Make best use of every euro and combat fraud, say budgetary control MEPs
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MEPs urge EU member states to claw back EU funds lost through fraud or irregular spending, and the EU Commission to use its executive powers to help them to fight fraud and tax avoidance, in a resolution passed by the Budgetary Control Committee on Thursday. The resolution, on how EU funds were spent in 2014, also asks the Commission to assess member states’ corruption-fighting performance each year and to maintain its strict policy on suspending payments in the event of spending irregularities.

Up to 80% of EU budget spending is managed by member states in areas such as agriculture, growth and employment aid to EU regions (European Structural and Investment funds).

But the European Commission is ultimately responsible for this spending and should claw back all unduly paid funds, whether resulting from error, irregularity or deliberate fraud. National governments are also responsible for protecting EU financial interests, which involves cooperation with the Commission and its Anti-Fraud Office (OLAF).

Key findings and requests

The financial impact of fraud and errors rose significantly in 2014, although the number of errors fell slightly. Reported spending irregularities affected 1.8% of total payments.

- EU member states are primarily responsible collecting EU own resources, in the form, inter alia, of VAT and customs duties. MEPs note with concern that the share of Traditional Own Resources (TOR) affected by fraud was 191% higher in 2014 than in 2013 and the amount affected by non-fraudulent irregularities was 146% higher. In 2013, reported fraudulent irregularities had affected 0.29% of TORs (i.e. €61 million) and non-fraudulent ones 1.57% (€327.4 million).

- The average TOR recovery rate for 2014 was only 24% - an historic low. The recovery rate for 2013 had been 62% (€234 million) the best result in a decade.

- Member states must demonstrate firm political will to fight VAT fraud and tax avoidance, while the Commission should use its power to both check on and help member states to this end.

- MEPs note that simplifying administrative rules should reduce the number of non-fraudulent irregularities. They also ask the Commission to release detailed information on best and worst-performing member states by policy area and by sector.

- The number of irregularities due to non-compliance with public procurement rules remained high. MEPs point out that the new EU directives on public procurement must be implemented by April 2016.

- MEPs urge the Commission to assess the planning, implementation and checking of the EU’s multiannual budget spending on the results-based budgeting principle and to focus on getting value for money from public spending.
MEPs reiterate their call for whistle-blower protection to be enacted.

The resolution will be voted by the full Parliament at the March I plenary session in Strasbourg.

Background

The European Commission prepares an annual report on the performance of EU member states and the Commission itself in fighting fraud against EU funds. The Commission presented the "Protection of the European Union's financial interests - Fight Against Fraud - Annual Report 2014 on September 2015 and also replied to written questions submitted by Budgetary Control Committee Members.

Further information

- The fight against fraud and the protection of the EU's financial interests: http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_1.5.6.html

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