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# **REPORT**

on the Annual Report 2017 on the protection of the European Union's financial interests – fight against fraud  
(2018/2152(INI))

Committee on Budgetary Control

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **on the Annual Report 2017 on the protection of the European Union's financial interests – fight against fraud (2018/2152(INI))**

*The European Parliament,*

- having regard to Articles 310(6) and 325(5) of the Treaty on the Functioning of the European Union (TFEU),
- having regard to its resolutions on previous annual reports of the Commission and of the European Anti-Fraud Office (OLAF),
- having regard to the report from the Commission to the European Parliament and the Council of 3 September 2018 entitled ‘29th Annual Report on the Protection of the European Union’s financial interests – Fight against fraud – 2017’ (COM(2018)0553) and the accompanying staff working documents ((SWD(2018)0381), (SWD(2018)0382), (SWD(2018)0383), (SWD(2018)0384), (SWD(2018)0385), and (SWD(2018)0386)),
- having regard to the OLAF Report 2017<sup>1</sup> and the 2017 Activity Report of the OLAF Supervisory Committee,
- having regard to opinion No 8/2018 of the European Court of Auditors of 22 November 2018 on the Commission’s proposal of 23 May 2018 on amending OLAF Regulation 883/2013 as regards cooperation with the European Public Prosecutor’s Office and the effectiveness of OLAF investigations,
- having regard to the annual report of the European Court of Auditors on the implementation of the budget concerning the financial year 2017, together with the institutions’ replies,
- having regard to Regulation (EU, Euratom) No 883/2013<sup>2</sup> of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and the midterm review thereof, published by the Commission on 2 October 2017 (COM(2017)0589),
- having regard to Directive 2017/1371<sup>3</sup> of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union’s financial interests by means of criminal law (PIF Directive),
- having regard to Council Regulation (EU) 2017/1939<sup>4</sup> of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public

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<sup>1</sup> OLAF, ‘Eighteenth report of the European Anti-Fraud Office, 1 January to 31 December 2017’, 2018.

<sup>2</sup> OJ L 248, 18.9.2013, p. 1.

<sup>3</sup> OJ L 198, 28.7.2017, p. 29.

<sup>4</sup> OJ L 283, 31.10.2017, p. 1.

Prosecutor's Office (EPPO),

- having regard to Regulation (EU, Euratom) No 966/2012<sup>1</sup> of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002,
- having regard to the 2015 Report commissioned by the Commission entitled 'Study to quantify and analyse the VAT Gap in the EU Member States' and the Commission communication of 7 April 2016 on an action plan on VAT entitled 'Towards a single EU VAT area – Time to decide' (COM(2016)0148),
- having regard to the judgement of the Court of Justice of the European Union in Case C-105/14<sup>2</sup>, criminal proceedings against Taricco and Others,
- having regard to the judgement of the Court of Justice of the European Union in Case C-42/17<sup>3</sup>, criminal proceedings against M.A.S. and M.B.,
- having regard to its resolution of 14 February 2017 on the role of whistle-blowers in the protection of EU's financial interests<sup>4</sup>,
- having regard to the progress report of 12 May 2017 on the implementation of the Commission communication entitled 'Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products – A comprehensive EU strategy ((COM(2013)0324) of 6 June 2013)' (COM(2017)0235),
- having regard to the Commission communication of 6 June 2011 entitled 'Fighting Corruption in the EU' (COM(2011)0308),
- having regard to the report coordinated by OLAF entitled 'Fraud in Public Procurement – A collection of red flags and best practices', published on 20 December 2017, and the OLAF handbook of 2017 on 'Reporting of irregularities in shared management',
- having regard to Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC,
- having regard its resolution of 25 October 2018 on protection of EU's financial interests – Recovery of money and assets from third countries in fraud cases<sup>5</sup>,
- having regard to the Commission EU Anti-corruption Report of 3 February 2014 (COM(2014)0038),
- having regard to special report No 19/2017 of the European Court of Auditors entitled 'Import procedures: shortcomings in the legal framework and an ineffective

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<sup>1</sup> OJ L 298, 26.10.2012, p. 1.

<sup>2</sup> Judgement of the Court of Justice (Grand Chamber) of 8 September 2015, Criminal proceedings against Ivo Taricco and Others, 105/14, ECLI:EU:C:2015:555.

<sup>3</sup> Judgement of the Court of Justice (Grand Chamber) of 5 December 2017, Criminal proceedings against M.A.S. and M.B., 42/17, ECLI:EU:C:2017:936.

<sup>4</sup> OJ C 252, 18.7.2018, p. 56.

<sup>5</sup> Texts adopted, P8\_TA(2018)0419.

implementation impact the financial interests of the EU’,

- having regard to opinion No 9/2018 of the European Court of Auditors concerning the proposal for a Regulation of the European Parliament and of the Council establishing the EU Anti-Fraud Programme,
  - having regard to the communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions entitled ‘A Modern Budget for a Union that Protects, Empowers and Defends. The multiannual financial framework for 2021-2027’ (COM(2018)0321),
  - having regard to its resolution of 4 October 2018 on fighting customs fraud and protecting EU own resources<sup>1</sup>,
  - having regard to special report No 26/2018 of the European Court of Auditors of 10 October 2018 entitled ‘A series of delays in Customs IT systems: what went wrong?’,
  - having regard to Rule 52 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A8-0003/2019),
- A. whereas de jure the Member States and the Commission have shared responsibility for implementing 74 % of the Union’s budget for 2017; whereas de facto, however, Member States spend those resources and the Commission is responsible for their supervision through its control mechanisms;
- B. whereas sound public spending and the protection of the EU’s financial interests should be key elements of EU policy in order to increase the confidence of citizens by ensuring that their money is used properly and effectively;
- C. whereas Article 310(6) of the TFEU states that ‘The Union and the Member States, in accordance with Article 325, shall counter fraud and any other illegal activities affecting the financial interests of the Union’;
- D. whereas achieving good performance with simplification processes involves regularly assessing inputs, outputs, outcomes and impacts through performance audits;
- E. whereas the diversity of legal and administrative systems in the Member States needs to be adequately addressed in order to overcome irregularities and combat fraud; whereas the Commission should therefore step up its efforts to ensure that the fight against fraud is implemented effectively and produces more tangible and more satisfactory results;
- F. whereas Article 325(2) of the TFEU states that ‘Member States shall take the same measures to counter fraud affecting the financial interests of the Union as they take to counter fraud affecting their own financial interests’;
- G. whereas the EU has a general right to act in the field of anti-corruption policies within the limits established by the TFEU; whereas Article 67 of the TFEU stipulates the

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<sup>1</sup> Texts adopted, P8\_TA(2018)0384.

Union's obligation to ensure a high level of security, including through prevention and combating of crime and approximation of criminal laws; whereas Article 83 of the TFEU lists corruption as one of the particularly serious crimes with a cross-border dimension;

- H. whereas Article 325(3) of the TFEU states that 'Member States shall coordinate their action aimed at protecting the financial interests of the Union against fraud' and that 'they shall organise, together with the Commission, close and regular cooperation between the competent authorities';
- I. whereas corruption is widespread across the Member States and represents a serious threat to the financial interests of the union, which in turn poses a threat to trust in public administration;
- J. whereas VAT is an important revenue source for national budgets and whereas VAT-based own resources constituted 12.1 % of the total EU budget in 2017;
- K. whereas Council Resolution 6902/05 of 14 April 2005 on a comprehensive EU policy against corruption called on the Commission to consider all viable options, such as participation in GRECO or a mechanism to evaluate and monitor EU instruments in relation to the development of a mutual evaluation and monitoring mechanism;
- L. whereas systematic and institutionalised cases of corruption in certain Member States seriously harm the EU's financial interests while also representing a threat to democracy, the rule of law and fundamental rights;
- M. whereas the Special Eurobarometer Report 470 on corruption, published in December 2017, stated that overall perceptions and attitudes towards corruption remained stable compared to 2013, which indicates that no concrete results have been demonstrated in terms of improving the trust of EU citizens in their institutions;

#### ***Detection and reporting of irregularities***

1. Notes with satisfaction that the total number of fraudulent and non-fraudulent irregularities reported in 2017 (15 213 cases) was 20.8 % lower than in 2016 (19 080 cases) and that their value had decreased by 13 % (from EUR 2.97 billion in 2016 to EUR 2.58 billion in 2017);
2. Points out that not all irregularities are fraudulent and that a clear distinction must be drawn between the errors committed;
3. Notes the significant year-on-year decrease of 19.3 % in the number of irregularities reported as fraudulent, which continued the downward trend seen since 2014; hopes that the decrease reflects a genuine reduction in fraud and not deficiencies in terms of detection;
4. Considers it advisable for Member States to cooperate more closely with regard to exchanges of information, in order both to improve data collection and enhance the effectiveness of controls;

5. Deplores the fact that more than half of Member States have not adopted national anti-fraud strategies (NAFS); invites the Commission to encourage the remaining Member States to advance their adoption of NAFS;
6. Calls again on the Commission to establish a uniform system for the collection of comparable data on irregularities and cases of fraud from the Member States in order to standardise the reporting process and ensure the quality and comparability of the data provided;
7. Points out that many Member States do not have specific laws against organised crime, while its involvement in cross-border activities and sectors affecting the EU's financial interests, such as smuggling or counterfeiting of currency, is constantly growing;
8. Expresses concern regarding checks relating to financial instruments managed by intermediaries and weaknesses revealed in verification of beneficiaries' registered offices; stresses the need to make the disbursement of direct and indirect loans conditional on the publication of country-by-country tax and accountancy data, and on the disclosure of information on beneficial ownership by the beneficiaries and financial intermediaries involved in financing operations;

#### ***Revenue – own resources***

9. Expresses its concern that according to the Commission's statistics, the VAT gap in 2016 amounted to EUR 147 billion, which represents more than 12 % of total expected VAT revenue, and that the Commission estimates that intra-Community VAT fraud cases cost the Union around EUR 50 billion annually;
10. Welcomes the Commission's VAT action plan of 7 April 2016 aimed at reforming the VAT framework, and the 13 legislative proposals adopted by the Commission since December 2016 that address the shift towards a definitive VAT regime, removing VAT obstacles to e-commerce, reviewing the VAT regime for SMEs, modernising the VAT rates policy and addressing the VAT gap; notes that the 'definitive system' proposal could eradicate missing trader intra-community (MTIC) fraud, but would not enter into force before 2022; calls on the Member States to quickly implement the reform of the VAT system and take more immediate actions to control the damage in the meantime, including within the framework of Eurofisc, OLAF, EUROPOL and the future EPPO;
11. Welcomes the judgment of the Court of Justice of the European Union in the M.A.S. case (C-42/17), which requires Member States to ensure that effective and deterrent criminal penalties are adopted in cases of serious fraud affecting the EU's financial interests in relation to VAT, in accordance with their obligations under Article 325(1) and (2) of the TFEU;
12. Regrets that an investigation by OLAF into customs fraud in the United Kingdom concluded in 2017 revealed substantial VAT evasion in connection with imports into the UK through abuse of suspension of VAT payment, or so-called customs procedure 42 (CP42); welcomes the pre-infringement procedure against the UK launched by the Commission in May 2018; recalls that these losses are cumulatively estimated to be in range of EUR 3.2 billion for the period 2013-2016, which also represents a loss for the EU budget; is concerned that the newly adopted amendments to Regulation (EU) No

904/2010 as regards measures to strengthen administrative cooperation in the field of VAT might not be sufficient to thwart CP42 fraud and calls on the Commission to consider new strategies to track CP42 goods within the EU;

13. Welcomes the amendment of Council Regulation (EU) No 904/20108 on administrative cooperation and combating fraud in the field of value added tax, adopted on 2 October 2018, and hopes that stronger cooperation will efficiently address key aspects of cross-border fraud within the single market, such as MTIC fraud;
14. Welcomes the adoption of the PIF Directive, which clarifies the issues of cross-border cooperation and mutual legal assistance between Member States, Eurojust, the EPPO and the Commission in tackling VAT fraud;
15. Stresses, in this regard, the seriousness of the current situation concerning fraud involving the failure to pay VAT, in particular so-called carousel fraud; calls on all Member States to participate in all of Eurofisc's fields of activity so as to facilitate the exchange of information to help combat fraud;
16. Recalls that the Court of Justice has confirmed on several occasions that VAT is a financial interest of the Union, most recently in the Taricco case (C-105/14); notes however that OLAF very rarely carries out investigations into irregularities concerning VAT due to a lack of instruments; calls on the Member States to endorse the Commission's proposal to provide new instruments to OLAF to deal with VAT cases, such as access to Eurofisc, VIES or bank account information;
17. Notes the stable trend in the reported number of fraudulent and non-fraudulent cases linked to traditional own resources (TOR) (4 647 in 2016, 4 636 in 2017), as well as in the sums involved (EUR 537 million in 2016 and EUR 502 million in 2017); notes however the uneven distribution of irregularities among Member States, with Greece (7.17 %), Spain (4.31 %) and Hungary (3.35 %) clearly above the EU average of 1.96 % for non-collected TOR;
18. Notes with great 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, while at the same time it is a major source of organised crime, including terrorism; considers it necessary for Member States to step up their efforts to combat these illegal activities, for example by improving procedures for cooperation and the exchange of information between Member States;
19. Believes that a combination of different detecting methods (release controls, post-release controls, inspections by anti-fraud services and others) is most efficient for detecting fraud and that the efficiency of each method depends on the Member State concerned, the efficient coordination of its administration and the ability of the Member States' relevant services to communicate with each other;
20. Finds it worrisome that some Member States regularly do not report a single case of fraud; invites the Commission to investigate the situation, as it considers the likelihood that those Member States are fraudless paradises to be rather low; calls on the Commission to run random spot checks in these countries;



21. Notes with dismay that the average recovery rate for cases reported as fraudulent over the years 1989-2017 was only 37 %; invites the Commission to look for remedies to improve this appalling situation;
22. Repeats its call on the Commission to report annually the amount *of EU own resources* recovered, following the recommendations made by OLAF, and to communicate the amounts still to be recovered;

### ***EU Anti-Fraud Programme***

23. Welcomes the establishment of the EU Anti-Fraud Programme, which will be implemented by OLAF under direct management mode (COM(2018)0386), and calls for the grants to be managed electronically by means of the Commission's eGrants management system, beginning with June 2019;

### ***EPPO and its future relationship to OLAF***

24. Welcomes the decision of 22 Member States to proceed with the establishment of the EPPO through enhanced cooperation; calls on the Commission to incentivise the so-far reluctant Member States to join to the EPPO;
25. Points out that the cooperation agreements between OLAF and the EPPO should ensure that there is a clear separation of powers in order to avoid double structures, conflicting competences and legal loopholes that arise through lack of competences;
26. Welcomes the fact that the EU draft budget for 2019 includes, for the first time, appropriations for the EPPO (EUR 4.9 million) and insists on the importance of having appropriate staffing and budget for the EPPO; notes that only 37 staff posts are planned, which implies that after deducting the posts for 23 European Prosecutors, only 14 posts are envisaged for administrative tasks; considers that this is not realistic, in particular with regard to the two additional Member States that have recently decided to join the EPPO; requests, therefore, a frontloading of the staff increase planned for 2020 in order to help the EPPO to be fully operational by the end of 2020 as envisaged by the regulation;
27. Welcomes the targeted proposal of the Commission for a revision of Regulation No 833/2013, primarily driven by the establishment of the EPPO; stresses that the future cooperation between OLAF and the EPPO should be based on close cooperation, efficient exchange of information and complementarity, while avoiding duplications or conflicted competences;

### ***Fight against corruption***

28. Welcomes the Commission's proposal for a regulation of the European Parliament and of the Council on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States; stresses that in order to provide an objective and systematic assessment, the Commission should regularly publish an assessment of threats to the rule of law, including risks of systemic corruption, in each Member State based on a set of indicators and independent reports;

29. Stresses that after the creation of the EPPO, OLAF will remain the sole office responsible for protecting EU financial interests in the Member States that decided not to join the EPPO; highlights that according to opinion 8/2018 of the European Court of Auditors, the Commission proposal amending the OLAF regulation does not resolve the issue of low effectiveness of OLAF's administrative investigations; underlines the importance of ensuring that OLAF remains a strong and fully functioning partner to the EPPO;
30. Deplores the fact that the Commission no longer deems it necessary to publish the anti-corruption report; deplores the decision of the Commission to include anti-corruption monitoring within the European Semester economic governance process; takes the view that this has further reduced monitoring by the Commission, with data available for only very few countries; further regrets that this change of approach concentrates mostly on the economic impact of corruption and almost completely overlooks the other dimensions corruption can affect, such as the trust of citizens in public administration and even the democratic structures of the Member States; urges the Commission, therefore, to continue publishing its anti-corruption reports; reiterates its call on the Commission to engage in a more comprehensive and coherent EU anti-corruption policy, including an in-depth evaluation of the anti-corruption policies in each Member State;
31. Reiterates that the 'revolving door' effect can be detrimental to relations between the institutions and interest representatives; calls for the EU institutions to develop a systematic and proportional approach to this challenge;
32. Deplores the fact that the Commission did not foster the EU's participation in the Council of Europe Group of States Against Corruption (GRECO); calls on the Commission to restart negotiations with GRECO as soon as possible to assess in a timely manner its compliance with the United Nations Convention against Corruption (UNCAC) and to set up an internal evaluation mechanism for the EU institutions;
33. Reiterates its call on the Commission to develop a system of strict indicators and easily applicable, uniform criteria based on the requirements set out in the Stockholm Programme, to measure the level of corruption in the Member States and to evaluate their anti-corruption policies; invites the Commission to develop a corruption index in order to rank the Member States; is of the opinion that a corruption index could provide a sound basis on which the Commission could establish its country-specific control mechanism when controlling the spending of EU resources;
34. Recalls that the Commission does not have access to the information exchanged between Member States with a view to preventing and combating MTIC fraud, commonly called carousel fraud; is of the opinion that the Commission should have access to Eurofisc, in order to better control, assess and improve the exchange of data among Member States; calls on all Member States to participate in all of Eurofisc's fields of activity so as to facilitate and accelerate information exchange with judicial and law enforcement authorities such as Europol and OLAF, as recommended by the European Court of Auditors; calls on the Member States and the Council to grant the Commission access to these data in order to foster cooperation, strengthen data reliability and fight cross-border crime;

## ***Public procurement***

### *Digitalisation*

35. Notes that a significant amount of public investment is spent through public procurement (EUR 2 trillion per year); emphasises the benefits of e-procurement in fighting fraud, such as savings for all parties, increased transparency, and simplified and shortened processes;
36. Calls on the Commission to elaborate a framework for the digitalisation of all processes of implementation of EU policies (calls for proposals, application, evaluation, implementation, payment) to be applied by all Member States;
37. Regrets the fact that only a few Member States are using new technologies for all the major steps of the procurement process (e-notification, e-access to tender documents, e-submission, e-evaluation, e-award, e-ordering, e-invoicing, e-payment); calls on the Member States to make all the forms of the public procurement process, as well as publicly accessible contract registers, available online in a machine readable format by July 2019;
38. Calls on the Commission to develop incentives to create an electronic profile of contracting authorities for those Member States where such profiles are not available;
39. Welcomes the Commission's timetable for the rollout of e-procurement in the EU and calls on the Commission to follow up on it;

### *Prevention and early stages of the tender procedure*

40. Is of the opinion that prevention activities are very important in diminishing the level of fraud in the spending of EU money and that switching to e-procurement is a major step towards the prevention of fraud and the promotion of integrity and transparency;
41. Welcomes the establishment of the Early Detection and Exclusion System (EDES) and believes that a combination of different detecting methods (controls) in the early stages of the tendering of projects is most efficient in fraud prevention, as it allows funds to be redirected to other projects;
42. Welcomes the guidance prepared by the Advisory Committee for Coordination of Fraud Prevention (COCOLAF) on red flags and best practices in public procurement and irregularity reporting;
43. Welcomes the simplification of the financial rules applicable to the general budget of the EU and believes that further simplification increases efficiency; hopes that other recipients of Union funds will benefit more from simplified cost options;

### ***Import procedures***

44. Notes that customs duties make up 14 % of the EU budget and believes that their ineffective application and a lack of harmonised rules negatively affect the financial interests of the EU;

45. Notes that the customs services of various Member States exchange information on suspected fraud in order to ensure compliance with customs regulations (mutual assistance); believes that such communication is easier in cases where the indication of the consignor is compulsory in the customs import declaration (SAD) and calls on the Commission to make this indication compulsory in all Member States by July 2019;
46. Expresses concern with regard to customs inspections and the related collection of customs duties, which are an own resource for the EU budget; points out that inspections to verify that importers are complying with the rules on tariffs and imports are carried out by Member States' own customs authorities, and calls on the Commission to ensure that inspections at the EU's borders are appropriate and harmonised, thereby guaranteeing the Union's security, safety and economic interests, and to commit to fighting trade in illegal and counterfeit goods in particular;
47. Regrets that the implementation of the new IT systems for the customs union suffered a series of delays, meaning that some of the key systems will not be available at the 2020 deadlines set in the Union Customs Code; underlines that the swift transition to a paperless customs environment is key to ensuring that customs administrations work as if they were one entity; calls on the Commission and the Member States to contribute to the completion and financial sustainability of EU customs information systems;
48. Welcomes the 11 joint customs operations of OLAF that successfully targeted various threats such as revenue fraud, illicit cash movements, counterfeit products, cigarette smuggling and narcotics; welcomes in addition the detection of irregularities following mutual assistance notices issued by OLAF, especially frauds involving solar panels;
49. Underlines that harmonised and standardised customs controls at all points of entry are necessary because an imbalance in the performance of customs controls by Member States impedes the effective functioning of the customs union;

### *Expenditure*

50. Welcomes the significant drop in the number of cases (from 272 in 2016 to 133 in 2017) reported as fraudulent in rural development, and the consequent drop in the value of fraud from EUR 47 million to EUR 20 million: notes, however, the opposite trend occurring in direct support to agriculture, where the value of irregularities reported as fraudulent grew sharply from EUR 11 million to EUR 39 million and the average financial value involved in each case grew by 227 %; hopes that this does not constitute a negative trend;
51. Expects that the simplification of administrative rules called for in the common provisions covering the period 2014-2020 will make it possible to reduce the number of non-fraudulent irregularities, identify fraudulent cases and improve access to EU funds for beneficiaries;
52. Invites the Commission to continue its efforts at standardising the nomenclature of errors linked to expenditure, as data shows that different Member States declare the same errors under various categories (SWD(2018)0386);
53. Underlines the fact that detection capability is a key feature in the context of the anti-

fraud cycle, which contributes to the effectiveness and efficiency of the system for the protection of the EU budget; welcomes the fact, therefore, that the most active Member States in detecting and reporting potentially fraudulent irregularities were Poland, Romania, Hungary, Italy and Bulgaria, between them accounting for 73 % of irregularities reported as fraudulent in the common agricultural policy in the years 2013-2017; stresses, in this regard, that a single numerical assessment of the reports made may lead to an incorrect perception of the effectiveness of the controls; calls on the Commission, therefore, to continue supporting Member States with a view to ensuring that both the quality and number of controls are improved, and to share best practice in the fight against fraud;

54. Notes that the number of irregularities not reported as fraudulent in cohesion and fisheries policies (5 129 cases in 2017) has returned to the levels of 2013 and 2014 (4 695 and 4 825 cases respectively) after a peak lasting two years;
55. Points out that complete transparency in accounting for expenditure is essential, especially as regards infrastructure works financed directly through EU funds or financial instruments; calls on the Commission to provide for EU citizens to have full access to information on co-financed projects;
56. Takes note of the fact that the number of reported irregularities in Pre-Accession Assistance (PAA) decreased further in 2017 and that with the phasing out of pre-accession programmes, the number of irregularities reported as fraudulent approached zero;

### ***Problems identified and measures required***

#### ***Better inspections***

57. Supports the Hercule III programme, which is a good example of the ‘best use of every euro’ approach; expects its post-2020 successor to be even more efficient;
58. Hopes that the newly planned regulation of the European Parliament and of the Council establishing, as part of the Integrated Border Management Fund, the instrument for financial support for customs control equipment, will further improve coordination and enhance cooperation for funding purposes between customs authorities and other law enforcement authorities, through improved EU-level partnership;

#### ***Transnational fraud***

59. Emphasises that a system enabling the authorities to exchange information would facilitate the 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, hence ensuring a cross-cutting and comprehensive approach to the protection of Member States’ financial interests; reiterates its request to the Commission to submit a legislative proposal on mutual administrative assistance in those areas of expenditure of EU funds where no provision is made for this;
60. Is worried by the increasing threat and occurrence of transnational fraud detected by OLAF; welcomes the adoption of Parliament’s report of 25 October 2018 on protection

of the EU's financial interests – Recovery of money and assets from third-countries in fraud cases, and the anti-fraud clause successfully incorporated in the free trade agreement with Japan; calls on the Commission to generalise the practice of adding anti-fraud clauses to agreements signed between the EU and third countries;

#### *Whistle-blowers*

61. Welcomes the proposal for a directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law (COM(2018)0218); hopes that it will significantly improve the safety of whistle-blowers in the Union, leading to major improvement of the EU's financial protection and the rule of law; hopes that it will enter into force in the very near future; calls on all EU institutions to implement the standards set in the directive in their own internal policies as soon as possible to ensure the highest level of protection of the financial interests of the Union; encourages the Member States to implement it into their national legal system with the widest possible scope;
62. Emphasises the important role of whistle-blowers in fraud prevention, detection and reporting and the need to protect them;

#### *Investigative journalism*

63. Is of the opinion that investigative journalism plays a key role in fostering the necessary level of transparency in the EU and the Member States, and that it must be encouraged and supported both by the Member States and the EU;

#### *Tobacco*

64. Notes with concern that according to OLAF estimates, the illicit trade in cigarettes causes annual financial losses of over EUR 10 billion to the budgets of the Union and the Member States;
65. Welcomes the entry into force, on 25th September 2018, of the WHO Protocol to Eliminate Illicit Trade in Tobacco Products following the 41st ratification, on 27 June 2018; welcomes the fact that the first Meeting of Parties to the Protocol took place from 8 to 10 October 2018; urges, however, the Member States which have not yet ratified the Protocol to do so as soon as possible; calls on the Commission to play an active role with a view to producing a comprehensive report setting out good practices and implementing experiments regarding tracking and tracing systems in the State Parties; calls on the Member States which have signed the Protocol but not yet ratified it, to do so;
66. Recalls the decision of the Commission not to renew the PMI agreement, which expired on 9 July 2016; recalls that on 9 March 2016, Parliament asked the Commission not to renew, extend or renegotiate it beyond its date of expiry; believes that the three other agreements with tobacco companies (BAT, JTI, ITL) should not be renewed, extended or renegotiated; calls on the Commission to present a report by the end of 2018 on the feasibility of stopping the three remaining agreements;
67. Calls on the Commission swiftly to come up with the new action plan and

comprehensive EU strategy to fight the illicit tobacco trade, that was envisaged for late summer 2018;

68. Calls on the Commission to ensure that the tracing system and security measures which have to be put in place by the Member States by 20 May 2019 for cigarettes and rolling tobacco and by 20 May 2024 for all other tobacco products (such as cigars, cigarillos and smokeless tobacco products) are consistent with the independence guidelines of the WHO Protocol to Eliminate Illicit Trade in Tobacco Products which the European Union ratified on 24 June 2016;
69. Calls on the Commission to anticipate the hidden cloning risks of individual markings by the tobacco industry for the purpose of supplying the parallel market;
70. Notes with concern that OLAF's judicial recommendations have seen only limited implementation in the Member States; takes the view that such a situation is intolerable and calls on the Commission to urge the Member States to ensure full implementation of OLAF's recommendations and to lay down rules to facilitate the admissibility of the evidence found by OLAF;

### ***Investigations and the role of OLAF***

71. Welcomes the Commission's proposal to empower OLAF to investigate value added tax matters; calls on the Commission that to establish a certain level of transparency of OLAF reports and recommendations after the closure of all European and national procedures; is of the opinion that after the adoption of the necessary changes to the OLAF regulation related to the establishment of EPPO, the Commission should prepare a more thorough and comprehensive modernisation of the OLAF framework;
72. Deplores the inconsistency of the terminology in the OLAF reports, such as closed and concluded investigations; calls on the Commission and OLAF to implement a consistent terminology so that comparability over the years is guaranteed relating to the reporting and redress of fraud cases;
73. Takes note of the ongoing issues with OLAF's new Content Management Database (OCM); deplores in particular the fact that cases have been lost in the new database; welcomes the fact that the problem is a subject of top priority; invites the Commission to provide Parliament with an in-depth evaluation of the OCM IT project, in particular regarding project design, full costs, implementation, user experience and a list of issues encountered, as per the recommendations made by the OLAF Supervisory Committee<sup>1</sup>;
74. Calls on the Commission and the Member States to jointly ensure that investigations by OLAF and by the Member States complement each other, that OLAF enjoys equal investigative powers in every Member State, including access to bank account information, and that evidence collected by OLAF is admissible as criminal evidence by the judiciaries of all Member States, as it is essential to the effective follow-up of OLAF investigations;

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<sup>1</sup> OLAF Supervisory Committee Opinion No 1/2018 on the OLAF preliminary draft budget for 2019.

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75. Instructs its President to forward this resolution to the Council and the Commission, the Court of Justice of the European Union, the European Court of Auditors, the European Anti-Fraud Office (OLAF) and the OLAF Supervisory Committee.



## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	13.12.2018
<b>Result of final vote</b>	+: 20 -: 1 0: 2
<b>Members present for the final vote</b>	Nedzhmi Ali, Inés Ayala Sender, Jonathan Bullock, Ryszard Czarnecki, Dennis de Jong, Tamás Deutsch, Martina Dlabajová, Luke Ming Flanagan, Ingeborg Gräßle, Arndt Kohn, Georgi Pirinski, José Ignacio Salafranca Sánchez-Neyra, Petri Sarvamaa, Claudia Schmidt, Bart Staes, Marco Valli, Derek Vaughan, Joachim Zeller
<b>Substitutes present for the final vote</b>	Caterina Chinnici, Benedek Jávor, Marian-Jean Marinescu, Péter Niedermüller
<b>Substitutes under Rule 200(2) present for the final vote</b>	Henna Virkkunen

## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

20	+
ALDE	Nedzhmi Ali, Martina Dlabajová
EFDD	Marco Valli
GUE/NGL	Luke Ming Flanagan, Dennis de Jong
PPE	Ingeborg Gräßle, Marian-Jean Marinescu, José Ignacio Salafranca Sánchez-Neyra, Petri Sarvamaa, Claudia Schmidt, Henna Virkkunen, Joachim Zeller
S&D	Inés Ayala Sender, Caterina Chinnici, Arndt Kohn, Péter Niedermüller, Georgi Pirinski, Derek Vaughan
VERTS/ALE	Benedek Jávor, Bart Staes

1	-
EFDD	Jonathan Bullock

2	0
PPE	Tamás Deutsch
ECR	Ryszard Czarnecki,

Key to symbols:

+ : in favour

- : against

0 : abstention