

2014 report on protection of the EU's financial interests – Fight against fraud

In 2014, 1 649 irregularities were reported by the European Union's Member States as fraudulent (both suspected and established fraud), involving €538 million in EU funds. The overall financial impact on the EU budget was 36% greater than in 2013.

Background

According to Article 325(5) of the Treaty on the Functioning of the European Union (TFEU) the European Commission is mandated to report each year on how it is working with Member States to combat fraud and ensure sound management of European Union (EU) funds. According to the '[Annual Report 2014 on the Protection of the European Union's Financial Interests – Fight against fraud](#)', in 2014, the EU's Member States reported **1 649** irregularities as fraudulent (both suspected and established fraud), involving **€538 million** in EU funds. Compared with the previous year, reports the Commission, the number of fraudulent irregularities increased on the revenue side in 2014, and decreased slightly on the expenditure side (while the amounts concerned increased in both cases). A total of **193 decisions** (involving €7.7 billion) were made by the Commission to interrupt payments in the cohesion policy and rural development areas. Furthermore, the Commission made financial corrections of **€2.2 billion** and issued recovery orders for **€736 million**.

Budgetary Control Committee report

The Budgetary Control Committee (CONT) adopted its [report](#) on the 2014 European Commission report (rapporteur: Benedek Jávor, Greens/EFA, Hungary) in January 2016, and this is now to be debated during the March plenary. The Committee expresses concerns about the increase in the number of the irregularities reported – amounting to **1.8%** of total EU payments – and the increase of fraud and irregularities related to traditional own resources – **125%** higher than in the previous year, with a recovery rate at a historical low of **24%**. Concerns are also expressed about the modest drop in the number of irregularities in the expenditure reported as fraudulent: **4%** (after a **76%** increase in 2013).

Improvements suggested by CONT include better reporting and better controls. The Committee suggests, inter alia, the development of a system of strict indicators to measure the level of corruption in Member States, the amendment of the EU's staff regulations to protect whistle-blowers, and enhanced transparency of lobbying (for example, by supporting the work of independent organisations in this field).

Among the policy areas considered at risk are **public procurement** and **tobacco smuggling**. CONT urges Member States to fully implement [Directive 2014/24/EU](#), which makes e-procurement mandatory and introduces a new regime of controls and reporting on fraud and irregularities. It also calls on the European Commission to publish the assessment of the agreements with tobacco companies and an impact assessment on the implementation of the World Trade Organization rules and guidelines on transparency of tobacco lobbying.

Finally, CONT suggests **enhancing cooperation** among EU institutions to tackle fraudulent behaviour in the use of EU funds. It highlights the annual interinstitutional meeting between the Council, the Commission, the European Parliament, the European Anti-Fraud Office (OLAF) and its Supervisory Committee. However, explains the report, neither OLAF nor its Supervisory Committee can fulfil their mandates under the conditions of their current limited cooperation. Further cooperation should also be encouraged between the European Court of Auditors, the European Commission and the competent authorities in the Member States. This cooperation – suggests the report – could broaden the scope and proportion of funds and projects audited.

