



Procedure file

Basic information		
INI - Own-initiative procedure	2012/2285(INI)	Procedure completed
Annual report 2011 on the protection of EU's financial interests - Fight against fraud		
Subject		
7.30.30.06 Action to combat economic fraud and corruption		
8.70.04 Protecting financial interests of the EU against fraud		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	CONT Budgetary Control		03/12/2012
		S&D VAUGHAN Derek	
		Shadow rapporteur	
		PPE MACOVEI Monica	
		Verts/ALE STAES Bart	
		ECR ANDREASEN Marta	
		NI EHRENHAUSER Martin	
	Committee for opinion	Rapporteur for opinion	Appointed
	AFET Foreign Affairs		29/01/2013
	ALDE WEBER Renate		
BUDG Budgets	The committee decided not to give an opinion.		
REGI Regional Development	The committee decided not to give an opinion.		
AGRI Agriculture and Rural Development		03/12/2012	
	ECR WOJCIECHOWSKI Janusz		
PECH Fisheries	The committee decided not to give an opinion.		
European Commission	Commission DG	Commissioner	
	Budget	ŠEMETA Algirdas	

Key events			
19/07/2012	Non-legislative basic document published	COM(2012)0408	Summary
22/11/2012	Committee referral announced in Parliament		
28/05/2013	Vote in committee		
04/06/2013	Committee report tabled for plenary	A7-0197/2013	Summary
02/07/2013	Debate in Parliament		
03/07/2013	Results of vote in Parliament		

03/07/2013	Decision by Parliament	T7-0318/2013	Summary
03/07/2013	End of procedure in Parliament		

Technical information	
Procedure reference	2012/2285(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/11212

Documentation gateway					
Non-legislative basic document		COM(2012)0408	19/07/2012	EC	Summary
Committee opinion	AGRI	PE504.314	26/03/2013	EP	
Committee draft report		PE502.018	12/04/2013	EP	
Amendments tabled in committee		PE510.569	26/04/2013	EP	
Committee opinion	AFET	PE504.221	08/05/2013	EP	
Committee report tabled for plenary, single reading		A7-0197/2013	04/06/2013	EP	Summary
Text adopted by Parliament, single reading		T7-0318/2013	03/07/2013	EP	Summary
Commission response to text adopted in plenary		SP(2013)627	28/11/2013	EC	

Annual report 2011 on the protection of EU's financial interests - Fight against fraud

PURPOSE: presentation of the Commissions 2011 annual report on the protection of the European Union's financial interests - Fight against fraud

CONTENT: this report describes the measures taken at Union level to counter fraud. It also contains a summary and evaluation of the action taken by Member States in one specific area, based on the replies to a questionnaire focusing, this year, on the controls in the area of cohesion policy. The report then presents the latest information on fraudulent and non-fraudulent irregularities reported by the Member States and the situation on recovery of amounts.

Progress: the report shows progress achieved in 2011 with the adoption of measures to improve the legal and administrative framework for protecting the EUs financial interests, these being:

- an amended proposal [for a reform of the European Anti-Fraud Office \(OLAF\)](#);
- the Commission Anti-Fraud Strategy, which also included the Action Plan to fight smuggling along the EUs eastern border;
- the [Communication](#) on the financial interests of the European Union by criminal law and administrative investigations;
- the [Communication](#) on fighting corruption in the EU;
- proposals for [modernisation of the public procurement rules](#);
- the [Communication on the future of VAT](#).

The report states that full implementation of these measures will require close cooperation between the EU institutions and t Member States, which the Commission will continue monitoring.

Decrease in fraudulent and other irregularities affecting the EU budget: the analysis of irregularities in 2011 shows an overall decrease in reported irregularities and improvements in the results of recovery of EU resources unduly paid. In 2011, in all sectors combined, 1230

irregularities were reported as fraudulent, down by about 35% in comparison with 2010. The estimated financial impact of such irregularities reported as fraudulent also decreased, by about 37% in comparison with 2010 to EUR 404 million. This decrease was expected, following the acceleration in previous years, which, itself, was also the result of improvements in controls and tools.

The report notes that while the overall picture is reassuring and demonstrates, amongst other things, the effects of the procedures the Commission has put in place to deal with irregularities and a general improvement in the management and control systems by Member States, there are still significant differences in the approaches adopted by Member States to report fraudulent and non-fraudulent irregularities. This raises questions about the adequacy of their national reporting systems. The Member States concerned should therefore report on how their control systems are being adapted to target areas where there is a high risk of fraud and irregularities.

Improvement of anti-fraud systems in the area of cohesion policy: in 2011, the number of irregularities reported as fraudulent in the area of cohesion policy and the related amounts both decreased significantly in comparison with the previous year, by 46% and 63% respectively. Trends highlighted in previous years were confirmed: Poland, Germany and Italy reported most of the cases (149 out of 276) and Germany remains the most successful Member State at completing criminal proceedings to establish fraud and impose penalties.

The analysis of this years special topic - the measures taken and irregularities reported in the high-risk area of cohesion policy - shows improvements in the financial control and risk management system. These include legal provisions and guidelines, national or regional strategies, use of risk indicators, administrative procedures and cooperation between national authorities.

Conversely, further progress is needed on monitoring the results of the administrative and criminal anti-fraud investigations by the Member States, including on the recovery of amounts from the final beneficiary in the area of cohesion policy. Furthermore, better fraud statistics are necessary to enable the Commission and the Member States to focus their efforts in higher-risk areas.

In agriculture and cohesion policy areas, Member States are invited to explain the low number of suspected fraud cases reported and to report on the way in which their control systems target high-risk areas to improve fraud prevention and detection.

Improvement in recovery procedures: in 2011, all 27 Member States recovered a combined total of approximately EUR 305 million related to cases detected between 1989 and 2011. The recovery process, in particular for pre-accession funds and direct expenditure, has been improved. The Commission invites Member States and pre-accession countries with low recovery rates to speed up their procedures, to make use of the available legal instruments and guarantees when irregularities are detected and to seize assets in cases where debts are not paid.

It is also clear from the data received that further progress has yet to be achieved, especially in the area of recovery where procedures are still relatively long.

European Parliament resolution on protection of the Communities financial interests and the fight against fraud: on 6 April 2011, the European Parliament adopted [its resolution concerning the Commissions 2009 report](#), which contains specific requests and covers a wide range of topics, such as publication of the beneficiaries of EU funds, national management declarations and public procurement. It criticises the situation regarding recovery of EU funds in all areas and the low number of irregularities reported by certain Member States in particular sectors.

The Commission has submitted a follow-up report to the Parliament indicating the practical action it intends to take in response to the resolution. In particular, the Commission pointed out that it had adopted a number of simplifications in all areas under shared management, with the aim of easing the workload on Member States. In return, the latter are expected to improve the quality, timeliness and completeness of their irregularity reports.

In conclusion, the Commission recommends that all Member States put in place adequate anti-fraud measures aimed at both prevention and detection, especially those for which these kinds of results seem to be missing or insufficient. It is also clear from the data received that further progress has yet to be achieved, especially in the area of recovery where procedures are still relatively long.

Annual report 2011 on the protection of EU's financial interests - Fight against fraud

The Committee on Budgetary Control adopted the report by Derek Vaughn (S&D, UK) on the Annual Report 2011 on the protection of the EUs Financial Interests - Fight against fraud.

General comments: while stressing that countering fraud and any other illegal activities affecting the financial interests of the Union is the obligation of the Commission and the Member States, enshrined in the Treaty on the Functioning of the European Union, the report recalls that it is equally important to ensure the protection of those financial interests both at the level of collection of the EUs resources and at the level of expenditure.

- Definitions and standard evaluation criteria: the committee regrets that the report is limited to the data reported by the Member States and points out that Member States use different definitions for similar types of offence and do not all collect similar and detailed statistical data following common criteria. This makes it difficult to collect reliable and comparable statistics at EU level and it is thus impossible to evaluate the actual overall scale of irregularities and fraud in individual Member States or to identify and discipline those Member States with the highest level of irregularities and fraud. The report urges, therefore, that standard evaluation criteria for irregularities and fraud be laid down in all Member States and combined with appropriate penalties for those guilty of infringement. It also calls for a distinction to be made between fraud and errors or irregularities.

- Irregularities: the committee notes that, according to the Commissions annual report, in 2011, 1 230 irregularities were reported as fraudulent and that their financial impact decreased by 37% in comparison with 2010 and amounted to EUR 404 million. It acknowledges that cohesion policy and agriculture remain the two main areas suffering from the highest level of fraud with a respective estimated financial impact of EUR 204 million and EUR 77 million. It calls on the Commission to closely monitor the effectiveness of supervisory and control systems in the Member States and to ensure that the information provided on the level of irregularities in the Member States reflects the true situation.

- e-Government: Members stress that the European Union needs to step up efforts to strengthen the principles of eGovernment which would set the conditions for greater transparency in public finances and draw attention to the fact that electronic transactions, unlike cash transactions, are referenced and it therefore becomes more difficult to commit fraud and easier to identify suspected cases of fraud.

- Investigative journalism: the committee emphasises that 233 investigative reports have been published on cases of fraud related to the

misuse of EU funds over a period of 5 years within the 27 Member States and considers that investigative journalism has played a major role in exposing such fraud and represents a valuable source of information to be considered by OLAF and law enforcement or other relevant authorities in Member States.

Mandatory national declarations: Members recall that in its [resolution of 6 April 2011](#) on the protection of the Communities financial interests Fight against fraud Annual report 2009, Parliament called for the introduction of mandatory national management declarations duly audited by the national audit office and consolidated by the Court of Auditors; they regret that no further steps have been taken in that direction.

Recovery of funds: Members acknowledge that the amount to be recovered following irregularities detected in 2011 reached EUR 321 million, of which EUR 166 million has already been recovered by the Member States: this represents a recovery rate for traditional own resources of 52% in 2011 compared to 46% in 2010. The committee notes OLAF's overview of progress on judicial actions in actions created between 2006-2011, according to which more than half of actions are pending a judicial decision. It is of the opinion that special attention should be paid to cases related to fraud in customs, which is among the areas with the highest rates of systemic corruption in Europe.

Revenue own resources: Members emphasise that tax evasion and avoidance represent a major risk for the EU public finances. They stress that an estimated EUR 1 trillion in public money is lost due to tax fraud and tax avoidance every year in the EU, i.e. a rough yearly cost of EUR 2 000 for every European citizen.

Owing to the mechanism of balancing the EU budget with GNI-based revenue, every euro lost to customs and VAT fraud has to be paid for by EU citizens. Members emphasise that fighting tax evasion should be given the highest priority by both the Commission and the Member States.

The report calls on the Commission to strengthen its coordination with the Member States in order to collect reliable data on the customs and VAT gap in the respective countries and to report on a regular basis to Parliament in that regard.

Customs: Members are deeply concerned at the Court of Auditors conclusion that there are serious deficiencies in national customs supervision. They stress that the Customs Union is an area of exclusive competence of the EU and that it is therefore the Commissions obligation to put in place all measures necessary to ensure that the customs authorities in the Member States act as if they were one, and to monitor their implementation. They emphasise that modern IT solutions and direct access to data are crucial for the effective functioning of the Customs Union and are concerned that in most Member States tax administrations have no direct access to customs data and that automated cross-checking with tax data is therefore not possible.

Modernised Customs Code (MCC): the committee deplores the fact that the Commission and the Member States have been unable to ensure the timely implementation of the Modernised Customs Code (MCC). It calls on the Commission to make an evaluation of the cost of postponing full application of the MCC, quantifying the budgetary consequences of such postponement.

VAT: the report recalls that the correct operation of customs procedures has direct consequences for the calculation of VAT. It stresses that the model of VAT collection is outdated, given the many changes to the technological and economic environment that have taken place and points to the need for real-time connection of business transactions with the tax authorities in order to combat tax evasion.

Cigarette smuggling: the report emphasises that cigarette smuggling serves as an important source of financing for internationally structured criminal organisations, and highlights, therefore, the importance of strengthening the external dimension of the Commissions action plan to fight against the smuggling of cigarettes and alcohol along the EU Eastern border.

Expenditure: Members recall that 94% of the EU budget is invested in the Member States, and that it is vitally important that all money is spent well. They deplore that most irregularities in EU spending are committed at national level. They emphasise that greater transparency allowing for proper scrutiny is key in order to detect fraud and recall that, in previous years, Parliament has urged the Commission to take action to ensure one-stop transparency as regards the beneficiaries of EU funds. They, once more, reiterate their call on the Commission to design measures to increase the transparency of legal arrangements and a system which lists all beneficiaries of EU funds on the same website.

Agriculture: Members point out that the number of irregularities reported as fraudulent in agriculture in 2011 does not reflect the actual situation and that the Commission, addressing the Member States, expressed its concern that the fraud figures reported might not be entirely reliable. They call for further cooperation and best-practice-sharing in the Member States in order to respond to and report cases of fraud to the Commission.

They remain concerned by the suspiciously low fraud rates reported by France, Germany, Spain and the United Kingdom, especially given their size and the amount of financial support received. They regret that, in its annual report, the Commission did not offer a definitive answer to the question of whether the low suspected fraud rates reported by these countries are the result of non-compliance with reporting principles or of the ability of the control systems put in place in these Member States to detect fraud. They therefore call on the aforementioned Member States to provide detailed and thorough explanations of their low rates of reported suspected fraud as soon as possible.

Cohesion policy: the Committee welcomes the fact that in 2011 the Commission completed financial corrections for EUR 624 million out of EUR 673 million and that the recovery rate for Cohesion Policy improved to 93 % in comparison with 69 % in 2010. It calls on the Commission and the Member States to simplify the relevant rules on public procurement and the procedural rules for management of the Structural Funds.

External relations, aid and enlargement: Members note with concern that the Court of Auditors pointed to errors in final payments that had not been detected by Commission controls, and concluded that the controls applied by the Commission are not fully effective. They therefore call on the Commission to follow the recommendations of the Court of Auditors and the discharge opinion with a view to improving its monitoring mechanisms in order to ensure the efficient and appropriate expenditure of funds.

They take note of the decrease in the number and the financial impact of irregularities detected with regard to the pre-accession funds examined in the 2011 report and welcome the fact that the rate of recovery of EU resources unduly paid as part of pre-accession assistance has improved significantly, but notes that it still reaches only 60 %.

OLAF: Members reiterate that it is necessary to continue to strengthen the independence, effectiveness and efficiency of OLAF, including the independence and functioning of the OLAF Supervisory Committee. They consider that this is all the more reason to strengthen the independence of the Supervisory Committee, and that the Committee should be empowered with the necessary means to fulfil its role effectively. They welcome the [anti-fraud strategy](#), inter alia as regards the inclusion of improved anti-fraud provisions in spending programmes under the new multiannual financial framework for 2014-2020. The committee notes with concern, however, the Commissions conclusion that there are insufficient deterrents against criminal misuse of the EU budget in Member States. It welcomes the Commission proposals to address this problem and recommends that beneficiary third countries should also be involved as fully as possible.

Furthermore, Members are concerned about the reporting of the OLAF Supervisory Committee. They note that breaches of essential procedural requirements during preparatory investigations could affect the legality of the final decision taken on the basis of investigations by OLAF. Breaches may incur the legal liability of the Commission. These shortcomings should be tackled immediately.

The report calls for potential fraud or irregularities which have less financial impact in areas such as customs (where the threshold below which OLAF does not take action is EUR 1 million) and the structural funds (where the threshold is EUR 500 000) to be reported to the Member States.

The Commissions initiatives in the area of anti-fraud activity: the committee welcomes the fact that, in response to Parliaments request, the Commission is currently developing a methodology to measure the costs of corruption in public procurement concerning EU funds. In particular, it calls in this respect on the Commission to report on and evaluate the anti-fraud strategies established within each Directorate-General.

Lastly, Members look forward to the submission by the Commission of the legislative proposal on the establishment of the European Public Prosecutors Office, which will be responsible for investigating, prosecuting and bringing to justice those who damage assets managed by or on behalf of the EU, as announced by the Commission for June 2013.

Annual report 2011 on the protection of EU's financial interests - Fight against fraud

The European Parliament adopted a resolution on the Annual Report 2011 on the protection of the EUs Financial Interests - Fight against fraud.

- General comments: while stressing that countering fraud and any other illegal activities affecting the financial interests of the Union is the obligation of the Commission and the Member States, enshrined in the Treaty on the Functioning of the European Union, the resolution recalls that it is equally important to ensure the protection of those financial interests both at the level of collection of the EUs resources and at the level of expenditure.

Parliament calls on the Commission to consider the link between Member State reporting on fraud and the lack of a harmonised criminal law setting out a common definition of fraudulent behaviour and offences in the field of protecting the Union's financial interests. It points out that the criminal law systems of the Member States have been harmonised to only a limited extent.

Members call for ambitious European legislation and improved cooperation and coordination between all Member States in order to ensure that severe sanctions are imposed on fraudsters and to deter fraudulent behaviour.

- Definitions and standard evaluation criteria: Parliament regrets that the Commissions report is limited to the data reported by the Member States and points out that Member States use different definitions for similar types of offence and do not all collect similar and detailed statistical data following common criteria. This makes it difficult to collect reliable and comparable statistics at EU level and it is thus impossible to evaluate the actual overall scale of irregularities and fraud in individual Member States or to identify and discipline those Member States with the highest level of irregularities and fraud. The resolution urges, therefore, that standard evaluation criteria for irregularities and fraud be laid down in all Member States and combined with appropriate penalties for those guilty of infringement. It also calls for a distinction to be made between fraud and errors or irregularities.

- Irregularities: Parliament notes that, according to the Commissions annual report, in 2011, 1 230 irregularities were reported as fraudulent and that their financial impact decreased by 37% in comparison with 2010 and amounted to EUR 404 million. It acknowledges that cohesion policy and agriculture remain the two main areas suffering from the highest level of fraud and calls on the Commission to closely monitor the effectiveness of supervisory and control systems in the Member States and to ensure that the information provided on the level of irregularities in the Member States reflects the true situation.

- e-Government: Parliament stresses that the European Union needs to step up efforts to strengthen the principles of eGovernment which would set the conditions for greater transparency in public finances and draws attention to the fact that electronic transactions, unlike cash transactions, are referenced, making it more difficult to commit fraud and easier to identify suspected cases of fraud.

- Investigative journalism: Parliament considers that investigative journalism has played a major role in exposing fraud and represents a valuable source of information to be considered by OLAF and law enforcement or other relevant authorities in Member States.

- Mandatory national declarations: Parliament recalls that in its [resolution of 6 April 2011](#) on the protection of the Communities financial interests Fight against fraud Annual report 2009, it called for the introduction of mandatory national management declarations duly audited by the national audit office and consolidated by the Court of Auditors; it regrets that no further steps have been taken in that direction.

- Recovery of funds: Parliament acknowledge that the amount to be recovered following irregularities detected in 2011 reached EUR 321 million, of which EUR 166 million has already been recovered by the Member States: this represents a recovery rate for traditional own resources of 52% in 2011 compared to 46% in 2010. It notes OLAFs overview of progress on judicial actions in actions created between 2006-2011, according to which more than half of actions are pending a judicial decision. It is of the opinion that special attention should be paid to cases related to fraud in customs, which is among the areas with the highest rates of systemic corruption in Europe.

- Revenue own resources: Parliament emphasises that tax evasion and avoidance represent a major risk for the EU public finances. It stresses that an estimated EUR 1 trillion in public money is lost due to tax fraud and tax avoidance every year in the EU, i.e. a rough yearly cost of EUR 2 000 for every European citizen. Fighting tax evasion should be given the highest priority by both the Commission and the Member States.

The resolution calls on the Commission to strengthen its coordination with the Member States in order to collect reliable data on the customs and VAT gap in the respective countries and to report on a regular basis to Parliament in that regard.

- Customs: Parliament is deeply concerned at the Court of Auditors conclusion that there are serious deficiencies in national customs supervision. It stresses that the Customs Union is an area of exclusive competence of the EU and that it is therefore the Commissions obligation to put in place all measures necessary to ensure that the customs authorities in the Member States act as if they were one, and to monitor their implementation. It is concerned that in most Member States tax administrations have no direct access to customs data and that automated cross-checking with tax data is therefore not possible.

- Modernised Customs Code (MCC): Parliament deplores the fact that the Commission and the Member States have been unable to ensure the timely implementation of the Modernised Customs Code (MCC). It calls on the Commission to make an evaluation of the cost of postponing full application of the MCC, quantifying the budgetary consequences of such postponement.

- VAT: the resolution recalls that the correct operation of customs procedures has direct consequences for the calculation of VAT. It stresses that the model of VAT collection is outdated, given the many changes to the technological and economic environment that have taken place and points to the need for real-time connection of business transactions with the tax authorities in order to combat tax evasion.

- Cigarette smuggling: the resolution emphasises that cigarette smuggling serves as an important source of financing for internationally structured criminal organisations, and highlights, therefore, the importance of strengthening the external dimension of the Commission's action plan to fight against the smuggling of cigarettes and alcohol along the EU Eastern border.

- Expenditure: Parliament recalls that 94% of the EU budget is invested in the Member States, and that it is vitally important that all money is spent well. It deplores that most irregularities in EU spending are committed at national level. It emphasises that greater transparency allowing for proper scrutiny is key in order to detect fraud and recalls that, in previous years, Parliament has urged the Commission to take action to ensure one-stop transparency as regards the beneficiaries of EU funds. It, once more, reiterates its call on the Commission to design measures to increase the transparency of legal arrangements and a system which lists all beneficiaries of EU funds on the same website.

- Agriculture: Parliament points out that the number of irregularities reported as fraudulent in agriculture in 2011 does not reflect the actual situation and that the Commission expressed its concern that the fraud figures reported might not be entirely reliable. It calls for further cooperation and best-practice-sharing in the Member States in order to respond to and report cases of fraud to the Commission.

It remains concerned by the suspiciously low fraud rates reported by France, Germany, Spain and the United Kingdom, especially given their size and the amount of financial support received. It regrets that, in its annual report, the Commission did not offer a definitive answer to the question of whether the low suspected fraud rates reported by these countries are the result of non-compliance with reporting principles or of the ability of the control systems put in place in these Member States to detect fraud. It therefore calls on the aforementioned Member States to provide detailed and thorough explanations of their low rates of reported suspected fraud as soon as possible.

- Cohesion policy: Parliament welcomes the fact that, in 2011, the recovery rate for Cohesion Policy improved to 93% in comparison with 69% in 2010. It calls on the Commission and the Member States to simplify the relevant rules on public procurement and the procedural rules for management of the Structural Funds.

- External relations, aid and enlargement: Parliament notes with concern that the Court of Auditors pointed to errors in final payments that had not been detected by Commission controls, and concluded that the controls applied by the Commission are not fully effective. It therefore calls on the Commission to improve its monitoring mechanisms in order to ensure the efficient and appropriate expenditure of funds.

- OLAF: Parliament reiterates that it is necessary to continue to strengthen the independence, effectiveness and efficiency of OLAF, including the independence and functioning of the OLAF Supervisory Committee. It considers that this is all the more reason to strengthen the independence of the Supervisory Committee, and that the Committee should be empowered with the necessary means to fulfil its role effectively. It welcomes the [anti-fraud strategy](#), inter alia as regards the inclusion of improved anti-fraud provisions in spending programmes under the new multiannual financial framework for 2014-2020. It notes with concern, however, the Commission's conclusion that there are insufficient deterrents against criminal misuse of the EU budget in Member States and welcomes the Commission proposals to address this problem and recommends that beneficiary third countries should also be involved as fully as possible.

Parliament takes note of the concerns raised by the OLAF Supervisory Committee in its 2012 Activity Report, especially with regard to the case transmitted in October 2012 to the national judicial authorities and leading to the resignation of a member of the European Commission. It is of the opinion that these concerns should be the subject of a thorough examination by the responsible judicial authorities.

Furthermore, Parliament is concerned about the reporting of the OLAF Supervisory Committee. It notes that breaches of essential procedural requirements during preparatory investigations could affect the legality of the final decision taken on the basis of investigations by OLAF. Breaches may incur the legal liability of the Commission. These shortcomings should be tackled immediately.

The resolution calls for potential fraud or irregularities which have less financial impact in areas such as customs (where the threshold below which OLAF does not take action is EUR 1 million) and the structural funds (where the threshold is EUR 500 000) to be reported to the Member States.

- OLAF's investigative measures: Parliament reiterates that no violation of fundamental rights by OLAF or any other Commission services can be accepted, referring in this respect to the OLAF Supervisory Committee's view that OLAF may have gone beyond the investigative measures that it is entitled to take as regards the preparation of the content of a telephone conversation for a third party with a person subject to the investigation and being present during that conversation, which was recorded. It expects OLAF to provide a satisfactory explanation of the legal basis for its investigative measures such as the recording of telephone conversations.

- Annulments of OLAF decisions: Parliament welcomes the statement made in the Supervisory Committee's 2012 Activity Report that all actions for annulment of OLAF's decisions were rejected as inadmissible by the Court of Justice, while the Ombudsman did not find any instance of maladministration. It further points out that the European Data Protection Supervisor (EDPS) found that OLAF generally complied with the data protection rules, with the exception of one case where the EDPS considered that OLAF violated the right to protection of personal data by unnecessarily disclosing the identity of a whistleblower to his institution.

- Recording of telephone conversations: the resolution calls on OLAF to inform Parliament's competent committee of the legal basis that authorises it to assist in and prepare the recording of telephone conversations of private persons without their prior consent and to use the contents for purposes of administrative investigations. Parliament reiterates its call on OLAF to provide Parliament - in line with a similar request by the Council - with a legal analysis of the legality of those records in the Member States.

Parliament is deeply concerned about the effectiveness and internal functioning of OLAF, while considering that a strong and well-managed OLAF is essential in the fight against fraud and corruption where European taxpayers' money is involved. It urges the Commission, therefore, in cooperation with Parliament's competent committee and when answering its questions, to analyse the legality of OLAF's operations, to take all necessary measures to improve the management of OLAF, and to formulate practical solutions to remedy shortcomings before the end of 2013. It calls on the Commission and the Council, in the meantime, to stall all discussions and decisions on the introduction of the European Public Prosecutor's Office (EPPO).

- The Commissions initiatives in the area of anti-fraud activity: Parliament welcomes the fact that, in response to its request, the Commission is currently developing a methodology to measure the costs of corruption in public procurement concerning EU funds. In particular, it calls in this respect on the Commission to report on and evaluate the anti-fraud strategies established within each Directorate-General.

Lastly, it looks forward to the submission by the Commission of the legislative proposal on the establishment of the European Public Prosecutors Office, which will be responsible for investigating, prosecuting and bringing to justice those who damage assets managed by or on behalf of the EU, as announced by the Commission for June 2013.