

EP Calls for Greater Efforts to Protect Financial Interests

Thomas Wahl

News

On 10 July 2020, the European Parliament adopted a [resolution on the Commission's annual fraud report 2018](#) (see [euCRIM 3/2019](#), pp. 168-169). The EP has taken a position on several topics of the PIF report, including:

- Detection and reporting of irregularities;
- Revenue – own resources;
- Expenditure;
- The new Commission's Anti-Fraud Strategy;
- OLAF;
- The establishment of progress of the EPPO;
- Public procurement;
- Digitalisation;
- Transparency.

MEPs are very concerned about the permanent modification of fraud methods, new patterns of fraud with a strong transnational dimension, and cross-border fraud schemes, i.e.:

- Fraud in the promotion of agricultural products;
- Shell companies;
- Evasion of custom duties via the undervaluation of textiles and footwear entering the Union and going through customs clearance in several Member States;
- e-commerce;
- The increasing cross-border dimension of fraud on the expenditure side;
- Counterfeiting.

These trends negatively affect the revenue side of the EU budget and require a new, coordinated response at the EU and national levels. The real scale of fraud is unclear because many fraudulent irregularities remain unreported by the Commission and especially by the Member States every year. Therefore, stronger efforts are needed in the future to collect comparable data on irregularities and cases of fraud in a more reliable and accurate way. Other issues of concern are the misuse of European structural and investment funds by high-level government officials in several EU countries and the misuse of Cohesion Funds.

The EP resolution identifies a number of areas for improvement, among them:

- Fraud risk assessment and fraud risk management, where the Commission and Member States are called on to strengthen their analytical capacity to better identify data on fraud patterns, fraudsters' profiles, and vulnerabilities in internal EU control systems;
- Stronger coordination and monitoring of the assessment and management of fraud risks;

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- Greater focus on the connection between corruption and fraud in the EU: the Commission is urged to resume its anti-corruption reports and 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;
- Adaptation of customs controls to new fraud risks and to the rapid expansion of cross-border trade facilitated by e-commerce and by paperless business;
- Facilitation of cross-checking of accounting records for transactions between two or more Member States in order to prevent cross-border fraud by means of better information exchange and by establishing legislation on mutual assistance in the areas of expenditure of EU funds;
- Stronger Eurofisc network, including a strengthened role of the Commission having access to Eurofisc data and a control function;
- Improvements in investigations related to e-commerce, in particular through close monitoring of e-commerce transactions involving sellers based outside the EU and detecting fraud in relation to the underestimation of goods.

Furthermore, MEPs recommend better use of the existing IT systems to combat fraud. Member States are called on to promptly report fraudulent irregularities in the “Irregularity Management System” (IMS) managed by OLAF and to make the best use of the Early Detection and Exclusion System. Member States should also make effective use of the fraud prevention tool offered by the ARACHNE database, whose use could be made legally mandatory in the future (for the use of these systems, see also the contribution by *L. Kuhl*, in this issue).

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