REPORT

on the Annual Report 2013 on the Protection of the EU’s Financial Interests – Fight against fraud
(2014/2155(INI))

Committee on Budgetary Control

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Annual Report 2013 on the Protection of the EU’s Financial Interests – Fight against fraud

(2014/2155(INI))

The European Parliament,

– having regard to Article 325(5) of the Treaty on the Functioning of the European Union,

– having regard to its resolutions on previous annual reports of the Commission and of the European Anti-Fraud Office (OLAF),


– having regard to the OLAF annual report 2013,

– having regard to the Activity Report of the OLAF Supervisory Committee: February 2013 - January 2014,

– having regard to the annual report of the Court of Auditors on the implementation of the budget concerning the financial year 2013, together with the institutions’ replies,

– having regard to the Commission Communication of 29 September 2014 entitled ‘Protection of the EU budget to end 2013’ (COM(2014)0618),

– having regard to the Commission report of 3 February 2014 entitled ‘EU anti-corruption report’ (COM(2014)0038),

– having regard to the Special Eurobarometer 397 Report on Corruption,

– having regard to the Commission’s VAT Gap reports,

– having regard to Regulation (EU) No 250/2014 of the European Parliament and of the Council of 26 February 2014 establishing a programme to promote activities in the field of the protection of the financial interests of the European Union (Hercule III programme) and repealing Decision No 804/2004/EC1,

– having regard to the proposal for a Council regulation of 17 July 2013 on the establishment of the European Public Prosecutor’s Office (COM(2013)0534),

– having regard to Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the

European Anti-Fraud Office (OLAF) and replacing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999¹,


– having regard to its resolution of 15 September 2011 on the EU’s efforts to combat corruption, its declaration of 18 May 2010 on the Union’s efforts in combatting corruption and the Commission Communication of 6 June 2011 entitled ‘Fighting corruption in the EU’ (COM(2011)0308),

– having regard to Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities’ financial interests⁵,

– having regard to the United Nations Convention against Corruption,

– having regard to the Council of Europe’s Civil Law and Criminal Law Conventions on Corruption,

– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Budgetary Control and the opinions of the Committee on Regional Development and the Committee on Civil Liberties, Justice and Home Affairs (A8-0024/2015),

A. whereas the EU budget, to which each Member State contributes proportionately according to common objective criteria, provides support for the implementation of the Union’s policies and represents an expression of unity and an instrument to advance European integration;

B. whereas protection of the financial interests of the EU, together with the principle of sound financial management, should guarantee that budget revenue and expenditure contribute towards the achievement of the EU’s priorities and objectives and towards increasing the confidence of citizens by assuring them that their money is being used in a transparent way, in full compliance with the aims and policies of the EU and in the interests of EU citizens;

³ OJ C 51E, 22.2.2013, p. 121.
C. whereas the diversity of legal and administrative systems in the Member States presents a challenging environment in which to overcome irregularities and combat fraud, while any incorrect use of EU funds entails not only individual but also collective losses and harms the interests of each Member State and of the Union as a whole;

D. whereas in order to enhance the existing measures such as the Convention on the Protection of the Communities’ Financial Interests (PIF Convention) for fighting fraud, corruption, money laundering and other illegal activities affecting the financial interests of the Union, the Commission has submitted two proposals for criminal law instruments, the PIF Directive and the Regulation on the establishment of the European Public Prosecutor’s Office (EPPO Regulation), aimed at ensuring more effective investigation and better protection of the taxpayers’ money throughout the European Area of Freedom, Security and Justice;

E. whereas the fight against fraud, corruption and money laundering in the Union must be a priority for political action by the Community institutions, and police and judicial cooperation between Member States is therefore crucial;

I. Detection and reporting of non-fraudulent and fraudulent irregularities

1. Emphasises that it is incumbent on both the Commission and the Member States to do everything in their power to fight fraud, corruption and all other forms of illegal activity detrimental to the Union’s financial interests, in accordance with the provisions of the Treaty on the Functioning of the European Union; points out that close cooperation and coordination between the Commission and the Member States is essential in order to ensure that the Union’s financial interests are protected effectively, and hence such cooperation and coordination must, as a matter of priority, be strengthened and made as effective as possible; points out that protecting the Union’s financial interests demands an equally vigilant approach to both resources and expenditure;

2. Takes note of the Commission report on the Protection of the European Union’s financial interests – Fight against fraud – Annual Report 2013 (the Commission’s ‘annual report’); welcomes the broad range of legal and administrative measures taken by the Commission since 2011, thus shaping a new landscape for the further enhancement of the policy for protection of the financial interests of the Union; underlines that the current lack of results in the fight against fraud is not due to a lack of regulation but to a lack of implementation; requests that the Commission respond to Parliament’s demands in its previous annual PIF reports in a more timely manner in the following Commission report;

3. Recalls that, in the context of the economic difficulties currently being experienced in Member States and the insufficient resources in the EU budget, the protection of the financial interests of the European Union is particularly important; stresses the fact that EU funds must be properly managed and used in the most efficient way possible;

4. Notes that in 2013 a total of 15 779 irregularities were reported to the Commission, of which 14 170 were non-fraudulent and 1 609 fraudulent, involving an overall amount of
about EUR 2.14 billion, of which about EUR 1.76 billion related to expenditure, representing 1.34% of all payments, with the remaining EUR 380 million representing 1.86% of gross traditional own resources (TORs) collected;

5. Notes that although the overall financial impact of non-fraudulent irregularities reported in 2013 decreased to about EUR 1.84 billion, or 36% less than in 2012, the number of such irregularities registered increased by 17% on the previous year; notes, furthermore, that the number of fraudulent irregularities reported in 2013 increased by a full 30% compared with 2012, while the financial impact thereof, involving EUR 309 million in EU funding, decreased by 21%;

6. Notes that, due to the availability of new information as a result of the significant changes in the way Member States and the Commission report irregularities, there has been a shift in focus in the Commission’s 2013 annual report from irregularities treated in general terms to those reported as fraudulent; invites the Commission to maintain this approach in its future Annual Report on the Protection of the EU’s Financial Interests – Fight against fraud; strongly urges the Commission, however, to further increase the availability of information and enhance analyses on the scope, types and impact of non-fraudulent irregularities in light of the significantly high number thereof and the related negative monetary impact, which adversely affects the financial interests of the EU;

7. Is concerned that in 2013 the recovery rate for fraud cases stood at only 23.74%, a figure below the average rate of 33.5% for the 2008-2012 period; points out that the recovery rate for irregularity cases reported for 2013 is 67.9%; underlines the responsibility of Member State authorities and the Commission’s services towards recovering sums unduly paid and calls on them to properly assume this responsibility and substantially increase the recovery rate in cases of fraud, which is at a markedly low level compared to the recovery rate for non-fraudulent irregularities;

8. Calls on the Commission to assume full responsibility for the recovery of funds unduly paid from the EU budget and to establish uniform reporting principles in all Member States for the purpose of collecting the appropriate comparable and accurate data;

9. Notes that the overall trend in detecting and reporting potential fraudulent irregularities in the last five years shows a slow decrease but that the number of irregularities not reported as fraudulent has progressively increased; requests that the Commission examine in more detail the main underlying reasons for this increase and that it carry out an analysis that answers the question of whether the trend is due to a shift towards detecting irregular cases or to the way in which Member States classify cases;

10. Notes that in a five-year perspective, the recovery rate is 54.4% for irregularities reported as fraudulent and 63.9% for non-fraudulent irregularities; urges the Commission to further improve the recovery process and to make it more timely;

11. Is convinced that the criminal law means provided for in the PIF Directive will be effective only if they succeed in providing a clear definition of PIF offences, minimum and maximum imprisonment penalties applicable in all participating Member States,
and minimum rules on the statute of limitations, and if these rules are then implemented equally and efficiently by all Member States;

Revenue – own resources

12. Welcomes the fact that 98 % of TORs are collected without significant problems, with reported fraudulent irregularities representing 0.29 % of gross established TORs (with a value of EUR 61 million) and non-fraudulent irregularities representing 1.57 % of TORs (with a value of EUR 327.4 million); notes that fraud and irregularity cases detected in 2013 amounted to EUR 380 million, of which a total of EUR 234 million was recovered by the Member States; notes, in particular, the fact that this recovery rate of 62 % for TORs in 2013 represents the best result achieved to date over the past decade;

13. Is concerned that in 2013 most of the established amounts in the OWNRES database in the EU-28 related to the ‘release for free circulation’ customs procedure for both fraud cases (93 %) and irregularity cases (87 %); calls on the Commission to take appropriate actions aimed at reinforcing the ‘release for free circulation’ customs procedure in order to make the latter less prone to occurrences of fraud and irregularity; expresses its concern about the fact that several EIB-financed projects have been affected by corruption and fraud; considers that the EIB document, dated 8 November 2013, which defines the EIB policy on preventing and deterring corrupt practices, fraud, collusion, coercion, obstruction, money laundering and terrorism financing, denotes a lack of sufficient control in a number of cases during the implementation of EIB-financed projects; asks, therefore, that, in cases of proven fraud and corruption, the EIB be required to suspend and/or block any foreseen and ongoing financing for the affected project;

14. Welcomes the signature of the UN Protocol to Eliminate Illicit Trade in Tobacco Products by the European Union in 2013; observes that 15 Member States have signed the Protocol, but that at present it has only been ratified by Austria; invites, therefore, the remaining Member States to complete their respective ratification process as soon as possible;

15. Underlines the fact that the smuggling of heavily taxed goods causes significant losses of revenue to the budgets of the EU and the Member States, and that direct losses in customs revenue as a result of cigarette smuggling alone are estimated at more than EUR 10 billion a year; draws attention, moreover, to trafficking in counterfeit goods, which inflicts damage upon both the tax authorities of the Member States and EU companies;

16. Refers to the ongoing work to improve the gross national income (GNI) data, and to the issues raised in the European Court of Auditors Special Report 11/2013, which calls for shorter, more focused verification of GNI figures and improved reporting and coordination regarding results, so that the GNI system becomes ever more reliable in its contribution to the calculation of EU revenues;

17. Underlines the fact that in many Member States the VAT gap is continuously high owing to VAT fraud and avoidance; emphasises that the Commission has the authority
to control and supervise the measures taken by the Member States; calls, therefore, on the Commission to fully use its powers in order to help the Member States in their fight against VAT fraud and tax avoidance;

18. Notes, furthermore, that 133 cases of smuggled cigarettes were registered by the Member States in 2013, involving an estimated TOR of around EUR 7 million; underlines that this trend represents a sharp decrease compared with 2012, where 224 cases involving around EUR 25 million were reported; is seriously concerned by the fact that Denmark, Estonia, Spain, France, Cyprus, Luxembourg, Portugal, Slovenia, Slovakia and Sweden reported no cases of smuggled cigarettes to the Commission in 2013, and questions the efficiency of the reporting process in those Member States; insists that all Member States report smuggling and counterfeiting cases to the Commission in an accurate and timely manner so as to enable a better estimation of the TOR adversely affected;

19. Notes that the Commission will publish a study on the feasibility of a tracking and tracing system for tobacco products; underlines that this is a huge step forward in the fight against smuggling; demands that the Commission design and implement an open and competitive track and trace system, in such a way that the design and the way the system is implemented do not favour one single or only a few solution providers;

20. Notes that inclusion of the invisible economy in national accounts should contribute to ensuring more complete and reliable GNI data, and calls on the Commission and Eurostat to deepen cooperation with national statistical institutions to ensure that this element is dealt with in a coherent and comparable way in all Member States, using the most up-to-date information;

**Excise Movement Control System**

21. Recalls that:

- Parliament noted in its resolution of 3 April 2014 on the Annual Report 2012 on the Protection of the EU’s Financial Interests¹ that an increased abuse of the Excise Movement Control System (EMCS) by criminal groups had been observed by enforcement agencies and that Parliament was convinced that there is a lack of physical controls of goods being transported under the EMCS;

- the Commission should provide Parliament with an update on the measures taken to increase physical checks in the next Annual Report 2014 on the Protection of the Financial Interests of the Union;

- EMCS access rights need to be tightened up in order to include a comprehensive history of compliance before trading, so that it is possible to grant business actors ‘empowered economic operator’ status (‘trusted business actors’) and therefore allow only these actors to operate under the EMCS directly by themselves;

- Parliament asked the Commission to present the results of current investigations concerning the need to amend Directive 2008/118/EC;

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¹ Texts adopted, P7_TA(2014)0338.
– verification checks conducted by Member States on people and companies applying to the register need to be more robust and comprehensive;
– the Commission should explain the action taken concerning a higher degree of cooperation with tax authorities, as goods can easily be misdeclared in order to evade excise duties;
– time limits allowed for excise movements between authorised warehouses are unrealistically long, meaning that multiple movements on the same declaration and diversion are possible before the delivery date is entered into the system; reiterates, therefore, its demands that the competent authority of the Member State declared as the destination and the new destination must be immediately informed by the consignor about any changes;
– Parliament demanded that the maximum time allowed for submission of the report on the receipt of excise goods be one working day and, furthermore, that journey time be calculated and established for each delivery in accordance with the means of transport used and the distance between the places of dispatch and destination; asks the Commission to inform Parliament once these demands have been implemented;
– that the guarantees required to establish bonded warehouses are too low in comparison with the value of the excise goods and that Parliament therefore called on the Commission to establish a variable depending on the type of goods and the level of trade that actually occurs; asks the Commission to inform Parliament once these demands have been implemented;
– Parliament is concerned that Member States have implemented their own EMCS systems based on broadly defined requirements by the Commission; reiterates its call on the Commission to take the initiative to introduce a more uniform system across the EU;

Expenditure

22. Draws attention to the alarming 76% increase in the number of irregularities reported as fraudulent regarding EU expenditure and urges the competent authorities to take all necessary measures to prevent such a negative trend in the coming years;

23. Calls for proposals to reduce the number of spending programmes, in particular when they partly overlap, and to target programmes, whenever possible, at the Member States who are most in need of support, so that not all programmes necessarily benefit activities in all Member States;

24. Expresses concern that in the agricultural sector the number of both irregularities in general and fraudulent activities in particular increased significantly in 2013 as compared with 2012; notes that a new significant infringement trend referring to the ‘beneficiary not having the required quality’ occurred in 2013, with 51 fraudulent irregularity cases reported; considers that these trends require targeted measures aimed at on the one hand eliminating practices which may potentially lead to inadvertent infringements, and on the other hand aggressively confronting corrupt and criminal behaviour;

25. Acknowledges that in the agriculture and rural development area, Member States
recovered EUR 197 million from the beneficiaries during the 2013 financial year, while EUR 1,318.3 million remains to be recovered from the beneficiaries at year end, of which EUR 1,097.1 million is outstanding to the EU budget following the application of the 50/50 mechanism; is concerned, as recovery for the European Agricultural Guarantee Fund (EAGF) is below the overall average and not even half of the irregularities detected in 2009 had been recovered by the end of 2013;

26. Points to the significant differences between Member States regarding their ability to recover sums lost as a result of irregular payments detected under the CAP and urges Member States with recovery rates below 33 % to improve significantly their results in 2015 and subsequent years;

27. Acknowledges that following the 2013 reform of the Common Agricultural Policy (CAP), Member States benefit from a higher degree of flexibility in the implementation of the policy and are notably allowed to customise it to their regional or national capabilities and priorities, and to make transfers between its different pillars; calls on the Commission and the Member States to ensure that this increase in flexibility will not be at the expense of the monitoring and evaluation systems; notes further that in the framework of the new CAP the Commission is working on a simplification agenda; calls on the Commission to align the simplification agenda fully with DG AGRI’s anti-fraud strategy and to maintain a balance between simplification and the sound management of EU funds by ensuring adequate controls;

28. Expects the significant increase of 475 % in irregularities reported in the fisheries sector in 2013 to represent a one-year peak, relating to the delayed implementation of programmes in the sector, and that it should not represent a negative trend which undermines the perception of the value of the EU’s fisheries policy;

29. Notes with concern that in the area of cohesion policy there has been an increase of 15 % in the number of cases of irregularities reported; also notes, however, that decreases of 49 % have been noted in the amounts involved in non-fraudulent cases and 22 % in cases of fraud;

30. Regrets, however, the lack of information available on the amounts to be recovered and the recovery rates specifically related to the cohesion policy for the financial year 2013; calls on the Commission to provide detailed information in this respect in its future annual report;

31. Is pleased that the number of cases reported as fraudulent pertaining to the European Social Fund in 2013 was 40 % lower than in the years 2009 and 2010 and that 2013 was the third year in a row in which this positive trend was maintained;

32. Notes with satisfaction that for the programming period 2007-2013 administrative verifications, on-the-spot checks and audit operations led to the significantly higher rate of 63 % in the detection of fraudulent irregularities, compared with a rate of less than 20 % for the preceding seven-year period, although there was a slight decrease to 55 % in 2013;
33. Takes note that in 2013 the Commission proceeded with 217 interruptions of payment in the cohesion policy area and that 131 were still open at year-end, involving an amount of nearly EUR 2 million; also acknowledges that the Commission adopted four suspension decisions in 2013 and two in January 2014;

34. Notes that 321 irregularities reported as fraudulent and 4,672 irregularities reported as non-fraudulent were cohesion-policy related; acknowledges the fact that in both categories the number of reports increased by 15% as compared to 2012 and that, as in previous years, the largest share of amounts that involved irregularities in 2013 (63%) is still related to cohesion policy; points out, however, that in both categories the corresponding amounts decreased, a gradual improvement based on the experience of previous years can be seen and that for the first time, cohesion policy was not the area of budgetary expenditure with the highest number of irregularities reported as fraudulent;

35. Acknowledges that in 2013, as part of the Pre-Accession Assistance (PAA), 33 irregularities were reported as fraudulent, involving an amount of EUR 14.4 million, and that those irregularities are mainly related to the Special Accession Programme for Agriculture and Rural Development (SAPARD); notes, in addition, that nine fraudulent irregularities involving an amount of EUR 1.2 million were reported under the Instrument for Pre-Accession (IPA); observes that between 2003 and 2013 under the PAA the recovery rates reached 37.36% and 29.22% respectively for irregularity cases and fraudulent cases; calls on the Commission and the IPA beneficiary countries to take action in order to ensure a higher recovery rate under the IPA;

36. Observes that the recommendations made by the Commission to Member States in 2012 – particularly on the anti-fraud coordination services, the common rules on fraud, the reform of public procurement, the reported fraudulent irregularities, and the systems of checks and controls and of risk assessment – were generally appropriate, and finds it regrettable that a number of concerns were not fully addressed; notes, for instance, that preparations were not launched by all Member States for the implementation of the multiannual financial framework (MFF) 2014-2020 and its provisions on fraud prevention; calls on Member States to follow up on the recommendations made by the Commission in 2012 and to ensure that those made to them in its 2011 report are followed in full, and that where action on recommendations cannot be taken they submit a reasoned explanation;

2. Problems identified and measures required

37. Underlines its concerns as regards the persisting threats to the EU budget, which stem from both failures to comply with the rules (non-fraudulent irregularities) and purposeful wrongdoings and criminal offences (i.e. fraud); insists on enhanced cooperation between the Member States and the Commission with a view to securing relevant and adequate measures and means for avoiding and rectifying non-fraudulent irregularities and combatting fraud;

38. Stresses that the situation in which Member States fail to submit data in time or to submit accurate data is one that has been recurring for many years; reiterates its concern that there are still different approaches in different Member States to detecting and
reporting fraudulent and non-fraudulent irregularities, including in such areas as cohesion policy and agriculture, and that in some cases there are non-standardised interpretations when applying the legal framework; points out that this impedes comparisons and an objective assessment being made and recommendations being issued by Parliament, the Commission and OLAF; calls on the Commission to develop common guidelines and indicators in order to narrow the gap between the different approaches of the Member States and to develop a unified and comprehensive information bank on irregularities actually instigated and on measures taken, including cases of fraud and corruption involving civil servants, thus providing authorities and citizens with trustworthy, comparable and centralised data for the implementation of effective corrective measures, and for an objective assessment of the actual, rather than perceived, gravity of infringements and of the parties responsible;

39. Is concerned by the fact that for the recovery orders qualified as irregularities (both reported as fraudulent and not reported as fraudulent) issued between 2009 and 2013 under centralised management, the average delay between the occurrence of an irregularity and its detection is 3.4 years: more than half of the cases (54 %) were detected within 4 years of the year when the irregularity was committed, and for the other half (46 %) the delay varied between 4 and 13 years; recalls that after detection of the irregularity, further procedures kick in (recovery orders, OLAF investigations, etc.); requests that the Commission determine the average, minimum and maximum lifespan of a detected irregularity under centralised management;

40. Is also worried that the average delay between the occurrence of an irregularity, its detection and finally its reporting to the Commission is 6.3 years in the agricultural sector and 2.75 years in other sectors; recalls that after detection of the irregularity, further procedures kick in (recovery orders, OLAF investigations, etc.); requests that the Commission determine the average, minimum and maximum lifespan of a detected irregularity under shared management for each policy sector;

41. Acknowledges the fact that non-fraudulent irregularities are often caused by insufficient knowledge of the rules, complex requirements and regulations; points out that modifications to the rules pertaining to both revenue and expenditure, including those aimed at simplification, require time for adoption on the part of the authorities responsible for their proper implementation; urges the Member States and the Commission, in this connection, to better coordinate the interpretation of the legal framework and the strict application thereof, to implement targeted and timely measures to strengthen administrative capacities, both in public administrations and among stakeholders, including civil society organisations, including by means of guidance and training and by establishing schemes for retaining qualified and skilled staff; calls on the EU institutions and the Member States to conduct a mid-term assessment of whether the new regulatory architecture of cohesion policy further prevents and reduces the risk of irregularities, and to evaluate the possibility of greater regulatory simplification as regards the existing rule;

42. Considers that Member States which detect and report irregularities, including cases of fraud, on their own should be supported and encouraged to further improve their reporting and management systems; expresses concern at the Commission’s inability to
establish whether or not the low number of irregularities and cases of fraud detected by certain Member States and the wide gaps in the number of cases reported for different years are due to the ineffectiveness of these Member States’ control systems;

43. Regrets the fact that only some Member States allocate relevant resources to counter fraud and finds it unacceptable that in cases of fraudulent irregularities certain Member States limit their actions to corrective measures only without proceeding to investigate the potential criminal offence and sanction those responsible, thus failing to adequately protect the financial interests of both the EU and individual taxpayers; notes that statistics submitted by Member States regarding criminal cases and their outcome are incomplete, making it difficult to evaluate the effectiveness of fraud investigation and prosecution procedures in the Member States; considers, therefore, that the adoption of decisions which introduce criminal law responsibility at EU level, and the introduction of the European Public Prosecutor’s Office as a tool in starting and coordinating investigations into such irregularities, should represent a strong disincentive to committing illegal acts as well as to foregoing due process in pursuing and punishing corrupt or criminal behaviour which damages the financial interests of the EU;

44. Is of the opinion that effective action against corruption is possible if criminal law measures are respected and complemented by other measures such as better transparency and accountability; insists, therefore, that Member States demonstrate firm political will in effectively countering corruption at both national and EU level by adopting effective anti-corruption legislation and by proceeding with the existing proposals at EU level, and calls upon citizens to convincingly exert pressure on governments to vigorously pursue meaningful anti-corruption policies;

45. Welcomes the first EU Anti-Corruption Report of February 2014 as a valuable tool to monitor and evaluate efforts in the fight against corruption, and reaffirms the particular importance of intensifying exchanges of the current good practices highlighted in that report; also welcomes the Commission’s Communication on Fighting Corruption in the EU (COM(2011)0308), which explores the necessary steps to better implement the existing anti-corruption instruments and proposes ways to integrate stronger anti-corruption considerations in a number of internal and external policy areas; notes, however, the importance of extending the scope of the Anti-Corruption Report to the cross-border and EU-level element of corruption and to the assessment of the measures taken to further improve the integrity of the EU institutions, and emphasises the need for a fully comprehensive and coherent anti-corruption strategy encompassing all EU policies, that addresses, inter alia, the concerns raised in the first EU Anti-Corruption Report; requests that the Commission report to Parliament and the Council on the implementation by the EU institutions of their internal anti-corruption policies, including its obligations under the UN Convention against Corruption;

46. Stresses the need for structured coordination between management authorities and anti-fraud bodies, and the importance of coordination and exchange of best practices between Member States and among various administrations within the same Member State in order to homogenise, as much as possible, the approach to tackling fraud; invites the Commission to create a mechanism for the exchange of information between the national competent authorities, in order to allow a crossed comparison of
the accounting records concerning the transactions among two or more Member States with a view to helping to detect any transnational fraud in the context of the new MFF 2014-2020, with regard to the macro-category of European Structural and Investments Funds (European Social Fund – ESF; European Regional Development Fund – ERDF; Cohesion Fund – CF; European Agricultural Fund for Rural Development – EAFRD; European Fund for Maritime Affairs and Fisheries – EMFF), in order to ensure a horizontal approach to protecting the financial interests of the European Union;

47. Underlines the fact that greater transparency allowing for proper scrutiny is key to detecting fraud schemes; recalls that in previous years Parliament urged the Commission to take action to ensure one-stop transparency for all beneficiaries of EU funds from all Member States by publishing on the Commission’s site a list of all beneficiaries, independent of the administrator of the funds and based on standard categories of information to be provided by all Member States in at least one working language of the Union; calls on the Member States to cooperate with and provide full and reliable information to the Commission regarding the beneficiaries of the EU funds managed by Member States; regrets the fact that this measure has not been implemented and calls on the Commission to implement it as a matter of urgency; regrets the fact that this repeated request has not been taken into account by the Commission;

48. Calls on the Commission to promote adequate legislation on the protection of whistleblowers, access to information and the transparency of lobbying, as these are necessary for ensuring the civic control of governments and EU institutions and subjecting their practices to public scrutiny, and to use EU funding to support the work of independent organisations in this area, inter alia to establish financial support for trans-border investigative journalism;

49. Encourages the Commission to further enhance its supervisory role in respect of EU budget expenditure through audit, control and inspection activities, remedial action plans and warning letters preceding the submission of payments claims; calls on the Member States and their authorities to intensify their efforts and to tap their potential to detect and correct errors prior to claiming reimbursement from the Commission by making full use of the information available to them; underlines, in this regard, the particular value of preventive actions in forestalling unlawful disbursements and thus eliminating the need for subsequent actions to recover misappropriated funds;

50. Welcomes the adoption of the public procurement directives and the directive on the awarding of concessions, and welcomes the fact that ten Member States have already introduced specific measures or sets of measures in public procurement in order to mitigate corruption and strengthen transparency and the effectiveness of management, control and audit systems; invites the Commission to proceed with the implementation of the rules on public procurement in order to provide necessary support to Member States through guidance, the sharing of best practices and training; calls on the Commission to continuously and impartially monitor the compliance of the Member States with the existing directives and start infringement procedures if necessary;

51. Welcomes the establishment of the Competence Centre for administrative capacity building in support of public administrations responsible for managing the ERDF and
the Cohesion Fund and the introduction of the Public Procurement Action Plan developed by the Competence Centre in collaboration with the competent Commission services; requests, however, that the Commission report on the concrete results achieved so far as a result of the centre’s activities and the implementation of the aforementioned action plan;

52. Urges the Commission to maintain its strict policy of interruptions and suspension of payments;

53. Welcomes the report on the implementation of the Commission Anti-Fraud Strategy (CAFS) and the guidance provided to Member States’ managing authorities on the implementation of the relevant anti-fraud provisions; insists, however, that in the delegated and implementing acts pertaining to the European structural and investment funds the Commission adopt more simplified rules, facilitating effective and efficient absorption, while ensuring that the level of the fight against fraud is not undermined by these delegated and implementing acts;

54. Reiterates its call for an independent and efficient EPPO, operating as a single office which investigates, prosecutes and brings to court the perpetrators of criminal offences affecting the Union’s financial interests, while ensuring that procedural safeguards for suspected and accused persons are protected; stresses the importance of a common agreement between Parliament and the Council in the selection and appointment procedures for independent prosecutors with investigative powers in Member States; urges the Council to take into due account the views of Parliament – as an institution directly elected by European citizens – at all stages of the negotiations in order to reach the necessary level of consensus enabling Parliament to give its final consent; points out that establishing the EPPO will require effective coordination between the EPPO, Eurojust and OLAF;

55. Welcomes the establishment of anti-fraud coordination services (AFCOS) in Member States as required by Article 3(4) of the new OLAF Regulation and the fact that Germany reconfirmed its working cooperation arrangement with OLAF; notes that AFCOS aim to facilitate effective cooperation and the exchange of information with OLAF, and insists that Member States which have not yet designated AFCOS do so without further delay; expects that AFCOS will assist in facilitating better reporting of irregularities and contribute towards a balanced interpretation of the relevant EU acts; is nevertheless concerned by the substantial discrepancies already existing between the different AFCOS established in the Member States in terms of functions, tasks and powers as well as human resources allocated; acknowledges that the AFCOS’ mandate, institutional framework and tasks are not defined in detail in Regulation (EU, EURATOM) No 883/2013, but is of the opinion that AFCOS which are operationally independent with a comprehensive mandate including investigative powers represent a benchmark to be developed by all Member States;

56. Acknowledges the Commission’s reporting on the results of the Hercule II Programme; takes note that in 2013 the budget of Hercule II was reduced to EUR 14 million in commitment appropriations and EUR 9.9 million in payment appropriations compared with 2012, resulting in difficulties in meeting the financial commitments made in 2013
and previous years; observes with satisfaction that Hercule II activities are the subject of increasing interest from the Member States, as demonstrated by the ever growing number of applications received following the calls for proposals; welcomes the positive results obtained in 2013, in Germany, Spain and Romania for example, thanks to the deployment of highly sophisticated and transnational compatible technical equipment purchased under the programme;

57. Welcomes the adoption of the Regulation establishing Hercule III for the financial period 2014-2020, which allows for an increased maximum co-funding percentage for technical assistance grants of 80 % of the eligible costs, and up to 90 % in exceptional and duly justified cases, instead of the maximum of 50 % under the Hercule II Decision; notes that the first call for proposals was successfully launched in 2014; is nevertheless concerned that the programme is already particularly affected by the issue of outstanding payments, leading to possible adverse effects on funded and future projects; recalls the importance of sound financial instruments such as Pericles 2020 and Hercule III in the fight against illegal activities affecting the resources of the Union;

58. Welcomes the successful outcomes of numerous joint customs operations (JCOs) involving the cooperation of OLAF and Member States with various third-country services, along with active support from DG Taxation and the Customs Union, Europol and Frontex, which have resulted in the seizure of, inter alia, 68 million smuggled cigarettes, 124 kg of cocaine and 140 000 litres of diesel fuel;

59. Notes that in 2013 OLAF issued 353 recommendations for administrative, disciplinary, financial or judicial action to be taken by the relevant EU institutions, bodies, offices, agencies or the competent national authorities, and that about EUR 402.8 million was recommended for recovery; is concerned that the rate of indictment following OLAF’s judicial recommendations for the period 2006-2013 is only about 54 %; is worried, as the low rate of indictment also sheds a bad light on the quality and usability of OLAF’s investigative results; calls on the Commission to urgently improve the effectiveness of OLAF; deems that a fully-fledged and proper oversight over OLAF’s affairs by the Supervisory Committee (without interference in ongoing investigations) is indispensable, and therefore urges the Commission and OLAF to improve the current situation in which the Supervisory Committee is not able to fulfil its purpose; also regrets the lack of information available on conviction rates in cases involving offences against the Union’s budget;


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irregularities and fraud;

3. Investigations and the role of OLAF

61. Takes note that in 2013 OLAF self-reportedly received the largest amount of information registered to date and claims to have issued an unprecedented number of recommendations; points out that the method for counting incoming information and issued recommendations has also been changed; asks the Supervisory Committee to analyse the effects of these data changes and the quality of recommendations issued by OLAF;

62. Calls on the OLAF Supervisory Committee to inform Parliament about the duration of OLAF investigations and the calculation method hereto, as this method was changed in 2012; points out that this change may artificially reduce the apparent duration of investigations; asks the Supervisory Committee to closely analyse the quality of information provided by OLAF, including reports to the institutions;

63. Notes the adoption of new working arrangements between OLAF and its supervisory committee and calls for a speedy resolution of the remaining issues between these two institutions;

64. Instructs its President to forward this resolution to the Council, the Commission, the Court of Justice of the European Union, the European Court of Auditors, the OLAF Supervisory Committee and OLAF.
5.12.2014

OPINION OF THE COMMITTEE ON REGIONAL DEVELOPMENT

for the Committee on Budgetary Control

on the Annual Report 2013 on the Protection of the EU’s Financial Interests - Fight against fraud
(2014/2155(INI))

Rapporteur: Pascal Arimont

SUGGESTIONS

The Committee on Regional Development calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Recalls that, in the context of the economic difficulties currently being experienced in Member States and the insufficient resources in the EU budget, the protection of the financial interests of the European Union is particularly important; stresses the fact that EU funds must be properly managed and used in the most efficient way possible;

2. Notes that 321 irregularities reported as fraudulent and 4,672 irregularities reported as non-fraudulent were cohesion-policy related; acknowledges the fact that in both categories the number of reports increased by 15% as compared to 2012 and that, as in previous years, the largest share of amounts that involved irregularities in 2013 (63%) is still related to cohesion policy; points out, however, that in both categories the corresponding amounts decreased, a gradual improvement based on the experience of previous years can be seen and that for the first time, cohesion policy was not the area of budgetary expenditure with the highest number of irregularities reported as fraudulent;

3. Notes that this statistical data still only gives an approximate indication of the impact of irregularities on the EU budget; believes that the inaccuracy stems from different approaches between and within Member States to the detection, classification and reporting of irregularities and takes the view that further harmonisation is necessary; considers a presentation of irregularities which defines the type and nature thereof to be useful in terms of streamlining policies;

4. Acknowledges the fact that non-fraudulent irregularities are often caused by insufficient knowledge of the rules, complex requirements and regulations; believes that simplification
of the rules and procedures will decrease the number of non-fraudulent irregularities; calls on the Commission, the Member States, the regions and local authorities to provide comprehensive training to the authorities and staff involved in the management of the funds under the framework of cohesion policy; calls on the European institutions and the Member States – in addition to the annual report on the protection of the EU’s financial interests – to conduct a mid-term assessment of whether the new regulatory architecture of cohesion policy further prevents and reduces the risk of irregularities, and to evaluate the possibility of greater regulatory simplification as regards the existing rules;

5. Considers that a particular effort should be made as regards the fields in which significant fraudulent irregularities occur; recalls the importance of anti-fraud education and capacity building, both in public administrations and among stakeholders, including civil society organisations, in conjunction with clear rules and the strict application thereof, as these are key to effective fraud prevention;

6. Appreciates the efforts made by the Member States to detect, evaluate and report irregularities, including fraud; calls on the Member States and their authorities to intensify their efforts and to exchange best practices in order to ensure stronger ex-ante coordination and evaluation, and to tap their potential to detect and correct errors prior to claiming reimbursement from the Commission by making full use of the information available to them;

7. Underlines, in addition, the importance of external assistance and controls in the fight against irregularities and fraud; is convinced of the potential benefits of a coherent European legal framework to protect the financial interests of the EU and supports in this context the anti-fraud strategies recently developed by the EU, and in particular, calls on:

a. all Member States to designate an anti-fraud coordination service (AFCOS) and entrust it with substantial competences and powers, and sufficient human and financial resources, and on the Commission to ensure the harmonisation of the AFCOS across the Member States;

b. the Council to support the directive on the fight against fraud to the EU’s financial interests by means of criminal law; and

c. the Council to support the establishment of an independent European Public Prosecutor’s Office (EPPO) provided that the relationship between the EPPO and other existing EU bodies is further defined and clearly demarcated in order to avoid the inefficient overlapping of competences;


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2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts\(^1\), in order to further mitigate the risk of irregularities and fraud.

## RESULT OF FINAL VOTE IN COMMITTEE

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<td>Pascal Arimont, José Blanco López, Franc Bogovič, Victor Boștinaru, Mercedes Bresso, Steeve Briois, Rosa D’Amato, Tamás Deutsch, Bill Etheridge, Michela Giuffrida, Anna Hedh, Krzysztof Hetman, Ivan Jakovčić, Constanze Krehl, Andrew Lewer, Louis-Joseph Manscour, Martina Michels, Iskra Mihaylova, Andrey Novakov, Younous Omarjee, Mirosław Piotrowski, Stanislav Polčák, Fernando Ruas, Monika Smolková, Maria Spyraki, Olaf Stugger, Ruža Tomasić, Monika Vana, Matthijs van Miltenburg, Derek Vaughan, Kerstin Westphal</td>
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<tr>
<td>Substitutes present for the final vote</td>
<td>Isabella Adinolfi, Martina Anderson, Andor Deli, Jan Olbrycht, Pina Piccierno, Claudia Schmidt</td>
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9.1.2015

OPINION OF THE COMMITTEE ON CIVIL LIBERTIES, JUSTICE AND HOME AFFAIRS

for the Committee on Budgetary Control

on the Annual Report 2013 on the Protection of the EU’s Financial Interests - Fight against fraud
(2014/2155(INI))

Rapporteur: Monica Macovei

SUGGESTIONS

The Committee on Civil Liberties, Justice and Home Affairs calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

A. whereas in order to enhance the existing measures such as the PIF Convention for fighting fraud, corruption, money laundering and other illegal activities affecting the financial interests of the Union, the Commission has submitted two proposals for criminal law instruments, the PIF Directive and the EPPO Regulation, aimed at ensuring more effective investigation and better protection of the taxpayers’ money throughout the European Area of Freedom, Security and Justice;

B. whereas the fight against fraud, corruption and money laundering in the Union must be a priority for political action by the Community institutions, and police and judicial cooperation between Member States is therefore crucial;

1. Acknowledges the Commission’s recommendation to the co-legislators regarding swift completion of the legislative work and adoption of the PIF Directive and the EPPO Regulation; recalls, however, that the ultimate goal is to be able to rely on sound and effective legal instruments in the fight against fraud;

2. Is convinced that the means of criminal law in the PIF Directive will be effective only if they succeed in providing a clear definition of PIF offences, minimum maximum imprisonment penalties applicable in all participating Member States, and minimum rules on the statute of limitations, and if these rules are then implemented equally and efficiently by all Member States;
3. Calls on the Council to keep Parliament constantly and fully informed and consulted throughout the legislative procedure for the EPPO Regulation; urges the Council to take into due account the views of Parliament – as an institution directly elected by European citizens – at all stages of the negotiations, in order to reach the necessary level of consensus enabling Parliament to give its final consent;

4. Reiterates its call for an EPPO that must imperatively be independent, endowed with sufficient resources to act effectively, efficiently and swiftly, operating as a single office which investigates, prosecutes and brings to court the perpetrators of criminal offences affecting the Union’s financial interests while ensuring that procedural safeguards for the suspected and accused persons are protected; stresses the importance of a common agreement of Parliament and the Council in the selection and appointment procedures for independent prosecutors with investigative powers in Member States; points out that establishing the EPPO will require effective coordination between the EPPO, Eurojust and OLAF;

5. Calls on Member States to prosecute those who are suspected of fraud or other illegal activities affecting the financial interests of the Union, also if financial corrections have been made by the Commission;

6. Recalls the importance of sound financial instruments such as Pericles 2020 and Hercule III in the fight against illegal activities affecting the resources of the Union;

7. Recalls the findings and recommendations of the first Commission report on anti-corruption policy in the EU, published in February 2014, and reaffirms the particular importance of intensifying exchanges of the current good practices highlighted in that report.
## RESULT OF FINAL VOTE IN COMMITTEE

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| 0: 11         |
| Members present for the final vote | Jan Philipp Albrecht, Malin Björk, Michał Boni, Bodil Ceballos, Caterina Chinnici, Ignazio Corrao, Rachida Dati, Frank Engel, Lorenzo Fontana, Mariya Gabriel, Kinga Gál, Sylvie Guillaume, Jussi Halla-aho, Filiz Hyusmenova, Sophia in ’t Veld, Sylvia-Yvonne Kaufmann, Timothy Kirkhope, Barbara Kudrycka, Kashetu Kyenge, Marju Lauristin, Monica Macovei, Vicky Maeijer, Louis Michel, Claude Moraes, József Nagy, Péter Niedermüller, Soraya Post, Judith Sargentini, Birgit Sippel, Branislav Škripek, Csaba Sógor, Helga Stevens, Traian Ungureanu, Marie-Christine Vergiat, Udo Voigt, Beatrix von Storch, Kristina Winberg |
| Substitutes present for the final vote | Laura Agea, Hugues Bayet, Andrea Bocskor, Carlos Coelho, Anna Maria Corazza Bildt, Miriam Dalli, Dennis de Jong, Gérard Deprez, Teresa Jiménez-Becerril Barrio, Marek Jurek, Maite Pagazaurtundúa Ruiz, Emilian Pavel, Salvatore Domenico Pogliese, Elly Schlein, Barbara Spinelli, Daniele Viotti, Axel Voss |
| Substitutes under Rule 200(2) present for the final vote | Amjad Bashir, Georg Mayer, Georgi Pirinski |
RESULT OF FINAL VOTE IN COMMITTEE

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<td>Karin Kadenbach, Marian-Jean Marinescu, Julia Pitera, Patricija Šulin</td>
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<td>Judith Sargentini</td>
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