



Press Release

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Anti-fraud policy needs to be reformed to improve the fight against fraud affecting the EU budget, say EU auditors

The EU must step up its fight against fraud and the European Commission should ensure leadership and reconsider the role and responsibilities of its anti-fraud office (OLAF), as the current fraud investigation system has inherent weaknesses, according to a new report from the European Court of Auditors. Currently, the Commission lacks comprehensive information on the scale, nature and causes of fraud. This hinders the effective prevention of fraud against the EU budget, say the auditors.

Fraud is a hidden and complex phenomenon and protecting the EU's financial interest against fraud requires comprehensive and systematic efforts. This is a key responsibility of the European Commission. The auditors assessed whether the Commission is properly managing the risk of fraudulent activities that are detrimental to the EU budget. In particular, they looked at the information available on the scale, nature and causes of fraud in EU spending. They examined whether the Commission's strategic risk management framework is effective and whether OLAF's administrative investigations lead to prosecution and recovery.

The auditors found that the Commission lacks comprehensive and comparable data on levels of detected fraud in EU spending. Moreover, it has not so far carried out any assessment of undetected fraud, nor detailed analysis of what causes economic actors to engage in fraudulent activities. This lack of knowledge reduces the practical value and effectiveness of the Commission's plans to protect the EU's financial interests against fraud, say the auditors.

"The perception among seven out of ten EU citizens is that fraud against EU budget happens rather frequently, even if the situation might be different. Unfortunately, anti-fraud activities to date are still insufficient", said Juhan Parts, the Member of the European Court of Auditors responsible for the report. "It is time for real action: the Commission should set up an effective system to prevent, detect and deter fraudsters. A reform of OLAF will be the litmus test for the Commission's commitment to fighting fraud."

The purpose of this press release is to convey the main messages of the European Court of Auditors' special report.

The full report is available at www.eca.europa.eu.

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The auditors conclude that the current system, whereby OLAF's administrative investigation of suspected fraud is followed by a criminal investigation at national level, takes up much time and makes prosecution less likely. On average, 17 cases per year in which OLAF made recommendations — fewer than half of all such cases — have led to the prosecution of suspected fraudsters. Moreover, the auditors stress that OLAF's final reports in a number of cases do not provide sufficient information to initiate the recovery of unduly paid EU money. Between 2012 and 2016, only about 15% of the total amount recommended was actually recovered.

The auditors consider the establishment of the European Public Prosecutor Office (EPPO) a step in the right direction, but they warn that the current EPPO regulation poses several risks. One of the main issues concerns detection and investigation, which will be heavily dependent on national authorities. However, the regulation does not put in place any mechanism enabling the EPPO to urge Member States to allocate the resources necessary to proactively investigate fraud in EU spending.

To achieve better results in tackling fraud against the EU's financial interests, the auditors recommend that the European Commission should:

- put in place a robust fraud reporting and measurement system, providing information on the scale, nature and root causes of fraud;
- clearly refer to fraud risk management and prevention in one Commissioner's portfolio and adopt a renewed anti-fraud strategy based on a comprehensive risk analysis;
- intensify its fraud prevention activities and tools; and
- reconsider OLAF's role and responsibilities in light of the establishment of the EPPO and propose giving OLAF a strategic and oversight role in EU anti-fraud action.

Notes to Editors

Fraud refers to any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and the perpetrator achieving a gain. Fraud involving public funds is often linked with corruption, which is generally understood as any act or omission that abuses official authority, or seeks to bring about the abuse of official authority, in order to obtain undue benefit.

The Commission and the Member States have a shared responsibility to protect the EU's financial interests against fraud and corruption. The European anti-fraud office (OLAF) is currently the EU's key anti-fraud body. It contributes to the design and implementation of the Commission's anti-fraud policy and conducts administrative investigation into fraud against the EU budget. By the end of 2020, a European Public Prosecutor Office (EPPO) will start operating, with powers to prosecute crimes against the EU's financial interests in 22 Member States.

On 22 November 2018, the ECA also published an Opinion on the proposed reform of OLAF as regards its cooperation with the future European Public Prosecutor's Office (EPPO) and the effectiveness of its investigations. At the same time, an Opinion on the plans for the next EU Anti-Fraud programme was also published.

The ECA presents its special reports to the European Parliament and Council of the EU, as well as to other interested parties such as national parliaments, industry stakeholders and representatives of civil society. The vast majority of the recommendations we make in our reports are put into practice. This high level of take-up underlines the benefit of our work to EU citizens.

Special report 01/2019 “Fighting fraud in EU spending: action needed” is available on the ECA website (eca.europa.eu) in 23 EU languages.