Basic information

2019/2128(INI) INI - Own-initiative procedure	Procedure completed
Protection of the European Union's finacial interests - combating fraud - annual report 2018 **Subject** 8.70.04 Protecting financial interests of the EU against fraud	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	CONT Budgetary Control	KUHS Joachim (ID)	16/10/2019
		Shadow rapporteur LENAERS Jeroen (EPP) CREȚU Corina (S&D) STRUGARIU Ramona (Renew) PEKSA Mikuláš (Greens/EFA) CZARNECKI Ryszard (ECR) FLANAGAN Luke Ming (GUE/NGL)	

European Commission	**Commission DG**	**Commissioner**
	Budget	OETTINGER Günther

Key events

Date	Event	Reference	Summary
24/10/2019	Committee referral announced in Parliament		
07/05/2020	Vote in committee		
19/05/2020	Committee report tabled for plenary	A9-0103/2020	
09/07/2020	Results of vote in Parliament		
10/07/2020	Decision by Parliament	T9-0192/2020	Summary
10/07/2020	End of procedure in Parliament		

Technical information	
Procedure reference	2019/2128(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 55
Stage reached in procedure	Procedure completed
Committee dossier	CONT/9/01632

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE644.865	10/02/2020	
Amendments tabled in committee		PE648.436	10/03/2020	
Committee report tabled for plenary, single reading		A9-0103/2020	19/05/2020	
Text adopted by Parliament, single reading		T9-0192/2020	10/07/2020	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2020)452	08/12/2020	

Protection of the European Union's finacial interests - combating fraud - annual report 2018

2019/2128(INI) - 10/07/2020 - Text adopted by Parliament, single reading

The European Parliament adopted by 421 votes to 167, with 93 abstentions, a resolution on the protection of the financial interests of the European Union - fight against fraud - annual report 2018.

Detecting and reporting irregularities

Parliament noted that the total number of fraudulent and non-fraudulent irregularities reported in 2018 (11 638 cases) was down by 25% compared to 2017 (15 213 cases) and that the value involved remained stable compared to the previous year (EUR 2.5 billion in 2018 compared to EUR 2.58 billion in 2017).

While the number of fraudulent irregularities reported in 2018 (1152 cases) remained stable compared to 2017, Members regretted that the amounts involved increased by 183%, the increase being largely due to two fraudulent irregularities concerning cohesion policy expenditure. They insisted on the need to recover these high amounts as soon as possible.

The Commission was invited to develop a methodology to improve reliability and provide more accurate estimates of the scale of fraud in the Union. Parliament also regretted that many Member States do not have specific legislation on the fight against organised crime. It called on the Member States to cooperate more closely on the exchange of information.

Parliament condemned the large-scale misuse of European structural and investment funds by high-level government officials in the Czech Republic and by other public actors in Hungary, Greece, Poland, Romania and Italy. It also condemned the misuse of the Cohesion Funds.

Recalling the transparency requirements for the CAP and cohesion policies, Members called on Member States to publish lists of the main beneficiaries of each fund in each Member State. They also called on the Commission to propose a specific complaint mechanism at EU level to support farmers facing, for example, abusive land-grabbing practices or pressure from criminal structures or organisations.

Revenue – own resources

Parliament noted the rise of 1 % in the number of fraudulent registered cases for the TOR collected (to 473 in 2018), and regretted the rise of 116 % in the financial amounts involved. It is deeply concerned that according to the Commission's 'fast estimates' statistics, the VAT gap in 2018 amounted to approximately EUR 130 billion, which represents approximately 10 % of total expected VAT revenue, and that the Commission estimates that intra-Community VAT fraud cases cost around EUR 50 billion annually.

Parliament reiterated its position that OLAF's competences in the field of value added tax investigations should in no way be limited or subject to any further administrative conditions. It called on the Commission to report annually on the amount of the Union's own resources recovered following the recommendations made by OLAF and to communicate the amounts still to be recovered.

Expenditure

Members noted the decrease of 3 % in the number of cases (679) reported as fraudulent irregularities in 2018 affecting expenditure. However, they stressed the alarming rate, of the opposite trend occurring in the financial amounts involved (EUR 1,032 billion), resulting in an increase of 198 %. They stressed the importance of respective management and close surveillance of the grants distributed under the programmes of the ESIFs (the European Structural and Investment Funds in the interests of efficient non-inflationary budgeting of the Funds and fraud avoidance.

The Commission's anti-fraud strategy

Parliament welcomed the adoption, in April 2019, of the Commission's anti-fraud strategy, which has been adapted following the Directive on the fight against fraud affecting the Union's financial interests through criminal law (PIF Directive) and the Regulation establishing the European Public Prosecutor's Office (EPPO).

Members reiterated the need to ensure close and effective cooperation between OLAF and the European Public Prosecutor's Office. They deplored the fact that only 12 Member States have so far implemented the new PIF Directive, that eight others have partially implemented it and that the remaining Member States have not yet done so. They asked the Commission to monitor closely the transposition process in all Member States and to launch infringement procedures where necessary.

Deploring the fact that only 11 Member States have adopted a National Anti-Fraud Strategy (NAFS), Members called on the Commission to consider the adoption of national anti-fraud strategies as a condition for access to EU funds.

Parliament also stressed that the under-funding and understaffing of the European Public Prosecutor's Office during its development phase was unacceptable. Regretting that the necessary resources had been largely underestimated by the Commission, it called on Member States to appoint full-time prosecutors as soon as possible and encouraged the Commission to present a draft amending budget.

Areas for improvement

Parliament has highlighted two areas for improvement:

1. the Commission and the Member States should strengthen their analytical capacity to better identify data on fraud patterns, fraudsters' profiles and vulnerabilities in EU internal control systems;

2. the assessment and management of fraud risks should be well coordinated and monitored.

The Commission was invited to:

- develop a systematic approach to respond to the 'revolving doors' phenomenon;

- consider the creation of a network of corruption prevention authorities within the European Union and to establish an internal corruption assessment mechanism for the EU institutions;

- develop a European-wide strategy to prevent, at an early stage, conflicts of interest of all financial actors implementing the EU budget;

- adopt new initiatives to measure the customs gap and develop an effective methodology for such measurement;

- adapt customs controls to new fraud risks and to the rapid expansion of cross-border trade facilitated by e-commerce as well as by paperless business.