









# Procedure file

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

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>CONT</b> <a href="#">Budgetary Control</a>	 <a href="#">KUHS Joachim</a> Shadow rapporteur  <a href="#">LENAERS Jeroen</a>  <a href="#">CREU Corina</a>  <a href="#">STRUGARIU Ramona</a>  <a href="#">PEKSA Mikuláš</a>  <a href="#">CZARNECKI Ryszard</a>  <a href="#">FLANAGAN Luke Ming</a>	16/10/2019
European Commission	Commission DG <a href="#">Budget</a>	Commissioner OETTINGER Günther	

Key events			
24/10/2019	Committee referral announced in Parliament		
07/05/2020	Vote in committee		
19/05/2020	Committee report tabled for plenary	<a href="#">A9-0103/2020</a>	
09/07/2020	Results of vote in Parliament		
10/07/2020	Decision by Parliament	<a href="#">T9-0192/2020</a>	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 54
Stage reached in procedure	Procedure completed
Committee dossier	CONT/9/01632

### Documentation gateway

Committee draft report	<a href="#">PE644.865</a>	10/02/2020	EP	
Amendments tabled in committee	<a href="#">PE648.436</a>	10/03/2020	EP	
Committee report tabled for plenary, single reading	<a href="#">A9-0103/2020</a>	19/05/2020	EP	
Text adopted by Parliament, single reading	<a href="#">T9-0192/2020</a>	10/07/2020	EP	Summary
Commission response to text adopted in plenary	<a href="#">SP(2020)452</a>	08/12/2020	EC	

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

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.

Deploing 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.