Basic information

2016/2097(INI) INI - Own-initiative procedure	Procedure completed
Annual report 2015 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	PITERA Julia (PPE)	03/06/2016
	Shadow rapporteur PARGNEAUX Gilles (S&D) VISTISEN Anders (ECR) ALI Nedzhmi (ALDE) DE JONG Dennis (GUE/NGL) JÁVOR Benedek (Verts/ALE) VALLI Marco (EFDD) KAPPEL Barbara (ENF)	

Committee for opinion	Rapporteur for opinion	Appointed
REGI Regional Development	GIUFFRIDA Michela (S&D)	25/05/2016
LIBE Civil Liberties, Justice and Home Affairs	CHINNICI Caterina (S&D)	23/05/2016

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	MOSCOVICI Pierre

Key events

Date	Event	Reference	Summary

09/06/2016	Committee referral announced in Parliament		
27/03/2017	Vote in committee		
06/04/2017	Committee report tabled for plenary	A8-0159/2017	Summary
15/05/2017	Debate in Parliament		
16/05/2017	Decision by Parliament	T8-0206/2017	Summary
16/05/2017	Results of vote in Parliament		
16/05/2017	End of procedure in Parliament		

Technical information	
Procedure reference	2016/2097(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/8/06688

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	LIBE	PE589.345	09/12/2016	
Committee draft report		PE589.172	18/01/2017	
Committee opinion	REGI	PE592.212	26/01/2017	
Amendments tabled in committee		PE599.861	01/03/2017	
Committee report tabled for plenary, single reading		A8-0159/2017	06/04/2017	Summary
Text adopted by Parliament, single reading		T8-0206/2017	16/05/2017	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2017)511	26/09/2017	

Annual report 2015 on the protection of the EU's financial interests - Fight against fraud

2016/2097(INI) - 06/04/2017 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the own-initiative report by Julia PITERA (EPP, PL) on the Annual Report 2015 on the protection of the EU's financial interests – Fight against fraud.

Members expressed concern that the number of all fraudulent and non-fraudulent irregularities reported in 2015 **increased significantly, by 36 %,** compared with 2014. Moreover, despite the positive drop of 11 % in the number of irregularities reported as fraudulent, the sums involved increased by 18 % from EUR 538 million in 2014 to EUR 637.6 million in 2015.

Revenue: Members are concerned about the losses due to the **VAT gap and intra-community VAT fraud**, which is responsible for EUR 159.5 billion and EUR 50 billion respectively in lost revenue in 2014.

The Commission does not have access to the information exchanged between Member States with a view to preventing and combating Missing Trader IntraCommunity (MTIC) fraud, commonly called carousel fraud. Members States are called upon to recover the amounts of traditional own resources due more quickly.

Expenditure: although the number of reported fraudulent irregularities in 2015 for national resources on the **expenditure side** of the budget was 14 % lower than in 2014, Members are deeply concerned that the number of reported fraudulent and non-fraudulent irregularities relating to the **European Agricultural Guarantee Fund** (EAGF) and to the **European Agricultural Fund for Rural Development** (EAFRD) has been growing annually for at least five consecutive years.

Members regretted that the fraudulent and non-fraudulent irregularities linked to the **Common Fisheries Policy** in 2015 have doubled since 2014, and are the highest ever reported. **Cohesion policy** also reported a sharp increase in the number of non-fraudulent irregularities.

Faced with the issues highlighted, the report suggested that the following measures should be taken:

Better reporting: despite Parliament's numerous calls for the establishment of uniform reporting principles in all Member States, there are still significant differences in the number of fraudulent and non-fraudulent irregularities reported by each Member State.

The Commission is called on to:

- **unify the differing approaches** by Member States to preventing, detecting and reporting irregularities, and non-homogeneous interpretations when applying the EU legal framework; create a uniform reporting system;
- develop a system whereby competent authorities may **exchange information**, enabling cross-checking of accounting records for transactions between two or more Member States;
- supervise more effectively the **use of exemptions** and the widespread practice of splitting procurement contracts for instance when funds are used in emergency situations and for refugees.

Prevention should involve constant **training and support for the staff** responsible for the management and control of funds within the competent authorities, as well as exchanges of information and best practices between Member States.

Moreover, Member States should step up their efforts in the areas of **public procurement**, financial crime, conflict of interest, corruption, whistle-blowing and the definition of fraud.

Better controls: Members States are urged to better carry out the ex-ante controls with the assistance of the Commission and to use all information available to prevent errors and irregular payments related to EU funds.

The Commission is called upon to: (i) further enhance its **supervisory role** through audit, control and inspection activities, remedial action plans and early-warning letters with a view to reducing irregularities; (ii) maintain its **strict policy on interruption and suspension of payments** as a preventive measure against irregularities affecting the EU budget.

Members highlighted that **whistle-blowers** should have a clear position in the EU and Member States' legislative frameworks and ensure a minimum level of protection for European whistle-blowers.

Members urged the Commission to publish the second **anti-corruption** report and to develop a **corruption index** in order to rank the Member States. They called for **investigative journalism** to be encouraged and supported by legal means both in the Member States and in the EU.

As regards **tobacco**, Members pointed out the Commission's decision not to renew the Philip Morris International (PMI) agreement, which expired on 9 July 2016. They asked the Commission not to renew, extend or renegotiate the PMI agreement beyond its expiry date. They urged the Commission to put in place, at EU level, all necessary measures to track and trace PMI tobacco products, and to bring legal action against any illegal seizures of this manufacturer's products until all provisions of the Tobacco Products Directive are fully enforceable.

Members also recalled Parliament's longstanding support for the establishment of an **efficient and independent European Public Prosecutor's Office** (EPPO) in order to reduce the current fragmentation of national law enforcement efforts to protect the EU budget.

Investigations and the role of OLAF: Members regretted that the **duration of its investigative phase** has grown continuously since 2012 from 22.5 months to 25.1 months in the case of closed cases and from 17.3 months to 18.7 months in all cases. They noted OLAF's role within different joint customs operations (JCOs) in preventing losses for the EU budget.

Concerned at the increase mentioned in OLAF's most recent annual report in the number of cases of cross-border fraud, Members called on the Commission to assess the use of joint operations in line with methods and procedures already successfully employed on the customs side.

Annual report 2015 on the protection of the EU's financial interests - Fight against fraud

2016/2097(INI) - 16/05/2017 - Text adopted by Parliament, single reading

The European Parliament adopted by 553 votes to 67, with 56 abstentions, a resolution on the Annual Report 2015 on the protection of the EU's financial interests – Fight against fraud.

Members expressed concern that the number of all fraudulent and non-fraudulent irregularities reported in 2015 **increased significantly, by 36 %**, compared with 2014. Moreover, despite the positive drop of 11 % in the number of irregularities reported as fraudulent, the sums involved increased by 18 % from EUR 538 million in 2014 to EUR 637.6 million in 2015.

Revenue: Members are concerned about the losses due to the **VAT gap and intra-community VAT fraud**, which is responsible for EUR 159.5 billion and EUR 50 billion respectively in lost revenue in 2014.

The Commission should have access to Eurofisc and to the information exchanged between Member States with a view to preventing and combating Missing Trader IntraCommunity (MTIC) fraud, commonly called carousel fraud.

Members States are called upon to recover the amounts of **traditional own resources** due more quickly, especially those Member States which need to recover the largest amounts such as Greece, Romania, Latvia, Malta and the Netherlands.

Parliament stressed that China is the primary originating country (80 %) for counterfeit goods, followed by Hong Kong, the United Arab Emirates, Turkey and India. It asked the Commission to raise these problems during trade negotiations with these countries. It also noted with concern that **tobacco smuggling** to the EU has intensified in recent years and, according to estimates, represents an annual loss of EUR 10 billion in public revenue to the EU and Member States' budgets.

Expenditure: although the number of reported fraudulent irregularities in 2015 for national resources on the expenditure side of the budget was 14 % lower than in 2014, Parliament is deeply concerned that the number of reported fraudulent and non-fraudulent irregularities relating to the **European Agricultural Guarantee Fund** (EAGF) and to the **European Agricultural Fund for Rural Development** (EAFRD) has been growing annually for at least five consecutive years. It urged the Member States with the highest number of non-fraudulent irregularities reported – Romania, Italy, Spain, Poland, Hungary, Portugal and Lithuania – to urgently and efficiently regulate the situation in order to reverse this trend.

Members regretted that the fraudulent and non-fraudulent irregularities linked to the **Common Fisheries Policy** in 2015 have doubled since 2014, and are the highest ever reported. Cohesion policy also reported a sharp increase in the number of non-fraudulent irregularities.

Faced with the issues highlighted, the resolution suggested that the following measures should be taken:

Better reporting: despite Parliament's numerous calls for the establishment of uniform reporting principles in all Member States, there are still significant differences in the number of fraudulent and non-fraudulent irregularities reported by each Member State.

The Commission is called on to:

- **unify the differing approaches** by Member States to preventing, detecting and reporting irregularities, and **non-homogeneous interpretations** when applying the EU legal framework; create a **uniform reporting system**;
- develop a system whereby competent authorities may **exchange information**, enabling cross-checking of accounting records for transactions between two or more Member States in order to prevent cross-border fraud in respect of the Structural and Investment Funds;
- supervise more effectively the use **of exemptions** and the widespread practice of splitting procurement contracts for instance when funds are used in emergency situations and for refugees.

Prevention should involve constant training and support for the staff responsible for the management and control of funds within the competent authorities, as well as exchanges of information and best practices between Member States.

Moreover, Member States should have specific laws against organised crime and step up their efforts in the areas of **public procurement**, financial crime, conflict of interest, corruption, whistle-blowing and the definition of fraud.

Better controls: Members States are urged to better carry out the ex-ante controls with the assistance of the Commission and to use all information available to prevent errors and irregular payments related to EU funds.

The Commission is called upon to: (i) further enhance its **supervisory role** through audit, control and inspection activities, remedial action plans and early-warning letters with a view to reducing irregularities; (ii) maintain its **strict policy on interruption and suspension of payments** as a preventive measure against irregularities affecting the EU budget.

Members also suggested that:

- **whistle-blowers** should have a clear position in the EU and Member States' legislative frameworks and ensure a minimum level of protection for European whistle-blowers;
- anti-corruption policies should be evaluated and a **corruption index** be developed in order to rank the Member States;
- encourage **investigative journalism** supported by legal means both in the Member States and in the EU.

As regards **tobacco**, Members pointed out the Commission’s decision not to renew the Philip Morris International (PMI) agreement, which expired on 9 July 2016. They asked the Commission not to renew, extend or renegotiate the PMI agreement beyond its expiry date. They urged the Commission to put in place, at EU level, all necessary measures to track and trace PMI tobacco products, and to bring legal action against any illegal seizures of this manufacturer's products until all provisions of the Tobacco Products Directive are fully enforceable.

Members also recalled Parliament’s longstanding support for the establishment of an efficient and independent European Public Prosecutor's Office (EPPO) in order to reduce the current fragmentation of national law enforcement efforts to protect the EU budget.

Investigations and the role of OLAF: Members regretted that the duration of its investigative phase has grown continuously since 2012 from 22.5 months to 25.1 months in the case of closed cases and from 17.3 months to 18.7 months in all cases. Concerned at the increase mentioned in OLAF’s most recent annual report in the number of cases of cross-border fraud, Members called on the Commission to assess the use of joint operations in line with methods and procedures already successfully employed on the customs side.