed that the **diversity of legal and administrative systems** in the Member States presents a challenging environment in which to overcome irregularities and combat fraud. The fight against fraud, corruption and money laundering in the Union must be a priority for political action by the Community institutions, and police and judicial cooperation between Member States is therefore crucial.

The main elements of the report may be summarised as follows:

Detection and reporting of non-fraudulent and fraudulent irregularities: Members stressed that **close cooperation and coordination between the Commission and the Member States must be strengthened in order to ensure that the Union's financial interests are protected effectively**. They also noted that number of **cases of fraud and errors rose significantly**, even though their financial impact decreased. The Commission is called upon to analyse these cases better to prevent further loss of funds.

Members underlined that the current lack of results in the fight against fraud is **not due to a lack of regulation but to a lack of implementation** and called for the EU funds to be properly managed and used in the most efficient way possible. The Commission is called upon to **assume full responsibility** for the recovery of funds unduly paid from the EU budget and to establish **uniform reporting principles** in all Member States for the purpose of collecting the appropriate comparable and accurate data.

The report also noted that the smuggling of heavily taxed goods and trafficking in counterfeit goods causes significant losses of revenue to the budgets of the EU and the Member States.

As regards **VAT**, the report stated that in many Member States the VAT gap is continuously high owing to VAT fraud and avoidance. Therefore, the Commission is called upon fully use its powers in order to help the Member States in their **fight against VAT fraud and tax avoidance**.

Expenditure: the report noted the alarming 76 % increase in the number of irregularities reported as fraudulent regarding EU expenditure. Members called for **proposals to reduce the number of spending programmes** and to target programmes at the Member States who are most in need of support. Members expressed concern that in the **agricultural sector the number of both irregularities in general and fraudulent activities in particular increased significantly in 2013** as compared with 2012. Targeted measures are needed to combat this trend.

Problems identified and measures required: the report underlined its concerns as regards the persisting threats to the EU budget, which stem from both failures to comply with the rules (non-fraudulent irregularities) and purposeful wrongdoings and criminal offences (i.e. fraud). Members called on the Commission to develop **common guidelines and indicators** in order to narrow the gap between the different approaches of the Member States and to develop a **unified and comprehensive information bank on irregularities** actually instigated and on measures taken, thus providing authorities and citizens with trustworthy, comparable and centralised data for the implementation of effective corrective measures.

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European Public Prosecutor's Office (EPPO): Members reiterated their call for an **independent and efficient EPPO**, operating as a single office which investigates, prosecutes and brings to court the perpetrators of criminal offences affecting the Union’s financial interests.

Lastly, the report noted that the level of irregularities and fraud caused by **non-compliance with public procurement rules** remains high. Members called on the Member States to transpose rapidly into national law the recently adopted Directives on public procurement and on the award of concession contracts in order to further mitigate the risk of irregularities and fraud.