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COMMISSION STAFF WORKING DOCUMENT

Statistical evaluation of irregularities reported for 2015 Own Resources, Natural Resources, Cohesion Policy, Pre-accession and Direct expenditure

Accompanying the document

REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

Protection of the European Union's financial interests - Fight against Fraud 2015 Annual Report

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LIST OF ABBREVIATIONS

CAP	Common Agricultural Policy
CF	Cohesion Fund
CFP	Common Fishery Policy
CN	Combined Nomenclature (Customs)
CP	Cohesion Policy
DetE	Detection Efficiency
DG	Directorate General
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EC	European Commission
EFF	European Fisheries Fund
EMFF	European Maritime and Fisheries Fund
ER	Error Rate
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
ESF	European Social Fund
EU	European Union
EU-10	The ten Member States having acceded the EU in 2004
EU-12	The twelve Member States having acceded the EU between 2004 and 2007
EU-15	The fifteen Member States of the EU before the 2004 accession
EU-2	Bulgaria and Romania
EU-27	The 27 Member States before Croatian accession
EUR	Euro
FDR	Fraud Detection Rate
FFL	Fraud Frequency Level

IMS	Irregularity Management System
GNI	Gross National Income
HRR	Historical Recovery Rate
NR	Natural Resources
OLAF	European Anti-Fraud Office (*Office pour la Lutte Anti-Fraude*)
OWNRES	Web application for communication of irregularities in the field of Traditional Own Resources
RepE	Reporting Efficiency
RR	Recovery Rate
SME	Small and Medium Sized Enterprise
TFEU	Treaty on the Functioning of the European Union
TOR	Traditional Own Resources
YEI	Youth Employment Initiative

Statistical evaluation of irregularities reported for 2015
Own Resources, Natural Resources, Cohesion Policy, Pre-accession and Direct expenditure

1. INTRODUCTION

1.1. Scope of the document

The present document[1] is based on the analysis of the notifications provided by national authorities of cases of irregularities and suspected or established fraud. The reporting is performed in fulfilment of a legal obligation enshrined in sectoral European legislation.

The document accompanies the Annual Report adopted on the basis of article 325 of the Treaty on the Functioning of the European Union (TFEU), according to which "The Commission, in cooperation with Member States, shall each year submit to the European Parliament and to the Council a report on the measures taken for the implementation of this article".

For this reason, this document should be regarded as an analysis of the achievements of Member States.

The methodology (including the definition of terms and indicators), the data sources and the data capture systems are explained in detail in the Commission Staff Working Document – Methodology for the Statistical Evaluation of Irregularities.

1.2. Structure of the document

The present document is divided in two parts.

The first part is dedicated to the analysis of irregularities reported in the area of the Traditional Own Resources (Revenue).

The second part, concerning the expenditure part of the budget, is composed of three sections, dedicated, respectively, to shared, decentralised and centralised management modes.

The section dedicated to shared management, covers the natural resources (agriculture, rural development and fisheries) and the cohesion policy. Decentralised management refers to the pre-accession policy, while the centralised management section mainly deals with internal and external policies for which the Commission directly manages the implementation.

The document is completed by 28 country factsheets, which summarise, for each Member State, the main indicators and information that have been recorded throughout the analyses.

15 Annexes complement the information and data of this document, providing a global overview of the irregularities reported according to the relevant sector regulations. Annexes from 1 to 10 concern Traditional Own Resources, Annexes 11 and 12 Natural Resources and Annexes from 13 to 15 the Cohesion Policy.

[1] This document does not represent an official position of the Commission.

Part I - REVENUE

2. TRADITIONAL OWN RESOURCES

2.1. Introduction

For the methodological explanations about data gathering and analysis, see the Commission Staff Working Document 'Methodology regarding the statistical evaluation of irregularities reported in 2015', paragraph 1.3.

The following analysis is based on the data available on the cut-off date (18 March 2016) and aims to provide an overview of the reported cases of fraud and irregularities reported for 2015 together with their financial impact.

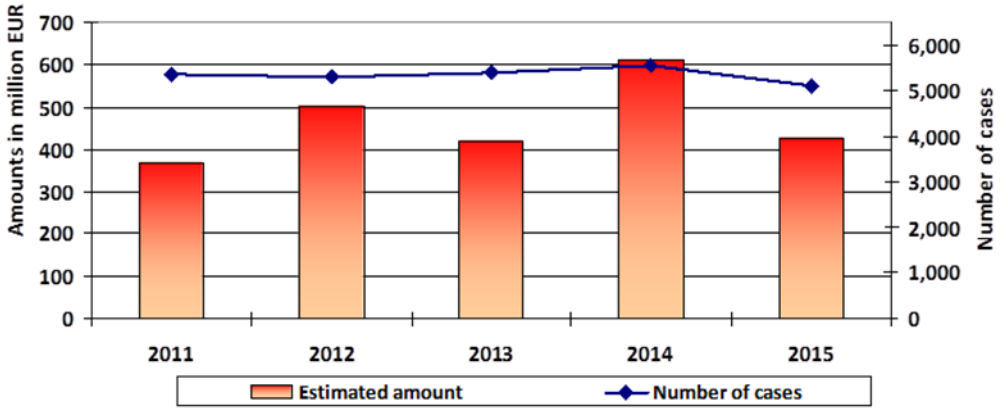
2.2. General analysis – Trend analysis

2.2.1. Reporting Years 2011-2015

The number of cases reported via OWNRES for 2015 (5 104) is about 4 % lower than the average number of cases of irregular cases reported as fraudulent and as not fraudulent for the 2011-2015 period (5 338).

In 2015, 2 big cases for a total amount of nearly EUR31 million were reported compared to 2014, when 5 big cases with a total amount of about EUR 161 million affected the total estimated and established amount. Luxemburg did not communicate any case exceeding an amount of EUR 10 000.

CHART TOR1: Total number of OWNRES cases and the related estimated and established amount (2011-2015)



Annex 1 of the summary tables shows the situation on the cut-off date (18 March 2016) for the years 2011-2015.

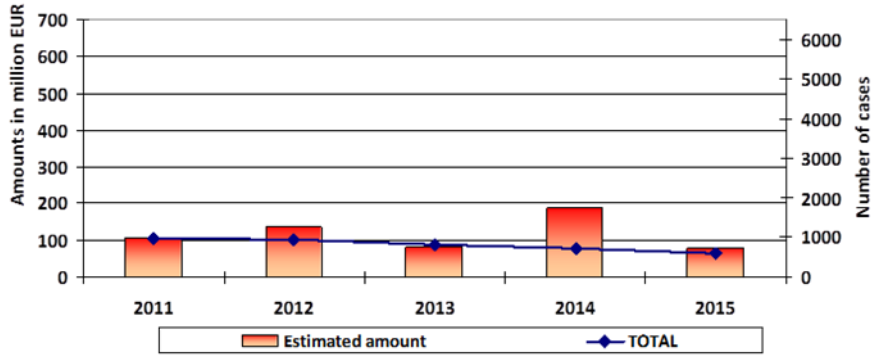
2.2.1.1. Irregularities reported as fraudulent

The number of cases reported as fraudulent registered in OWNRES for 2015 (612) is currently 26 % lower than the average number of cases reported for the 2011-2015 period (822).

The total estimated and established amount of TOR involved (EUR 78 million) represents a decrease of 34 % of the average estimated and established amount for the years 2011-2015 (EUR 119 million).

For 2015, Luxemburg, Malta, the Netherlands and Sweden did not communicate any fraudulent case exceeding an amount of EUR 10 000.

CHART TOR2: OWNRES cases reported as fraudulent and the related estimated and established amount (2011-2015)



On the cut-off date, 12 % of all cases detected in 2015 were classified as fraudulent. The percentage remained quite stable in comparison to 2014.

Annex 2 of the summary tables shows the situation on the cut-off date for years 2011-2015.

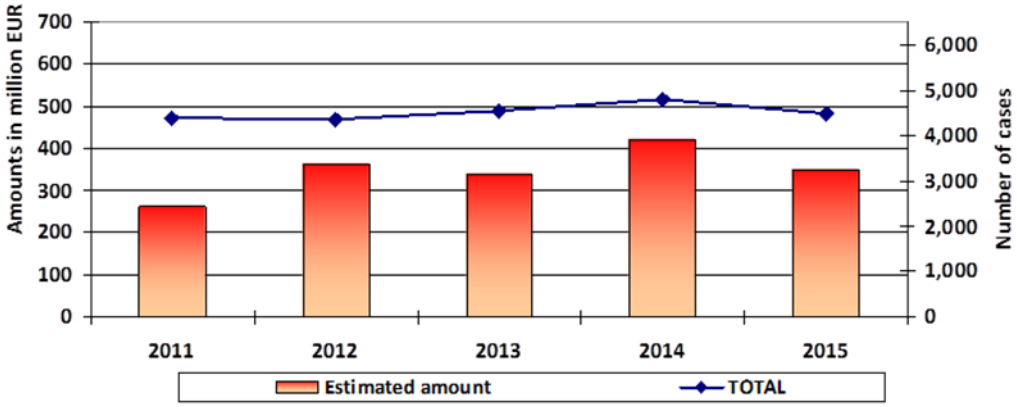
2.2.1.2. Irregularities not reported as fraudulent

At the same time, the number of cases not reported as fraudulent communicated via OWNRES for 2015 (4 492) was 1 % lower than the average number reported for 2011-2015 (4 515).

The total estimated and established amount of TOR (EUR 349 million) was 1 % higher than the average estimated and established amount for the years 2011-2015 (EUR 347 million).

Only Luxemburg did not report any case of irregularity exceeding an amount of EUR 10 000 for 2015.

CHART TOR3: OWNRES cases not reported as fraudulent and the related estimated and established amount (2011-2015)



Annex 3 of the summary tables shows the situation on the cut-off date for years 2011-2015.

2.2.2. OWNRES data vs TOR collection

In 2015, the total established amount of TOR (gross) was EUR 25.4 billion and more than 98 % was recovered without any particular problem and made available to the Commission via the A-account. In comparison with the total estimated and

established amount, according to the OWNRES data, around EUR 427 million has been established or estimated by the Member States in connection with cases reported as fraudulent/not fraudulent where the amount at stake exceeds EUR 10 000.

The total estimated and established amount reported in OWNRES represent 1.71 % of the total established and collected amount of TOR (gross) for 2015.[2] This proportion has decreased compared with 2014 when it was 2.79 %[3]. A percentage of 1.71 % indicates that of every EUR 100 of TOR (gross) established, an amount of EUR 1.71 is registered as irregular (fraudulent or non-fraudulent) in OWNRES. There are differences among the Member States. In 9 Member States[4], the percentage is above the average of 1.71 %. The highest percentage for 2015 can be seen in Greece, Romania and Latvia with 8.95 %, 5.07 % and 5.04 % respectively. For Germany, the proportion of estimated and established OWNRES amounts to established TOR remained almost stable in 2015 compared to the previous year. For Denmark, Greece, Croatia, the Netherlands and Finland, the proportion of estimated and established OWNRES amounts to established TOR increased in 2015 compared to the previous year.

For the six[5] Member States which established and made available most of the TOR amounts, the percentage of the estimated and established OWNRES amounts to established TOR for 2015 was equal to 1.88 %. In comparison with the previous year, this represents a decrease of 0.43 percentage points.

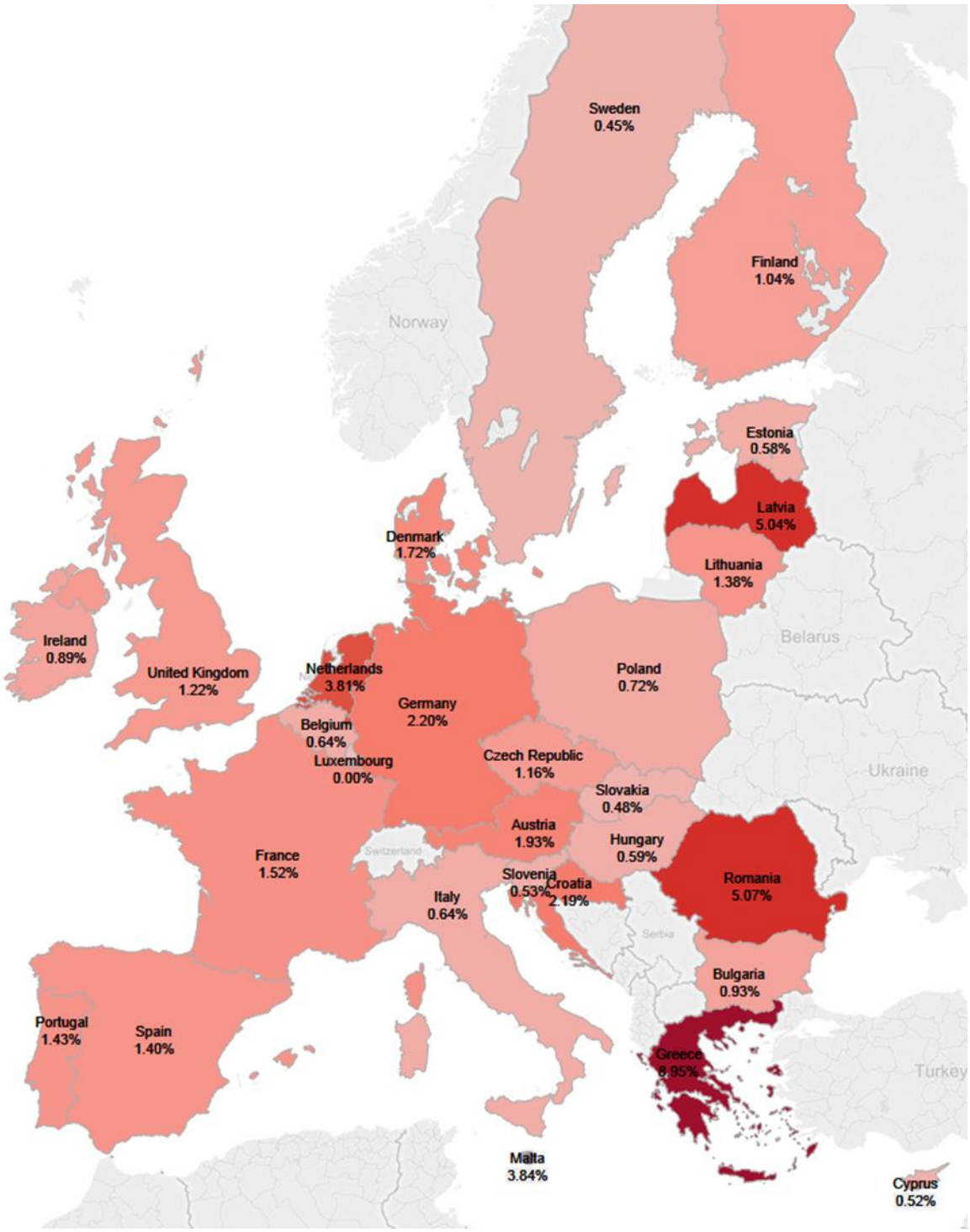
2 See Annex 4.

3 On the cut-off date.

4 Denmark, Germany, Greece, Croatia, Latvia, Malta, the Netherlands, Austria and Romania.

5 Germany, the Netherlands, Belgium, Italy, France and Spain. The United Kingdom was not taken into account as the figures were extraordinary for year 2014 and would disturb the overview.

TOR MAP1: Showing the percentage of established and estimated amounts in OWNRES of established TOR for 2015



2.2.3. Recovery

The fraud and irregularity cases detected in 2015 show an established amount of EUR 390 million. EUR 199 million of this was recovered in cases where an irregularity was at stake and EUR 19 million in fraudulent cases. In total EUR 218 million was recovered by all Member States for all cases which were detected in 2015. In absolute numbers, Germany recovered the highest amount in 2015 (EUR 95 million) followed by the United Kingdom (EUR 31 million). This is a starting point for the recovery. Analysis shows that lengthy recovery procedures spread over several years are

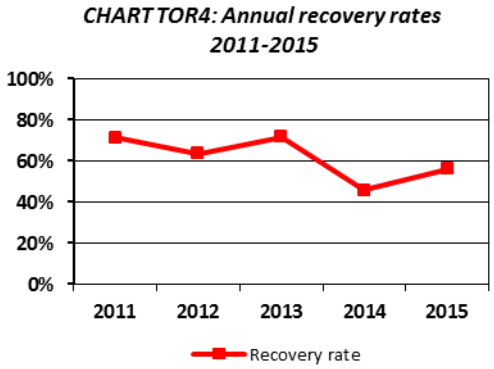
usually required due to administrative and judicial procedures in complex cases or cases with huge financial impact.

In addition, Member States continued their recovery actions related to the detected cases of previous years. The EU-28 recovered EUR 94 million in 2015 which related to cases detected between 1990 and 2014.

2.2.3.1. Recovery rates

Over the past, five years the annual RR has varied between 46 % and 73 % (see Chart TOR4). The recovery rate for 2015 is currently 56 %[6]. In other words, of every amount over EUR 10 000 of duties established and reported for 2015 in OWNRES, approximately EUR 5 600 has already been paid.

CHART TOR4: Annual recovery rates (2011-2015)



The overall recovery rate is a correlation between the detection rate, the established amount and the current recovery stage of individual cases (high additional duty claims undergo more frequently long lasting administrative and criminal procedures).

Recovery rates vary among the Member States. The highest recovery rates for 2015 are in Estonia (100%), Slovenia (100%), Sweden (99%), Austria (96 %) and Finland (94%). Differences in recovery results may arise from factors such as the type of fraud or irregularity, or the type of debtor involved. Because recovery is ongoing, it can be expected that the recovery rate for 2015 will also go up in the future.

On the cut-off date, the overall RR for all years 1989-2015 was 59 %.

2.3. Specific analysis

2.3.1. Irregularities reported as fraudulent

2.3.1.1. Modus operandi

A breakdown of frauds by mechanism type reveals that most fraudulent cases relate to smuggling of goods. Incorrect origin or country of dispatch, incorrect value or classification are frequently mentioned in 2015.

In 2015, the customs procedure 'release for free circulation remained the procedure most vulnerable to fraud (76 % of the number of cases and 74 % of the estimated and established amount). A total of 14 % of all cases reported as fraudulent and 14 % [7] of all estimated and established amounts in OWNRES cases registered as fraudulent for

[6] See Annex 5.

[7] This is mainly due to the cases of cigarette smuggling detected in free zones or free warehouses and reported by Greece.

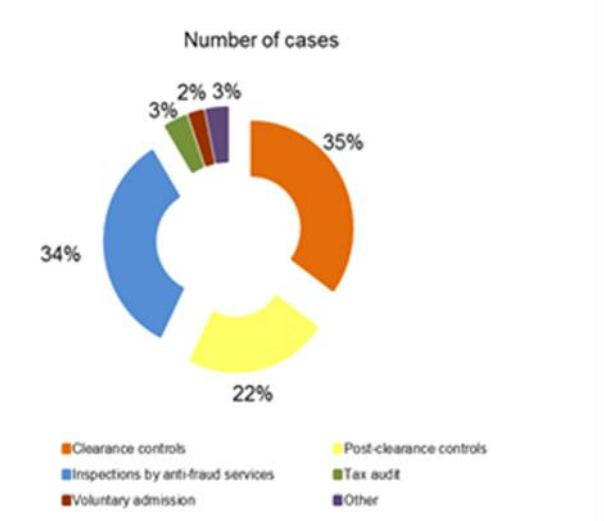
2015 fall under the category "Other".[8] A total of 6% of all cases reported as fraudulent and 3% of all estimated and established amounts in OWNRES cases registered as fraudulent for 2015 involve the transit procedure.

Of all cases reported as fraudulent about 75 % concern such goods as tobacco, electrical machinery and equipment, footwear and textiles, articles of iron and steel, and mineral oils. In monetary terms those groups of goods represent about 88 % of all amounts estimated and established for cases reported as fraudulent. China, the United Arab Emirates, the United States, Belarus, Russia and Ukraine are most frequently reported and are the most important countries of the origin of goods.

2.3.1.2. Method of detection of fraud cases

In 2015[9], most fraudulent cases were revealed during a customs control at the time of clearance of goods (35%) and during an inspection by anti-fraud services (34%). Other method that featured frequently was post-clearance controls (22%).

CHART TOR5: Method of detection 2015 – Cases reported as fraudulent – by number of cases

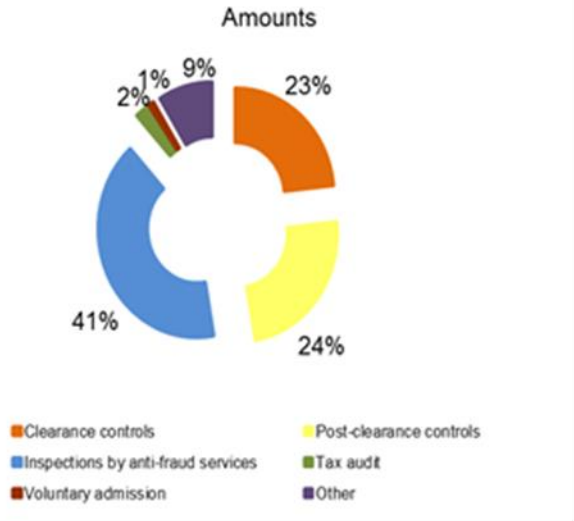


In monetary terms, of the EUR 78 million estimated or established in fraudulent cases registered for 2015, around 41% were discovered during an inspection by anti-fraud services, 24% during a post-clearance control, 23% during a customs control at the time of clearance of goods.

8 The category "Other" combines, among others, the following procedures or treatments: Processing under customs control, temporary admission, outward processing and standard exchange system, exportation, free zone or free warehousing, reexportation, destruction and abandonment to the Exchequer.

9 See Annexes 7 and 8.

CHART TOR6: Method of detection 2015 – Cases reported as fraudulent – by established amounts



In 13 Member States more than 50 % of all estimated and established amount in fraudulent cases were detected by anti-fraud services[10]. As regards amounts, controls at the time of clearance of goods were the most important method for detecting fraudulent instances in Croatia, Latvia, Slovenia, Finland and the United Kingdom. In Greece 47 % of all estimated and established amounts in fraudulent cases were detected by an inspection by services or bodies other than customs.

2.3.1.3. Smuggled cigarettes

In 2015, there were 241 cases of smuggled cigarettes registered (CN code[11] 24 02 20 90) involving estimated TOR of around EUR 31 million. In 2014 the number of cases of smuggled cigarettes was 213, totalling around EUR 24 million.

The highest number of cases was reported by the UK (39). The highest amount was reported by Greece (EUR 12.9 million).

No cases were reported by the Czech Republic, Malta, Cyprus, Luxembourg, the Netherlands, Portugal and Sweden.

Table TOR1: Cases of smuggled cigarettes in 2014

[10] Belgium, Bulgaria, the Czech Republic, Germany, Ireland, Italy, Cyprus, Lithuania, Hungary, Austria, Portugal, Romania and Slovakia.

[11] Combined nomenclature or CN –nomenclature of the Common Customs Tariff.

TOR: Cases of smuggled cigarettes in 2015		
MS	Cases	Established and estimated amount
	N	EUR
BE	8	2,473,530
BG	6	323,340
DK	2	315,634
DE	10	272,969
EE	2	37,823
IE	8	1,544,668
EL	27	12,947,275
ES	22	1,849,831
FR	18	1,444,526
HR	2	379,693
IT	5	2,857,841
LV	17	1,605,326
LT	16	539,188
HU	1	21,129
MT	1	175,392
AT	3	165,117
PL	27	1,165,861
RO	19	1,034,825
SI	1	107,971
SK	1	33,154
FI	6	412,415
UK	39	989,999
Total	**241**	**30,697,508**

Case study: Cigarette smuggling

During a performed specialized police operation on 29th of March 2015, seven offenders were arrested while unloading significant amounts of cigarettes without excise labels in a warehouse located in the city of Plovdiv, Bulgaria. When conducting a search of the cargo compartment of the truck, the Bulgarian police authorities discovered 1420 boxes of cigarettes without excise labels equivalent to 14 200 000 pieces of cigarettes from the brand "Jin Ling". The estimated value of the consignment amounted to 7 983 950 BGN, which is approximately 4 million Euros. Furthermore, while performing relevant intelligence activities in the framework of the same case, one more truck with a Turkish registration number was detected and detained after entering Bulgarian territory from Turkey. The police authorities conducted a search, the result of which established and seized from the cargo compartment of the truck a total of 1450 boxes of cigarettes without excise labels, equivalent to 14.5 million pieces of cigarettes of the brand "PRESIDENT". The estimated value of the consignment amounted to 8 152 625 which is approximately 4 million Euros.

A characteristic aspect of this case is that it represents a criminal activity referring to a strictly organized trafficking ring involving persons from other countries, as well as government officials supporting the offenders. The cigarettes have been loaded on trucks with Turkish license plates from cigarette factories and warehouses on the territory of Turkey and after that with activated transit procedure they have entered territory of Bulgaria. Some of the trucks have never been registered in the customs office, while others have declared customs transit misrepresentation - ostensibly carrying glasses, parts for air conditioners, coils, etc. After crossing the border between Turkey and Bulgaria, the trucks have been accompanied by Bulgarian and Turkish citizens to previously secured warehouses all over the territory of Bulgaria. A key contributor to the work on the case has been the excellent

cooperation between the national police authorities of Bulgaria, Turkey and Greece, as well as with Interpol and Europol. The joint efforts resulted in establishment and detention of fugitive offenders and has acquired significant information about the case

As a definitive result of all the operational - investigative activities carried out by the Bulgarian police authorities on the case which resulted in crossing performed criminal activities, a total of 28.7 million pieces of cigarettes without excise labels were seized totalling 16 136 575 BGN equivalent to more than 8 million Euros which has been prevented from damaging the EU budget. Charges were brought against 32 persons, some of whom are Turkish citizens and 10 persons have been issued with European arrest warrants. A total of 78 people were detained for the period of 24 hours on the case.

2.3.1.4. Solar panels vulnerable to fraud – mutual assistance

In 2015, 23 cases reported as fraudulent concerned solar panels amounting to EUR 14.9 million. In all, 16 cases totalling EUR 11.8 million were detected following a Mutual Assistance notices issued by OLAF. This underlines the importance of investigations conducted by OLAF in this particular field.

Case study: Solar panels from China

The company under investigation started importing photovoltaics into Greece from the People's Republic of China (PRC) in July 2012.

*From **June 2013** to December 2014, a period during which the EU had introduced measures on imports of these goods (anti-dumping and countervailing duties), the company under investigation continued to import photovoltaics from China, but only from companies and for the quantities allowed by the Commission for export to the EU **(quotas)** and no duties were paid on these imports from the PRC.*

*At the same time, **from June 2013** to April 2014 the company imported photovoltaics from **Malaysia** and from May 2014 to January 2015 from **Taiwan**. Imports of photovoltaics into the EU from these countries are not liable to import duties.*

*Following an investigation and mission to Taiwan carried out by representatives of the European Anti-Fraud Office (OLAF) in cooperation with the customs authorities in Taiwan, it emerged that the goods in question (photovoltaics) arrived in containers from the PRC in the Free Trade Zone of Taiwan **(FTZ)** and were then transferred directly (usually the same day or the following day) to other containers destined for the EU.*

*The OLAF representatives obtained from the Taiwan **customs** database lists of the movements-shipments of these containers through the FTZ for all products bearing the code SO 8541 4090 **with the PRC as the declared country of origin** for the period from June 2013 to April 2015. All the shipments in the lists obtained from the Taiwan customs administration **involved Chinese goods** that arrived from China, were not imported into or processed in Taiwan, but rather, after being transferred to other containers, were re-exported directly to EU countries, including Greece.*

The OLAF data and all the data received by the Attica branch of ELYT from the company under investigation, were examined and then used to cross check, verify and identify the containers on the OLAF lists (obtained, as mentioned above, from the Taiwan customs authorities). The identification revealed that these containers were the subject of (114) import declarations issued to the company under investigation.

*The reason for the false declaration of origin is obvious, as imports from Taiwan are not subject to anti-dumping duties, whilst very high anti-dumping duties and countervailing duties of **53.4 % and 11.5 %**, respectively, are imposed on imports from China.*

The company devised a way of providing the Greek customs authorities with documents accompanying the customs clearance of goods, such as invoices, certificates of origin, bills of lading, etc., issued by companies in Taiwan to make it appear that the imported photovoltaics originated in that customs territory (Taiwan), thereby avoiding being liable for or paying the above duties.

*For this reason the company under investigation entered into bilateral contracts **directly** with both the Taiwanese and the Chinese companies and also **trilateral (triangular) contracts** that linked the three parties (the company under investigation, the Taiwanese companies and the Chinese companies). Furthermore, it was able to place remittances for the value of the goods in the Chinese companies' bank accounts in China.*

*The above-mentioned direct "**sales contracts**" bore the **same dates and were for the same quantities and values** as those on the sales invoices issued by both the Chinese and the Taiwanese companies.*

In addition to the above, the information obtained by the Attica branch of the ELYT from the company under investigation included:

1) pro forma *invoices issued by **Chinese companies** to the company under investigation for the same value, quantity and type of photovoltaics as in both the contracts concluded directly between them and in the "triangular" contracts.*

In particular: one pro forma *invoice dated 4 April 2014 for EUR 860 860 was found attached to the contract with the Chinese company, which demonstrates that it basically served the purpose of an invoice, as in each instance the company under investigation made bank transfers of amounts corresponding to the value of the photovoltaics.*

The other pro forma *invoice, for the amount of EUR 301 056, was found in a transfer payment to a Chinese company **as proof of the transfer order from a Greek bank, which shows that the Chinese company was paid on the basis of the** pro forma **invoice that the Chinese company had issued**.*

The company under investigation paid the Chinese companies by means of transfers via its Greek bank account or its German bank account.

2) drawings and technical specifications of the photovoltaics carrying the name of the company under investigation and referring to the direct contract that had been concluded between it and the Chinese company.

The above shows both that the company under investigation knew that the imported photovoltaics had been produced by Chinese companies and were thus of Chinese origin, and that its recourse to special arrangements was designed to mislead the Greek customs authorities into believing that the goods originated in Taiwan, so as to avoid paying the higher rate of anti-dumping and countervailing duties.

*The evaded duties, according to the reports of 8/9/2015 and 16/9/2015 establishing duties and taxes of the Elefsina Customs Office and the Fifth Customs Office of Piraeus, amount to EUR **2 582 720.28**. This amount comprises: anti-dumping duties: EUR 2 114 718.75, countervailing duties: EUR 455 416.98 and VAT: EUR 12 584.55.*

2.3.1.5. Cases reported as fraudulent by amount

In 2015, the estimated and established amount was below EUR 50 000 in 468 cases reported as fraudulent (76 % of all fraud cases), whereas it was above EUR 50 000 in 144 cases (24 %).

The total estimated and established amount in cases reported as fraudulent where the amount at stake was above EUR 50 000 amounted to EUR 49 million (62 % of the total estimated and established amount for cases reported as fraudulent).

Table TOR2: Cases reported as fraudulent by amount category in 2015

Amount, EUR	N	Estimated and established amount, EUR
< 50 000	468	29,212,110
>= 50 000	144	48,595,561
Total	**612**	**77,807,671**

2.3.2. Irregularities not reported as fraudulent

2.3.2.1. Modus operandi

A breakdown of irregularities by mechanism type shows that most cases of irregularity relate to incorrect declarations (incorrect value, classification, country of origin or use of preferential arrangements) and formal shortcomings (failure to fulfil obligations or commitments).

Not all customs procedures are equally susceptible to irregularities; their vulnerability may change in the course of time as certain economic sectors are briefly targeted. The customs procedure 'release for free circulation' is the customs procedure mostly affected by irregularities since at the time of release for free circulation the non-compliance in the customs declaration may relate to a large number of irregularities, e.g. to the tariff, CN code, (preferential) origin, incorrect value, etc. On the other hand, in customs suspension regimes (like warehousing, transit, etc. - where the payment of duties is suspended) the sole irregularity that might occur is the subtraction of the goods from customs supervision. Thus it is normal, and indeed to be expected, that most fraud and irregularities be reported in connection with the procedure 'release for free circulation'.

In 2015 most of the estimated and established amounts in OWNRES in the EU-28 (86%) for cases reported as non-fraudulent related to the customs procedure 'release for free circulation'.[12] In all, 9% of all amounts estimated or established in cases not reported as fraudulent in 2015 involved inward processing[13], 3% of all amounts estimated or established related to customs warehousing. Other customs procedures are only marginally affected in 2015.

Of all cases reported as non-fraudulent about 56 % concern such goods as electrical and mechanical machinery, vehicles, articles of iron, steel and aluminium, textiles and plastics. In monetary terms those groups of goods represent about 67 % of all amounts estimated or established for cases reported as non-fraudulent. China, USA, Japan, Cuba Russia, Brazil and India are most frequently reported and most important countries of origin of goods affected by irregularities.

2.3.2.2. Method of detection of non-fraudulent cases

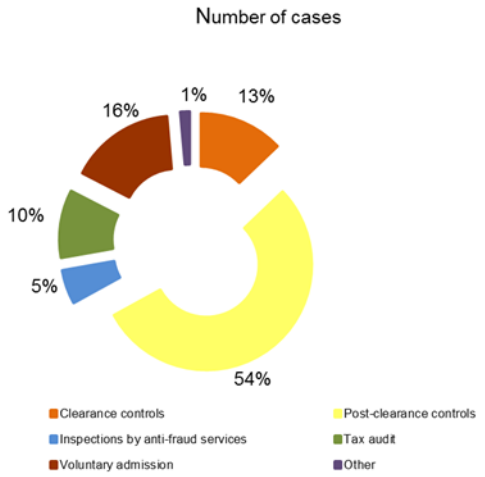
In 2015, most non-fraudulent cases (54%) were revealed during post-clearance customs controls. Other methods of detection for non-fraudulent cases that featured frequently were voluntary admission (16%), clearance controls (13%), tax audits (10%) followed by anti-fraud services (5%).[14]

[12] See Annex 6.

[13] In relation to inward processing Germany and the United Kingdom reported cases amounting to EUR 15.9 and 12 million respectively.

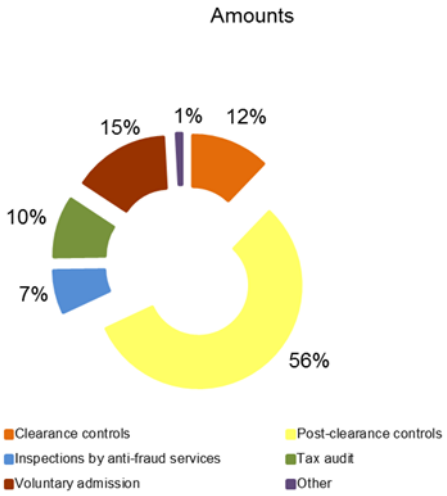
[14] See Annex 7 and 8.

CHART TOR7: Method of detection 2015 – Cases not reported as fraudulent – by number of cases



Considering *the estimated or established amounts*, around 56 % of all irregularity cases registered for 2015 were discovered during a post-clearance control, 15 % were related to voluntary admission 12 % were found during a control at the time of clearance of goods, whereas 10 % related to a tax audit, and 7 % to an inspection by anti-fraud services.

CHART TOR8: Method of detection 2015 – Cases not reported as fraudulent – by established amounts



In 16 Member States, more than 50 % of all non-fraudulent cases — in amounts — were detected by post-clearance controls.[15] In France, Croatia and Romania more than 50 % of the amounts relating to non-fraudulent cases were detected by anti-fraud services. Significant amounts were reported as non-fraudulent following voluntary admission by Germany (EUR 30 million) and the UK (EUR 15 million). In 13 Member States voluntary admission was keyed in as a method of detection of cases reported as non-fraudulent.

[15] Belgium, Bulgaria, Denmark, Estonia, Greece, Italy, Cyprus, Latvia, Lithuania, Hungary, the Netherlands, Austria, Poland, Portugal Sweden and the United Kingdom.

2.3.2.3. Solar panels vulnerable to irregularities – mutual assistance

In 2015, solar panels originating in China were especially vulnerable to non-fraudulent irregularities in monetary terms. 27 % of the total amount (EUR 93 million) that was established or estimated in non-fraudulent irregularities was affected by this type of goods. Incorrect country of origin or dispatching country was the main pattern of the infringement reported. In particularly, the Netherlands was affected by this type of goods and infringement. Other 14 Member States reported also cases related to solar panels to a smaller extent[16]. Following Mutual Assistance notices issued by OLAF 72 cases totalling to EUR 82 million were detected. This underlines the importance of investigations conducted by OLAF in this particular field.

2.3.2.4. Vehicles – voluntary disclosure

In 2015, 331 cases reported as non-fraudulent concerned different types of vehicles amounting to EUR 32 million. Incorrect value, incorrect documents or incorrect classification were the main pattern of the infringement reported. Estonia, Ireland, Croatia, Cyprus[17], Malta, Luxemburg, Portugal and Slovakia appeared not to be affected by irregularities related to this type of goods. In all, 59 cases totalling EUR 18 million were revealed following a voluntary admission by economic operators. In particular, Germany was affected by voluntary admission of cases of vehicles imported with an incorrect value[18].

2.3.2.5. Cases not reported as fraudulent by amount

In 2015, the established amount was below EUR 50 000 in 3 481 non-fraudulent cases (77 % of all irregularity cases), whereas it was above EUR 50 000 in 1 011 cases (23 %).

The total estimated and established amount in non-fraudulent cases where the amount at stake was above EUR 50 000 amounted to EUR 278 million (80 % of the total estimated and established amount for non-fraudulent cases).

Table TOR3: Cases not reported as fraudulent by amount category in 2015

Amount, EUR	N	Estimated and established amount, EUR
< 50 000	3481	71,073,860
>= 50 000	1011	278,486,418
Total	**4,492**	**349,560,278**

2.4. Member States' activities

2.4.1. Classification of cases as fraudulent and non-fraudulent and related rates

For 2015, Member States reported 612 cases as fraudulent out a total of 5 104 cases reported via OWNRES, which indicates a Fraud Frequency Level (FFL) of 12 %. The differences between Member States are relatively large. In 2015 most Member States categorised between 10-50 % of all cases reported as fraudulent. However, Malta, the

[16] Belgium, the Czech Republic, Denmark, Germany, Greece, France, Italy, Malta, Austria,, Portugal, Romania, Finland, Sweden and the United Kingdom.

[17] Cyprus reported however fraudulent cases related to this type of goods.

[18] Customs value was corrected ex-post taking into account the amounts of licence fees.

Netherlands and Sweden did not categorise any cases reported as fraudulent.[19] Four Member States categorised less than 10 % of cases as fraudulent.[20] Four Member States registered more than 50 %[21] of cases as fraudulent.

In 2015, the total estimated and established amount affected by fraud in the EU was EUR 78 million and the overall fraud detection rate was 0.31 %. For 2015, the highest percentages can be seen in Greece 7.31 % and Latvia 4.08 %.[22]

The total estimated and established amount affected by irregularities was more than EUR 349 million which indicates an irregularity detection rate of 1.40 %. The highest percentages can be seen in Romania (4.42 %), Malta (3.84 %) and the Netherlands (3.81 %).[23]

There are large differences between Member States' classifications, which may partly depend on their classification practices. This can influence the comparison of the amounts involved in cases reported as fraudulent and as non-fraudulent by Member States. Moreover, individual bigger cases detected in a specific year may affect annual rates significantly. Factors such as the type of traffic, type of trade, the level of compliance of the economic operators, the location of a Member State can influence the rates significantly. Bearing in mind these variable factors, the detection rates can also be affected by the way a Member State's customs control strategy is set up to target risky imports and to detect TOR-related fraud and irregularities.

2.4.2. Recovery rates

2.4.2.1. Cases reported as fraudulent

Over the 1989-2015 period, OWNRES shows that, on average, 15 % of the initially established amount was corrected (cancelled). The recovery rate (RR) for all years (1989-2015) is 34 %.[24] The RR for cases reported as fraudulent and detected in 2015 was 39 %[25] which is slightly above the average rate of 37% for fraudulent cases for the 2011-2015 period.[26] In general, the RR in cases reported as fraudulent is clearly much lower than that for cases not reported as fraudulent.

2.4.2.2. Cases not reported as fraudulent

OWNRES shows that on the cut-off date, on average 38 % (1989-2015) of the initially established amount in relation to cases not reported as fraudulent has been corrected (cancelled) since 1989. The RR for non-fraudulent cases reported for 2015 is 58%.[27] On the cut-off date, the annual RR for the last five years has varied between 51 % and 81 %. The overall RR for all years (1989-2015) for all cases not reported as fraudulent is 70 %.[28]

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19 Luxembourg did not report any irregular case in 2015.

20 The Czech Republic (3 %), Denmark (7%), Germany (5 %) and the UK (4 %).

21 Bulgaria (85 %), Greece (63 %), Cyprus (75 %) and Latvia (60 %).

22 See Annex 4.

23 See Annex 4.

24 This calculation is based on 14 218 cases, an established amount of EUR 1.92 billion (after already processed corrections) and a recovered amount of EUR 0.64 billion.

25 See Annex 9.

26 On the cut-off date, for years 2011-2015, the annual RR for fraud cases varied between 28 % and 51 %.

27 See Annex 9.

28 This calculation is based on 73 438 cases, an established amount of EUR 4.7 billion (after already processed corrections) and a recovered amount of EUR 3.2 billion.

2.4.2.3. Historical recovery rate

Also in the long term, the HRR reveals an equally strong relation as annual recovery rates, showing that recovery in cases reported as fraudulent is generally much less successful than in cases not reported as fraudulent (see table TOR4). Classification of a case as fraudulent is thus a strong indicator for forecasting short- and long-term recovery results.

Table TOR4: Historical recovery rate (HRR)

Irregularities	HRR 1989 – 2012
Reported as fraudulent	54.55%
Reported as non-fraudulent	89.19%
Total	80.53%

2.4.3. Commission's monitoring

2.4.3.1. Examination of the write off reports

In 2015, 19 Member States submitted 130 new write-off reports to the Commission. In 2015, the Commission assessed 255 cases in all totalling EUR 104 million. In 110 of these cases amounting to EUR 28 million,[29] the Commission's view was that the Member States did not demonstrate satisfactorily that the TOR was lost for reasons not imputable to them so they were considered financially responsible for the loss.

Examination of Member States' diligence in write-off cases constitutes a very effective mechanism for gauging their activity in the field of recovery. It encourages national administrations to step up the regularity, efficiency and effectiveness of their recovery activity, since any lack of diligence leading to failure to recover results in individual Member States having to foot the bill.

2.4.3.2. Commission's inspections

In its TOR inspections, the Commission has put a special emphasis on Member States' customs control strategies and closely monitors their actions in relation to the observations made during the inspections. Member States show their willingness to adapt their control strategies and to progressively implement systems that provide for efficient and effective risk analysis to protect the EU's financial interests. However, budgetary constraints reduce customs agents in charge of control in many Member States and in some Member States trade facilitations and over-simplifications might undermine the control efficiency and thus the protection of the EU financial interest. Also adjustments of the procedures for detection and reporting of irregular cases are applied by Member States with the aim to improve the quality of the information on irregular cases. In 2015, "Tariff suspensions and quotas", "Preferential tariff measures" and "Entry of goods into the EU" were the main inspection themes of the on-the-spot customs inspections by the Commission services in Member States.

One general conclusion drawn by the Commission from its inspections in Member States in recent years is that their control strategies are increasingly shifting from customs controls at the time of clearance of goods to post-clearance customs controls. The customs controls before or at the time of clearance of goods remain however indispensable for detection of new types or patterns of fraud or irregularities.

[29] See Annex 10.

Therefore, the customs controls strategy should be frequently reviewed taking into account recent detections or new risks.

Considering the fraud diversion and spreading of specific fraud mechanism, EU-wide and international cooperation in detection of irregular cases is more and more required.

2.4.3.3. Particular cases of Member State failure to recover TOR

If TOR are not established because of an administrative error by a Member State, the Commission applies the principle of financial liability.[30] Member States have been held financially liable in 2015 for over EUR 8 million, and new cases are being given appropriate follow-up.

[30] Case C-392/02 of 15/11/2005. These cases are typically identified on the basis of Articles 220(2)(b) (administrative errors which could not reasonably have been detected by the person liable for payment) and 221(3) (time-barring resulting from Customs' inactivity) of the Customs Code, Articles 869 and 889 of the Provisions for application of the Code, or on the basis of non-observance by the customs administration of Articles of the Customs Code giving rise to legitimate expectations on the part of an operator.

Part II - EXPENDITURE

SECTION I - SHARED MANAGEMENT

Sustainable Growth: Natural Resources

Success in previous decades in guaranteeing sufficient food production, has led to a shift in emphasis to, producing higher quality food for consumers, increasing farms' profitability, diversifying the rural economy and protecting the natural environment. There is a direct management component but the majority of expenditure is disbursed by Member States under the following shared management funds.

- The European Agricultural Guarantee Fund (EAGF) which finances direct payments to farmers and measures to respond to market disturbances, such as private or public storage and export refunds.
- The European Agricultural Fund for Rural Development (EAFRD) which finances the rural development programmes of the Member States.
- The European Maritime and Fisheries Fund (EMFF) which provides funding and technical support for initiatives that can make the fishery industry more sustainable.

EAFRD and EMFF are among the five European Structural and Investment Funds (ESIF) which complement each other and seek to promote a growth and job based recovery in Europe.

The EMFF is the successor of the European Fisheries Fund (EFF), for which the full resources have been committed by the end of 2014, but about 25% of commitments still had to be paid out.

Table NR1 shows the financial resources available for this policy area.

Table NR1: Financial instruments and 2015 appropriations for the Natural Resources Policies

Financial instrument	Management mode	Appropriations 2015		As % of total budget	
		Commitments	Payments	Commitments	Payments
		EUR million	EUR million	%	%
EAGF	Shared	43 455	44 837	26.8%	31.7%
EARDF	Shared	18 170	9 771	11.2%	6.9%
EFF + EMFF	Shared	941	705	0.6%	0.5%
TOTAL		**59 191**	**55 313**	**36.5%**	**39.2%**

3. COMMON AGRICULTURAL POLICY (CAP)

3.1. Introduction

For the last 50 years the Common Agricultural Policy (CAP) has been the European Union's (EU) most important common policy. This explains why traditionally it has taken a large part of the EU's budget, although the percentage has steadily declined over recent years.

The CAP is financed by two funds, EAGF and EAFRD, which form part of the EU's general budget.

Under the basic rules for the financial management of the CAP, the Commission is responsible for the management of the EAGF and the EAFRD. However, the Commission itself does not make payments to beneficiaries. According to the principle of shared management, this task is delegated to the Member States, who themselves work through national or regional paying agencies. Before these paying agencies can claim any expenditure from the EU-budget, they must be accredited on the basis of a set of criteria laid down by the Commission.

The paying agencies are, however, not only responsible for making payments to the beneficiaries. Prior to doing so, they must, either themselves or through delegated bodies, satisfy themselves of the eligibility of the aid applications. The exact checks to be carried out are laid down in the different sectorial regulations of the CAP and vary from one sector to another.

The expenditure made by the paying agencies is then reimbursed by the Commission to the Member States, in the case of the EAGF on a monthly basis and in the case of EAFRD on a quarterly basis. Those reimbursements are, however, subject to possible financial corrections which the Commission may make under the clearance of accounts procedures.

Table NR2 shows the financial resources available for the CAP.

Table NR2: Financial instruments and 2015 appropriations for the CAP

Financial instrument	Management mode	Appropriations 2015		As % of total budget	
		Commitments	Payments	Commitments	Payments
		EUR million	EUR million	%	%
EAGF	Shared	43 455	44 837	26.8%	31.7%
EARDF	Shared	18 170	9 771	11.2%	6.9%
TOTAL		**61 625**	**54 608**	**38.0%**	**38.7%**

3.2. General analysis – Trend analysis

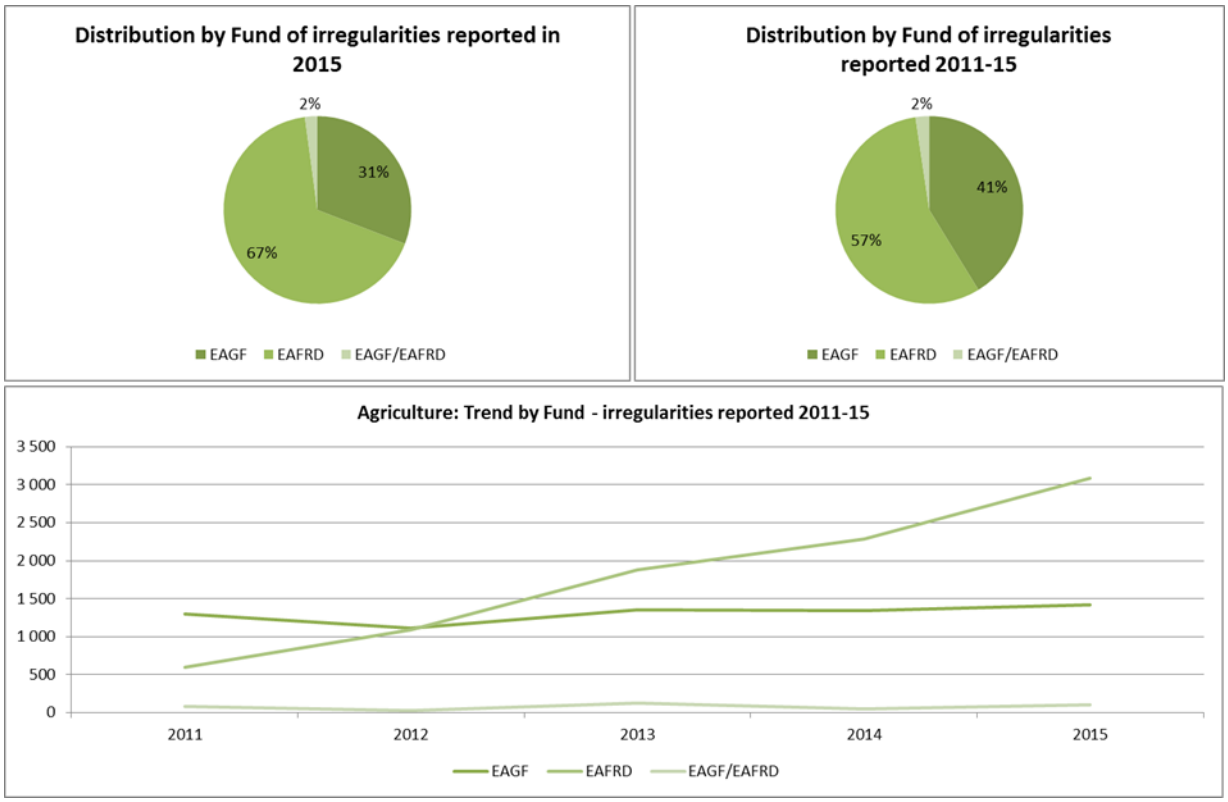
3.2.1. Irregularities reported 2011-2015

Table NR3 presents the trend of the irregularities (fraudulent and non-fraudulent) reported by Member States for the period 2011-15 in relation to the funds concerned.

This shows an overall increase between 2014 and 2015 by 26% and 134.1% between 2011 and 2015. However, while the irregularities affecting EAGF have remained stable over time (+6% in comparison with 2014 and 10% with 2011), those related to the EAFRD have been constantly increasing, as showed by the chart below (+35% in comparison with 2014 and +418% in comparison with 2011).

Table NR3: Irregularities reported by Fund –2011-15 for the CAP

FUND	REPORTING YEAR					TOTAL PERIOD
	2011	2012	2013	2014	2015	
	N	N	N	N	N	N
EAGF	1 298	1 114	1 356	1 339	1 424	6 531
EAFRD	596	1 087	1 877	2 286	3 089	8 935
EAGF/EAFRD	76	28	127	44	99	374
TOTAL	**1 970**	**2 229**	**3 360**	**3 669**	**4 612**	**15 840**



It should be noted that the two funds function very differently, with the EAGF following an annual implementation, while programmes financed by the EAFRD have a multiannual logic, which resembles that of the Structural Funds. The trend of irregularities detected and reported further highlights those similarities and therefore appears physiological.

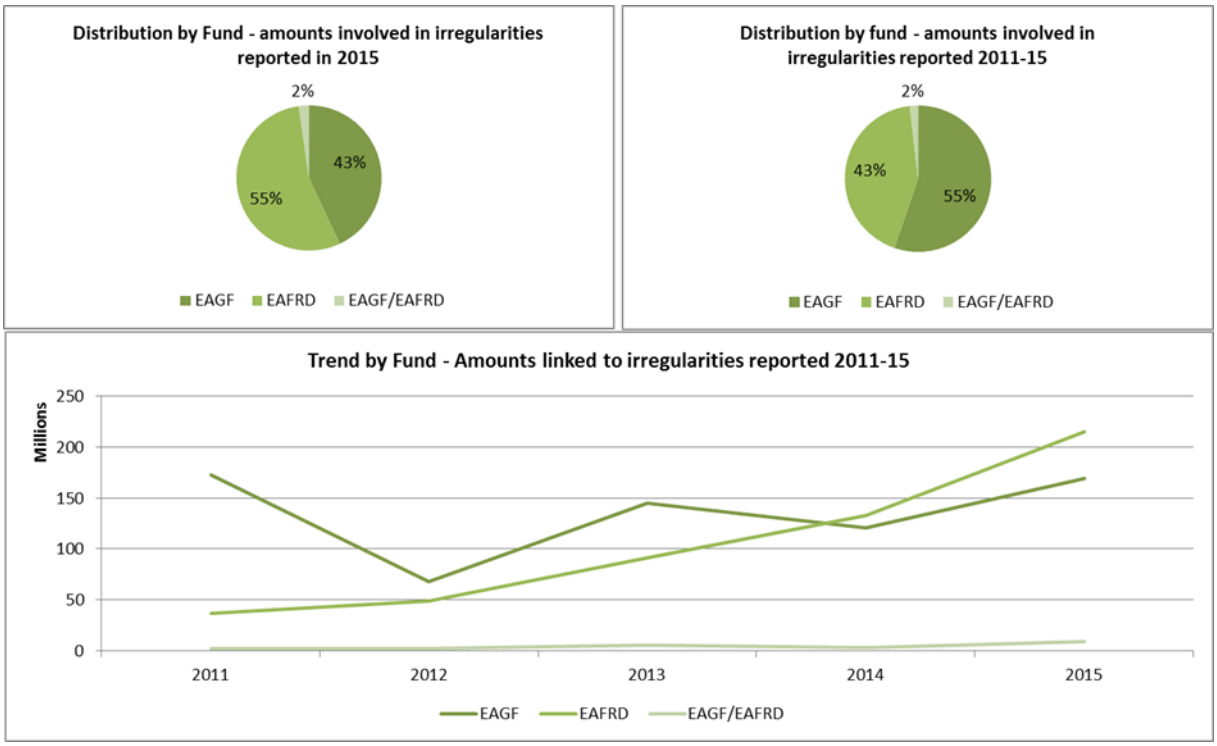
The irregularities notified by a minority of Member States (Romania, Italy, Spain, Poland, Hungary, Portugal and Lithuania) represent about 69% of the total number of reported irregularities.

Table NR4 provides in the same form of Table NR3 information about the trends linked to the financial amounts involved in cases of reported irregularities, which have increased by 53% in comparison with the previous year. For the monetary value, the largest share in 2015 is still represented by the EAFRD component, which becomes relatively predominant, if one bears in mind that it represents between 20% and 30% of the total resources for the CAP and the financial value of the irregularities reported count for 52% of the total amount in 2015 and 41% for the period 2011-2015.

The impact of the financial amounts involved in irregularities is very different between the two funds, as it is 0.39% for the EAGF and 1.93% for the EAFRD.

Table NR4: Financial amounts involved in reported irregularities by Fund –2011-15 for the CAP

FUND	REPORTING YEAR					TOTAL PERIOD
	2011	2012	2013	2014	2015	
	EUR	EUR	EUR	EUR	EUR	EUR
EAGF	172 344 041	67 812 072	145 314 341	120 803 313	169 472 179	675 745 946
EAFRD	36 634 368	48 986 220	90 992 200	133 120 353	215 318 766	525 051 906
EAGF/EAFRD	2 387 407	1 952 168	5 884 143	3 306 681	8 984 209	22 514 607
TOTAL	211 365 815	118 750 460	242 190 684	257 230 347	393 775 154	1 223 312 459



The trend analysis about the financial amounts can be misleading as it can be greatly influenced by single observations of significant value. For instance, the 'distance' observed in 2011 between the two funds, finds entire explanation in very few cases involving high amounts linked to the EAGF, which determine the divergence from the trend highlighted in Table NR3. The continuous growth of the financial value of irregularities related to the EAFRD is, however, in line with the general trend of irregularities reported showed in Table NR3.

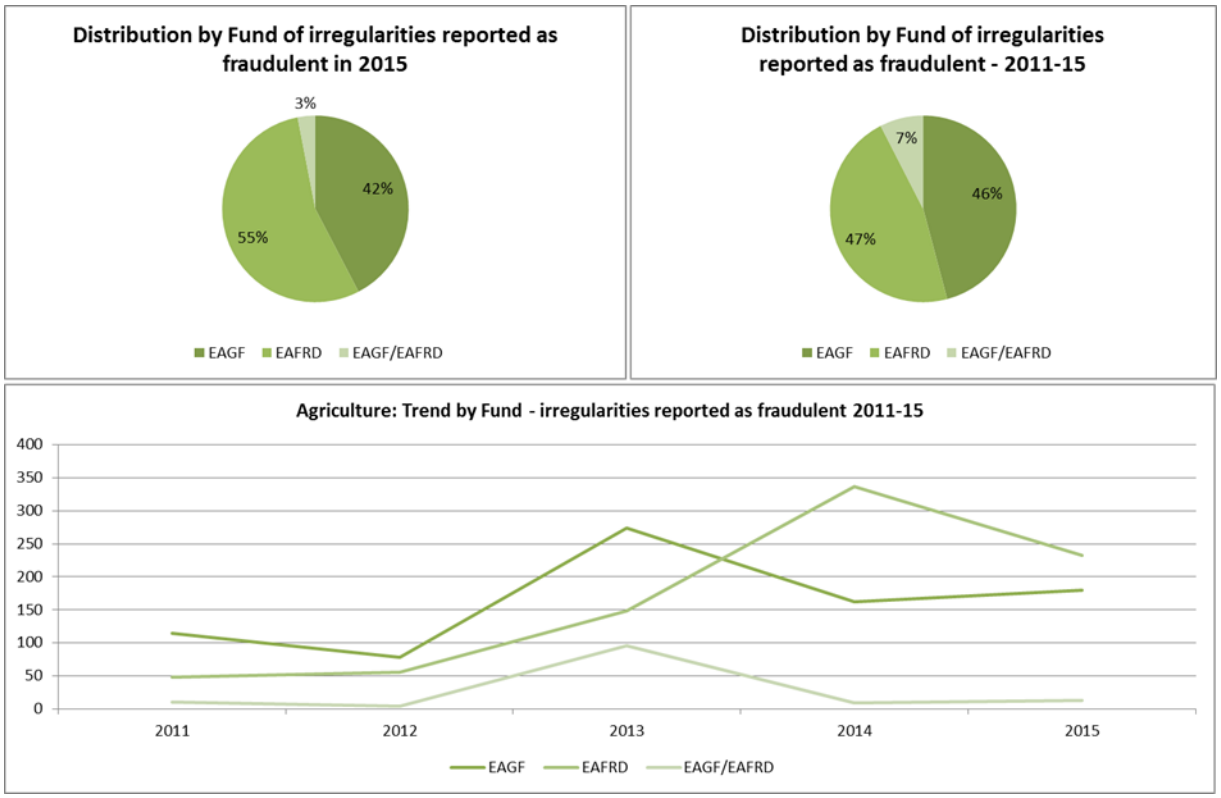
3.2.2. Irregularities reported as fraudulent

Table NR5 presents the trend of the irregularities reported as fraudulent by Member States for the period 2011-15 in relation to the fund concerned. This shows an overall decrease in comparison to 2014 by 16%. However, while the fraudulent irregularities related to the EAGF have increased by 11%, those linked to the EAFRD have decreased by 31% after three consecutive years of growth.

Despite these contrasting trends, for the second consecutive year in the analysed period, the irregularities reported as fraudulent related to the EAFRD have the highest share on the total (55%) and reaching 47% on the whole reference period 2011-15 (up from 42% in the previous analysis for 2010-14). The share of irregularities committed by beneficiaries of both funds decreases at 7% on the five years analysis (in comparison with 12% highlighted in relation to the period 2010-14).

Table NR5: Irregularities reported as fraudulent by Fund –2011-15 for the CAP

FUND	REPORTING YEAR					TOTAL PERIOD
	2011	2012	2013	2014	2015	
	N	N	N	N	N	N
EAGF	114	78	274	162	180	808
EAFRD	48	56	149	336	232	821
EAGF/EAFRD	11	4	96	9	13	133
TOTAL	173	138	519	507	425	1 762



Similar to 2013 and 2014, the irregularities notified by four Member States (Romania, Poland, Hungary and Italy) represent about 74% of the total number of irregularities reported as fraudulent.

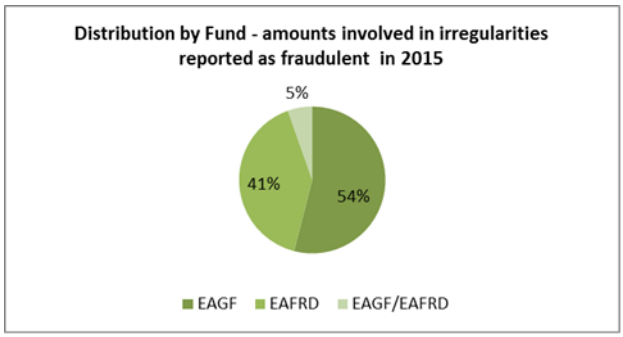
Poland, Ireland, Latvia, Lithuania, Portugal, United Kingdom have reported an increasing number of fraudulent cases.

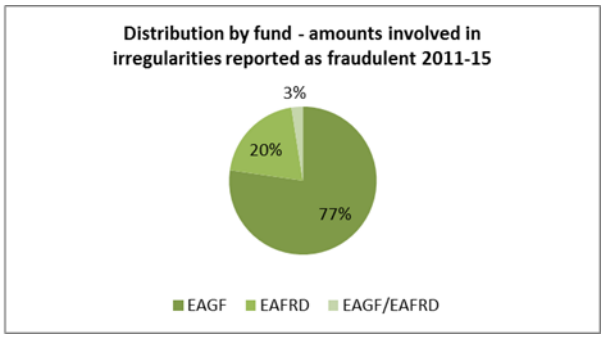
The first ten countries taken together have reported 466 of potential fraudulent cases, which represents almost 92% of the total (in 2013 the first nine together had reported about 94% of the total fraudulent irregularities).

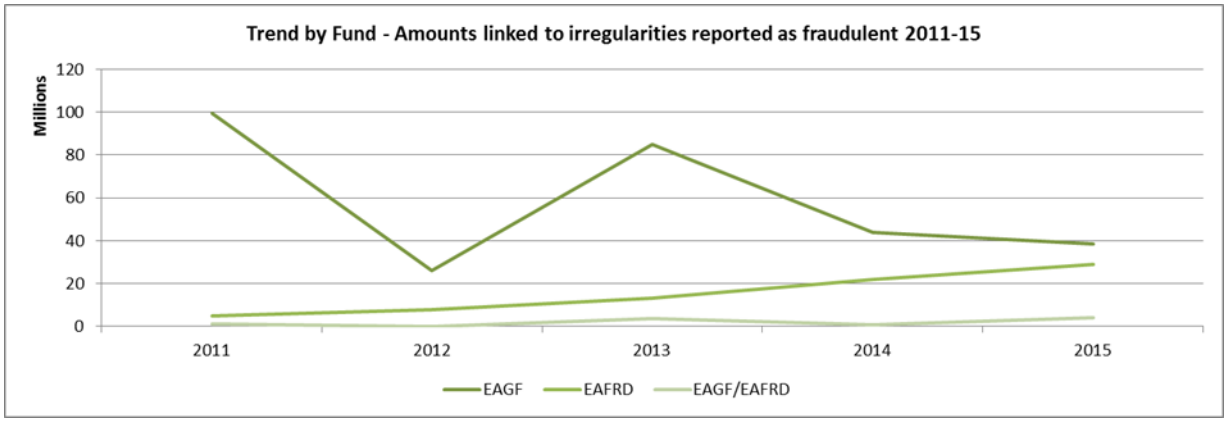
Table NR6 provides in the same form of Table NR5 information about the trends linked to the financial amounts involved in cases reported as fraudulent, which have increased by 7% in comparison with the previous year and decreased by 30% in comparison with 2011. For the monetary value, the largest share in 2015 is still represented by the EAGF component. The EAFRD becomes relatively predominant, if one bears in mind that it represents between 20% and 30% of the total resources for the CAP and the financial value of the irregularities reported as fraudulent represent 41% of the total amount in 2015. For the period 2011-2015, however, the distribution remains roughly in line with the share of the resources between the funds.

Table NR6: Financial amounts involved in irregularities reported as fraudulent by Fund –2011-15 for the CAP

FUND	REPORTING YEAR					TOTAL PERIOD
	2011	2012	2013	2014	2015	
	EUR	EUR	EUR	EUR	EUR	EUR
EAGF	99 419 251	26 141 236	84 804 565	43 835 239	38 271 992	292 472 283
EAFRD	4 732 692	7 836 582	13 268 649	21 972 399	28 767 111	76 577 434
EAGF/EAFRD	1 079 341	77 774	3 699 721	789 978	3 833 563	9 480 376
TOTAL	105 231 284	34 055 593	101 772 934	66 597 616	70 872 666	378 530 093







The trend analysis about the financial amounts can be misleading as it can be greatly influenced by single observations of significant value. For instance, the 'distance' observed in 2011 between the two funds, finds entire explanation in very few cases involving high amounts linked to the EAGF, which determine the divergence from the trend highlighted in Table NR5. In the period 2011-15, the share of the EAFRD on the total is 20%, in line with the share of the resources allocated to the fund on the total of the CAP resources over the same period.

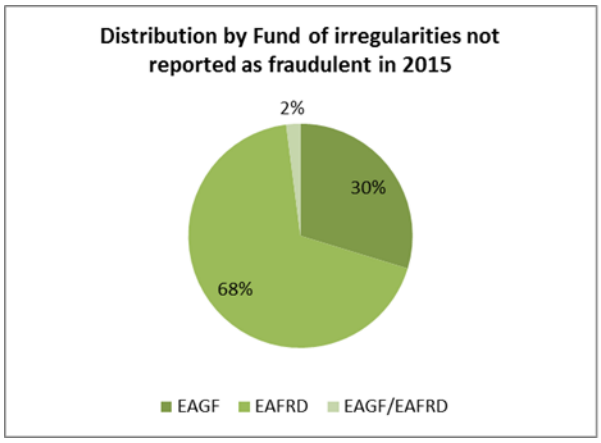
3.2.3. Irregularities not reported as fraudulent

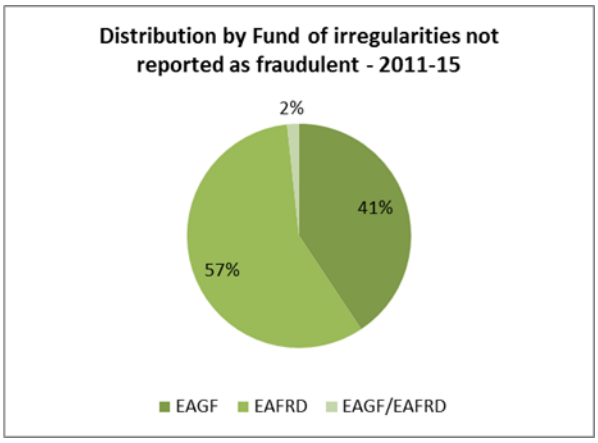
Regarding irregularities not reported as fraudulent, the number of those reported relating to EAFRD has been constantly increasing (see Table NR7), while those related to EAGF has remained relatively stable or record minor variations. Consistently with this trend, also the irregular financial amounts linked to the rural development instrument have been constantly increasing (as highlighted in Table NR8).

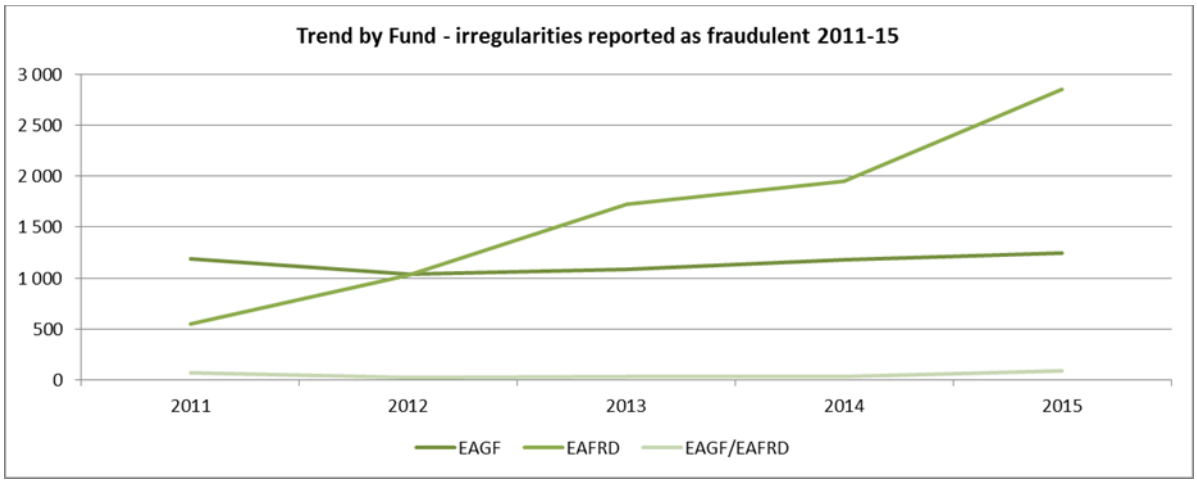
Contrary to the irregularities reported as fraudulent, only 2% of those not reported as fraudulent relates to infringements reported as affecting both funds. This share shrinks to 1% in relation to the financial impact of these irregularities (see Table NR8).

Table NR7: Irregularities not reported as fraudulent by Fund – 2011-15 for the CAP

FUND	REPORTING YEAR					TOTAL PERIOD
	2011	2012	2013	2014	2015	
	N	N	N	N	N	N
EAGF	1 184	1 036	1 082	1 177	1 244	5 723
EAFRD	548	1 031	1 728	1 950	2 857	8 114
EAGF/EAFRD	65	24	31	35	86	241
TOTAL	1 797	2 091	2 841	3 162	4 187	14 078







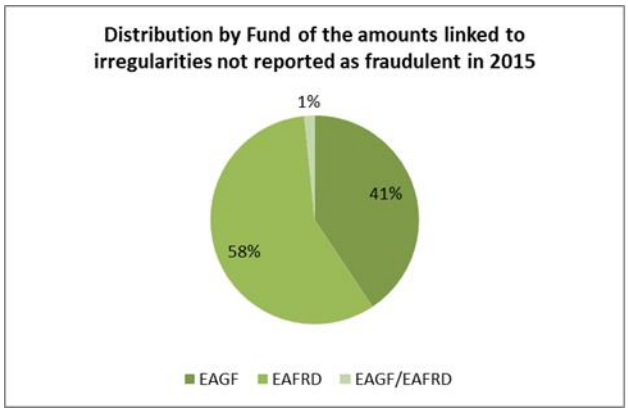
Unlike fraudulent irregularities the largest share, in terms of numbers, is for the EAFRD since 2013, and in the two last years of the period 2011-15 the number of irregularities linked to this fund have almost been the double of those affecting the EAGF.

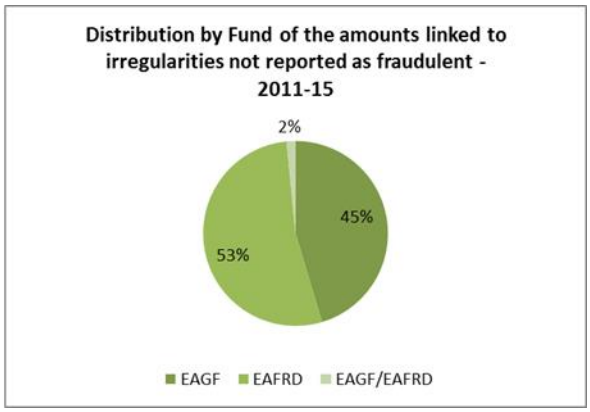
The irregular financial amounts related to the EAFRD are also progressively increasing since 2011 and in 2015 they represented the highest share.

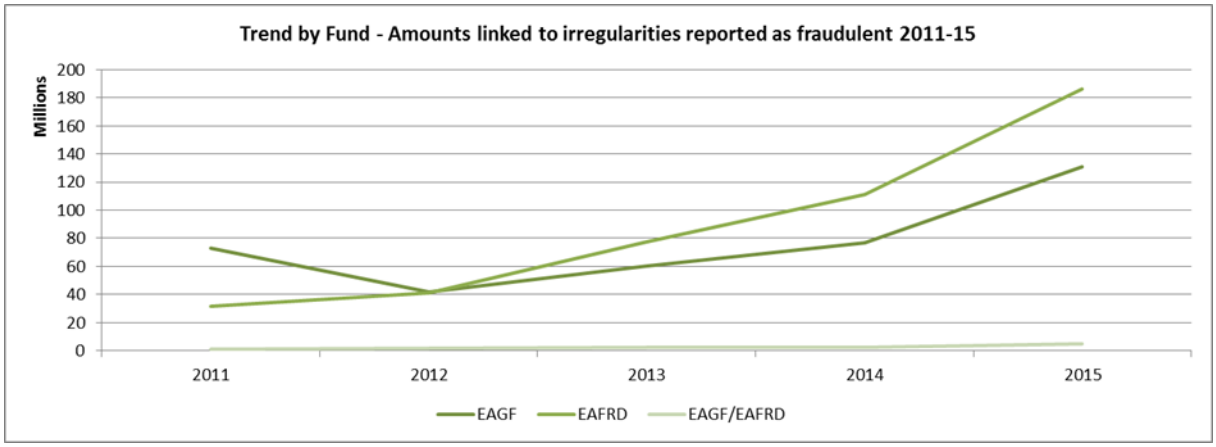
Table NR8 shows the information concerning the years 2011-15.

Table NR8: Financial amounts linked to irregularities not reported as fraudulent by Fund – 2011-15 for the CAP

FUND	REPORTING YEAR					TOTAL PERIOD
	2011	2012	2013	2014	2015	
	EUR	EUR	EUR	EUR	EUR	EUR
EAGF	72 924 789	41 670 835	60 509 776	76 968 074	131 200 187	383 273 662
EAFRD	31 901 675	41 149 638	77 723 551	111 147 953	186 551 655	448 474 472
EAGF/EAFRD	1 308 066	1 874 394	2 184 422	2 516 703	5 150 646	13 034 231
TOTAL	106 134 531	84 694 867	140 417 750	190 632 730	322 902 488	844 782 366







3.3. Specific analysis

3.3.1. Irregularities reported as fraudulent

3.3.1.1. Modus operandi

EAGF

Table NR9 compares the types of irregularity / *modi operandi* linked to fraudulent cases detected in 2015 with those detected from 2011 to 2015 (included) in relation to the EAGF.

The most recurrent *modus operandi* is related to infringements linked to the documentary proofs requested, and in particular, to the use of '*false or falsified declarations*', '*false or falsified documents*' and '*false or falsified request for aid*', '*declaration of fictitious product, species and/or land'* in line with what reported in general for the whole period 2011-2015. '*Quantities outside permitted limits, quotas or thresholds* (related, respectively to products, species or land)' remained a significant reported type of breach.

For 26 of the 180 cases reported (14%), irregularities related to 'Ethics and Integrity' were specified. This typology refers to cases of 'corruption' and 'conflict of interest' in particular. In the previous four years taken into account for the analysis, other 7 cases had been reported, although the amounts involved in such cases were particularly significant. 13% of the EUR 292 million affected by irregularities reported as fraudulent in the period 2011-15 for the EAGF are linked to breaches of 'Ethics and Integrity'.

Table NR9: Types of irregularities in relation to EAGF

Type of irregularity	irregularities reported as fraudulent in 2015		Irregularities reported as fraudulent 2011-15	
	N	EUR	N	EUR
documentary proof	57	3 035 253	257	29 027 324
request	34	4 699 630	125	24 547 679
product, species and/or land	27	691 603	200	16 708 042
Ethics and integrity	26	2 126 914	33	37 403 524
other	6	1 912 295	24	3 549 717
accounts and records / request	4	1 252 390	4	1 252 390
(blank)	3	507 796	18	831 311
(non-)action	2	38 617	26	29 449 201
public procurement	2	31 236	2	31 236
documentary proof / request	1	21 189 379	1	21 189 379
OTHER	18	2 786 878	118	128 482 481
TOTAL	**180**	**38 271 992**	**808**	**292 472 283**

EAFRD

Table NR10 compares the types of irregularity / *modi operandi* linked to fraudulent cases detected in 2015 with those detected from 2011 to 2015 (included) in relation to the EAFRD.

In 2015, 44 irregularities reported as fraudulent indicated that breaches had occurred in relation to 'Ethics and Integrity'. In the previous four years this category had been indicated in eleven cases. The remaining detected typologies more frequently are in line with those reported in previous years and relate to the 'documentary proof (supporting documents provided), the 'request for aid', the 'quality of the beneficiary', the 'implementation' of the action.

Table NR10: Types of irregularities in relation to EAFRD

Type of irregularity	irregularities reported as fraudulent in 2015		Irregularities reported as fraudulent 2011-15	
	N	EUR	N	EUR
Ethics and integrity	44	1 474 876	55	1 981 948
documentary proof	39	3 047 345	169	19 195 949
request	27	2 789 250	71	6 470 344
beneficiary	22	2 176 008	82	8 029 835
(non-)action	18	1 788 164	83	9 358 239
other / beneficiary	15	2 055 855	15	2 055 855
product, species and/or land	15	392 889	44	1 330 049
accounts and records	5	658 822	10	710 222
(non-)action / documentary proof / beneficiary	5	3 232 159	5	3 232 159
other / documentary proof	3	487 021	3	487 021
OTHER	39	10 664 721	284	23 725 812
TOTAL	**232**	**28 767 111**	**821**	**76 577 434**

3.3.1.2. Type of control / method of detection of irregularities reported as fraudulent

For the first time, this section is presented similarly to the previous paragraph, *i.e.* making a distinction between detection of irregularities reported as fraudulent in relation to the EAGF and to the EAFRD.

This distinction would allow taking into consideration the different nature of actions and projects financed through the different funds, avoiding that the predominance of one or the other would "hide" specific situations.

EAGF

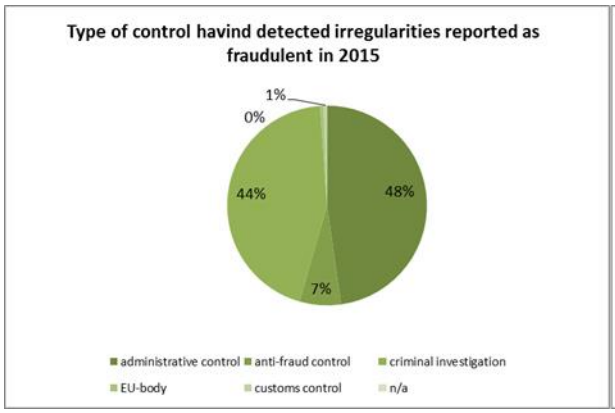
In recent years, the role of the administrative bodies has been constantly growing. Also in 2015, the 'administrative controls' have detected the majority of the irregularities reported as fraudulent. Table NR11 shows the types of control having identified the irregularities reported as fraudulent.

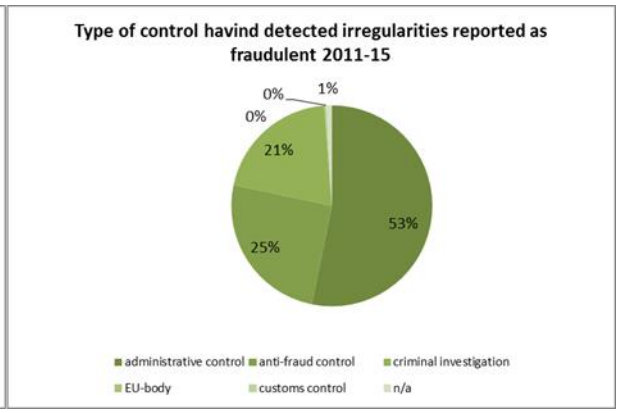
Over the period 2011-15, the administrative controls detected about 53% of potentially fraudulent infringements.

The impact in monetary terms of anti-fraud controls and criminal investigations remain significant and counts for 67% of the total detections for the period 2010-14.

Table NR11: EAGF - Control methods having identified the irregularities reported as fraudulent in 2015 and for the period 2011-15

Type of control	Irregularities reported as fraudulent in 2015		Irregularities reported as fraudulent 2011-2015	
	N	EUR	N	EUR
administrative control	86	12 025 243	430	94 225 192
anti-fraud control	12	1 787 732	203	83 332 119
criminal investigation	80	3 081 819	165	93 028 836
EU-body	1	187 819	2	644 951
customs control	1	21 189 379	1	21 189 379
n/a			7	51 806
TOTAL	180	38 271 992	808	263 205 632





EAFRD

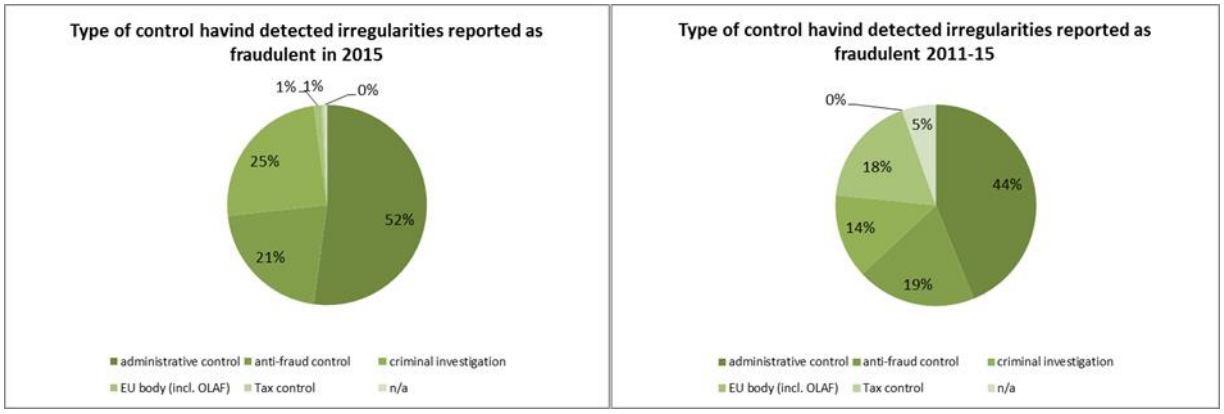
In recent years, the role of the administrative bodies has been constantly growing. In 2015, the 'administrative controls' have detected the majority of the irregularities reported as fraudulent (52%), showing an increase in comparison to the overall 2011-15 period (44%). Table NR12 shows the types of control having identified the irregularities reported as fraudulent.

In relation to the EAFRD, over the period 2011-15, about 18% of the fraudulent irregularities has been detected by or following requests from EU-bodies (including OLAF).

The impact in monetary terms of anti-fraud controls and criminal investigations remain significant and counts for 51% of the total detections in 2015 and 49% for the period 2011-15.

Table NR12: EAFRD - Control methods having identified the irregularities reported as fraudulent in 2015 and for the period 2011-15

Type of control	Irregularities reported as fraudulent in 2015		Irregularities reported as fraudulent 2011-2015	
	N	EUR	N	EUR
administrative control	121	12 971 238	360	32 717 198
anti-fraud control	49	7 670 750	158	19 896 032
criminal investigation	57	6 951 760	111	17 343 106
EU body (incl. OLAF)	3	996 675	147	5 544 088
Tax control	1	51 689	1	51 689
n/a	1	125 000	44	1 025 321
TOTAL	**232**	**28 767 111**	**821**	**76 577 434**



Of the 147 cases detected by or following a request from a EU-body, 141 were already reported about in 2014 as resulting from an OLAF investigation in Hungary.

It is likely that the number of OLAF's investigations detecting potentially criminal infringements may be underestimated, if Member States did not provide the adequate information to identify them correctly.

3.4. Anti-fraud activities of Member States

Previous paragraphs have examined the trend and main features and characteristics of the irregularities reported as fraudulent.

The present paragraph aims at examining some aspects linked to the anti-fraud activities and results of Member States. Five elements are taken into account:

(1) the time that runs between the beginning of the fraudulent practice and its detection/establishment by the competent authority and reporting to the Commission (Detection / Reporting Efficiency);

(2) the number of irregularities reported as fraudulent by each Member State (over a five years' time period);

(3) the fraud detection rate (the ratio between the amounts involved in cases reported as fraudulent and the payments occurred in the financial year 2015);

(4) the fraud prevention rate (the ratio between the amounts involved in cases reported as fraudulent which have been detected before payments were executed);

(5) the ratio of cases of established fraud on the total number of irregularities reported as fraudulent.

3.4.1. Duration of irregularities, Detection and Reporting Efficiency

Of the 15 840 detected irregularities reported by Member States between 2011 and 2015, 60% involve infringements that have been protracted during a given span of

time. For the irregularities reported as fraudulent this percentage is higher at 65%. The remaining part of the datasets refers to irregularities/breaches which consisted of a single act identifiable on a precise date or for which this information was not provided.

Taking into account only those irregularities which have been protracted in time, their average duration is of 24 months (*i.e.* 2 years).

The two subsets (irregularities reported as fraudulent and those not reported as fraudulent) have two different patterns.

The average duration of those reported as fraudulent is 33 months (*i.e.* almost 3 years) while that of those not reported as fraudulent is 22 months (*i.e.* almost 2 years).

Looking at the detection and reporting efficiencies of Member States, Table NR10 provides the average duration (in months) occurring between the time at which the irregularity began or was committed and when it was detected (detection efficiency), the average time gap (in months) between detection and reporting and their sum. The table also details, per Member State, the percentage of the data population which could be used for the calculations ('usable sample').

For the irregularities reported between 2011 and 2015, average detection efficiency is 30 months (2 years and 6 months), while reporting efficiency is at 8 months.

Table NR13: Detection and Reporting Efficiency of Member States

Member State	Irregularities reported as fraudulent in 2015				Irregularities reported as fraudulent 2011-2015			
	DetE	RepE	DetE + RepE	Usable sample	DetE	RepE	DetE + RepE	Usable sample
	months /average	months /average	months /average	%	months /average	months /average	months /average	%
AT	48	6	54	100%	40	6	46	100%
BE	37	12	49	100%	32	7	39	100%
BG	17	5	22	100%	10	18	29	100%
CY	28	4	32	100%	21	8	29	100%
CZ	22	16	38	100%	22	8	29	100%
DE	37	12	48	95%	36	7	43	95%
DK	25	8	33	100%	22	20	41	100%
EE	25	4	29	100%	13	4	17	100%
ES	34	4	39	100%	29	5	34	100%
EU	31	7	38	99%	30	8	37	99%
FI	20	8	28	84%	18	10	29	84%
FR	40	8	48	99%	35	7	42	99%
GR	7	4	10	99%	26	4	31	99%
HR	9	16	25	100%	9	16	25	100%
HU	42	5	47	100%	35	6	41	100%
IE	15	13	28	98%	15	10	24	98%
IT	60	15	75	100%	54	13	67	100%
LT	19	6	25	97%	16	6	21	97%
LU	-	-	N/A		63	3	66	
LV	3	4	7	#DIV/0!	9	3	13	100%
MT	34	8	42	100%	27	6	33	100%
NL	23	6	29	98%	21	8	29	98%
PL	18	8	26	100%	19	10	29	100%
PT	13	5	18	99%	17	6	24	99%
RO	29	4	33	100%	28	4	32	100%
SE	30	18	47	94%	34	10	45	94%
SI	23	7	30	100%	20	6	26	100%
SK	35	4	38	100%	32	4	36	100%
UK	32	15	47	100%	30	15	46	100%

The data set used for Table NR13 includes the irregularities reported between 2011 and 2015.

3.4.2. Detection of irregularities reported as fraudulent by Member State

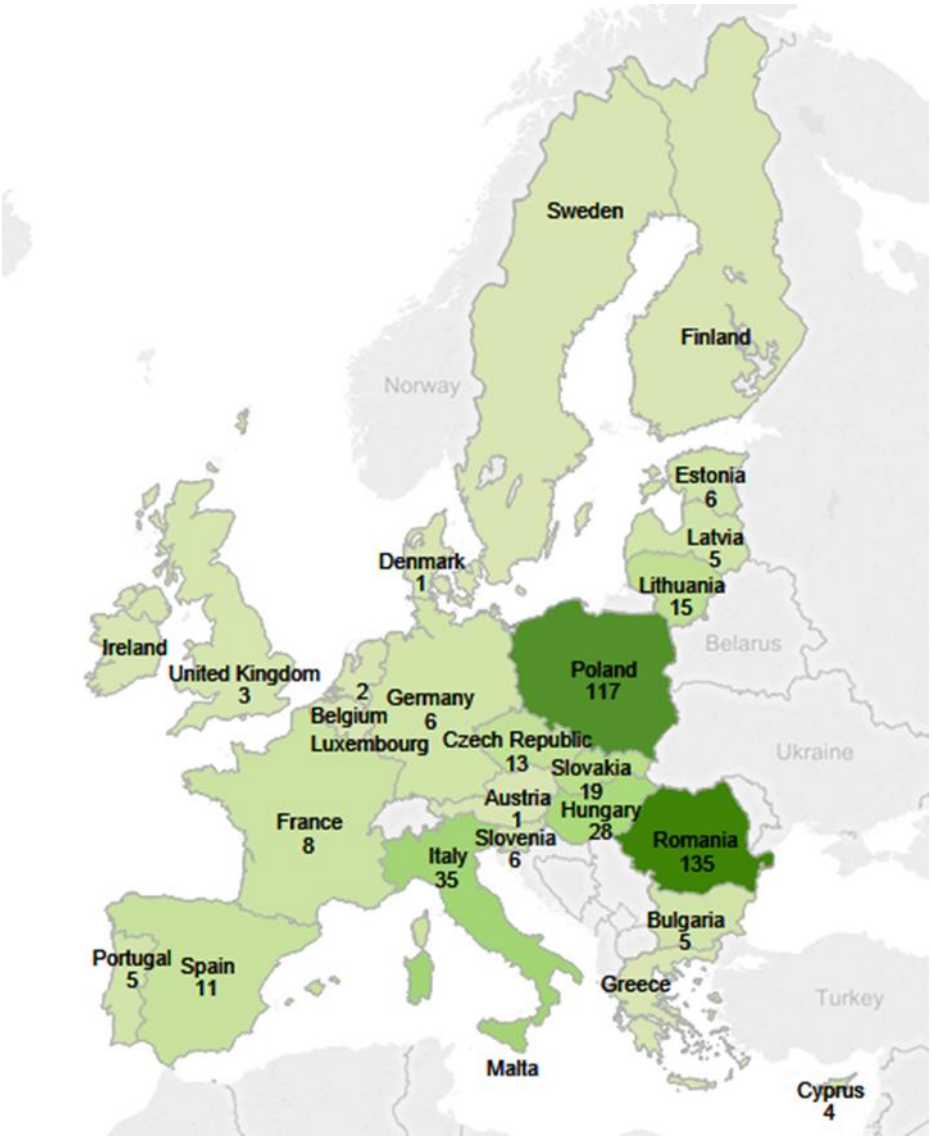
3.4.2.1. Reported in 2015

Map NR1 shows the number of irregularities reported as fraudulent in 2015 for both funds of the CAP by Member State.

Seven (7) Member States have notified no irregularity as fraudulent; fifteen (15) Member States reported between 1 and 15 fraudulent irregularities; two (2) countries reported between 16 and 30; and three (3) Member States more than 30 fraudulent irregularities.

Romania, Poland and Italy remain the three countries having reported the highest numbers.

Map NR1: Number of irregularities reported as fraudulent in 2015 by Member State - CAP



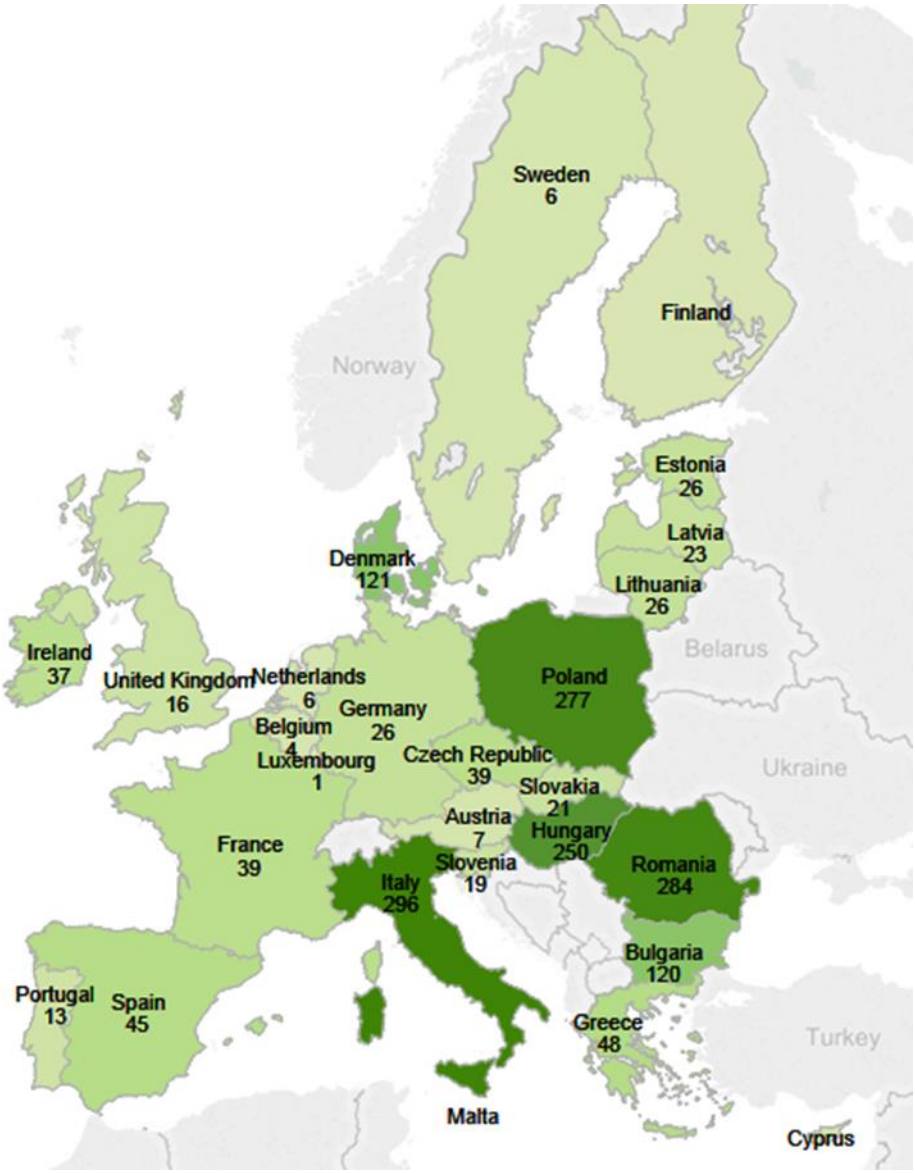
The detailed figures of Map NR1 are showed in Table NR14.

3.4.2.2. Reported in the period 2011-15

Map NR2 shows the number of irregularities reported as fraudulent between 2011-15 for both funds of the CAP by Member State.

During the period under consideration, only Finland did not report any fraudulent irregularity.

Map NR2: Number of irregularities reported as fraudulent between 2011-15 by Member State - CAP



3.4.3. Fraud detection rate

The fraud detection rate compares the results obtained by Member States in their fight against fraud with the payments received by them in a given financial year. This implies that a single case reported as fraudulent and involving a significant financial amount can produce a higher result than that achieved by the sum of the financial impact of several irregularities affecting lower amounts. For this reason, this indicator should be read in conjunction with the number of irregularities reported as fraudulent and for this reason they are presented together in Table NR14.

In 2015, the highest fraud detection rates are referred to Estonia, Lithuania, Slovenia (all above 0.50%), Hungary, Romania, Slovakia, Cyprus and France (above 0.25%).

Table NR14: number of irregularities reported as fraudulent in 2015, amounts involved and fraud detection rate by Member State

Member State	Irregularities reported as fraudulent 2015		Payments 2015	FDR
	N	EUR	EUR	%
EE	6	1 507 680	150 479 406	1.00%
AT	1	6 625	1 109 115 523	0.00%
BE			691 669 519	0.00%
BG	5	773 479	1 078 696 508	0.07%
CY	4	211 760	77 418 159	0.27%
CZ	13	791 560	1 086 067 004	0.07%
DE	6	615 842	5 808 944 003	0.01%
DK	1	0	999 127 969	0.00%
ES	11	945 822	6 605 964 256	0.01%
FI			925 076 151	0.00%
FR	8	21 957 601	8 740 596 006	0.25%
GR			2 608 410 427	0.00%
HR			219 831 911	0.00%
HU	28	8 461 627	1 716 988 687	0.49%
IE			1 557 848 874	0.00%
IT	35	9 786 868	5 701 286 296	0.17%
LT	15	4 097 052	490 550 693	0.84%
LU			45 875 471	0.00%
LV	5	402 394	221 084 653	0.18%
MT			14 241 602	0.00%
NL	2	0	891 301 321	0.00%
PL	117	5 180 874	4 917 767 792	0.11%
PT	5	228 168	1 012 065 097	0.02%
RO	135	12 628 911	2 718 641 102	0.46%
SE			842 012 289	0.00%
SI	6	913 603	172 937 357	0.53%
SK	19	2 243 224	531 188 408	0.42%
UK	3	119 576	3 672 590 234	0.00%
TOTAL	**425**	**70 872 666**	**54 607 776 719**	**0.13%**

3.4.4. Ratio of established fraud / Dismissal ratio

Table NR15 shows the ratio between the cases of established fraud and the total number of irregularities reported as fraudulent (including suspected and established fraud) in the period 2009-13. Taking into account only cases reported in 2015 would be meaningless, as the criminal proceedings leading to a conviction for fraud may take several years, while using the period 2011-15 would be misleading as it will be impossible to make a sound comparison with figures published in the 2013 and 2014 Reports. However, considering that in the Commission staff working document 'Statistical evaluation of irregularities reported in 2014' information concerning the years 2010-14 was published (for reference for the next years) a new update also for that reference period is provided in Table NR16.

Table NR15 integrates also the 'Dismissal ratio', calculated by the differences between the total number of irregularities reported as fraudulent published in the corresponding table in the 2013 Report (TOTAL 2013) and the total calculated taking into account the updates received in 2014 and 2015. When the ratio is positive, it

means that Member States have classified as 'suspected' or 'established fraud' irregularities appearing as non-fraudulent in 2013.

In this respect, the average ratio of established fraud at EU level is 10%, increasing from 7% of 2013. The dismissal ratio is 12%, increasing from the 4% indicated in the previous year's analysis.

If one considers exclusively the "decisions" (established + dismissed), of the 287 decided cases (121 established fraud and 166 dismissals), 42% is the 'conviction rate' and 58% the 'dismissal rate'.

Table NR15: number of cases of suspected and established fraud and ratio of established fraud – cases reported between 2009-13 in the CAP

Member State	Suspected fraud	Established fraud	TOTAL	Ratio established fraud	TOTAL 2013	Dismissal ratio
	N	N	N	%	N	%
AT	9	1	10	10%	10	0%
BE	10	1	11	9%	12	-8%
BG	168	59	227	26%	233	-3%
CY			0			
CZ	25		25	0%	20	25%
DE	18	3	21	14%	24	-13%
DK	118		118	0%	118	0%
EE	22	1	23	4%	22	5%
ES	22	1	23	4%	29	-21%
FI			0	#DIV/0!	1	-100%
FR	16		16	0%	27	-41%
GR	34	1	35	3%	34	3%
HU	65	4	69	6%	89	-22%
IE	4		4	0%	4	0%
IT	322	11	333	3%	409	-19%
LT	5		5	0%	1	400%
LU	1		1	0%	1	0%
LV	5	2	7	29%	8	-13%
MT	5		5	0%	5	0%
NL	5		5	0%	4	25%
PL	148	28	176	16%	194	-9%
PT	3		3	0%	2	50%
RO	105	6	111	5%	147	-24%
SE	6		6	0%	6	0%
SI	13	1	14	7%	16	-13%
SK	2		2	0%	2	0%
UK	8	2	10	20%	8	25%
TOTAL	1 139	121	1 260	10%	1 426	-12%

Table NR16 provides the same information of table NR15 concerning the number of cases of suspected and established fraud and ratio of established fraud calculated for the years 2010-14. It will be used in the coming reports for comparability.

Table NR16: number of cases of suspected and established fraud and ratio of established fraud – cases reported between 2010-14 in the CAP

Member State	Suspected fraud	Established fraud	TOTAL	Ratio established fraud	TOTAL 2014	Dismissal ratio
	N	N	N	%	N	%
AT	9	1	10	10%	10	0%
BE	7	2	9	22%	9	0%
BG	135	58	193	30%	193	0%
CY	2		2		2	
CZ	28		28	0%	28	0%
DE	16	4	20	20%	22	-9%
DK	121		121	0%	121	0%
EE	25	1	26	4%	25	4%
ES	34	1	35	3%	35	0%
FI			0	#DIV/0!	0	#DIV/0!
FR	30	1	31	3%	35	-11%
GR	47	1	48	2%	47	2%
HU	246	4	250	2%	277	-10%
IE	34	3	37	8%	37	0%
IT	361	11	372	3%	427	-13%
LT	11		11	0%	11	0%
LU	1		1	0%	1	0%
LV	17	2	19	11%	18	6%
MT	6		6	0%	6	0%
NL	4		4	0%	3	33%
PL	167	33	200	17%	226	-12%
PT	9		9	0%	9	0%
RO	142	11	153	7%	145	6%
SE	6		6	0%	6	0%
SI	16	1	17	6%	17	0%
SK	2		2	0%	2	0%
UK	11	2	13	15%	12	8%
TOTAL	**1 487**	**136**	**1 623**	**8%**	**1 724**	**-6%**

Case study: preventing fraud against EAFRD

A German rural tourism case in which a claimant applied to the granting authority for payment disbursement for a swimming pool project, which had not been put into effect by the end of the implementation period, has also been reported. The amount wrongly applied for was so great that the granting authority, after applying the ensuing reduction / penalty, rejected the payment application in its entirety. The claimant then instituted proceedings at the administrative court for the disbursement of EUR 50 000.00. The case presented suspicion about the source of the money with which the claimant had paid the assigned swimming-pool technology company and also about the lawful taxation of the payments made by the claimant to the swimming pool technology company (acceptance of high cash amounts, partial reimbursement of cash to the claimant without The granting authority therefore additionally informed the central tax investigation authorities of Thuringia at the relevant tax office, by way of a control report on the operation. In light of the foregoing, it can therefore be deduced that the funding management control system in place (in payment procedures), as well as the granting authority's own-initiative investigation (Section 24 of Thüringen Administrative Procedures Act) have prevented fraud in this case.

3.5. Recovery cases

For an in-depth analysis of recovery and financial corrections in the CAP, see section 2.1.1.3.3 of the Annual Activity Report of DG AGRI and the Communication of the Commission to the Parliament on the protection of the EU budget[31].

Case study: VIGNOBLE XO. Aid to promote wine on the market of third countries

OLAF was notified of a French case regarding payment of aid to promote wine on the markets of third countries, as provided for under the CMO. In particular, the irregularity concerned invoices that were forged in order to collect more than EUR 600 000 of subsidies from France AgriMer, the paying agency, for promoting wine outside the European Union. During the ex-post inspection of the first payment of around EUR 350 000, the inspection body of the Mission COSA (inspection of operations in the agricultural sector) revealed that fake invoices were produced through a financial partner in China who knew that they did not correspond to the services provided. This case was the subject of an accusation made to the Public Prosecutor by the MCOSA inspection body in 2013. The operator was given a suspended prison sentence of 12 months and fined EUR 30 000 for fraud by the Bordeaux criminal court.

[31] To be adopted by the month of July 2016.

4. COMMON FISHERIES POLICY (CFP)

As the activities of each fishing fleet affect the opportunities of other fleets, the EU countries have decided to manage their fisheries in collaboration, through the common fisheries policy (CFP). This policy brings together a range of measures designed to achieve a thriving and sustainable European fishing industry.

Among the most important areas of action of the CFP is the provision of funding and technical support for initiatives that can make the industry more sustainable. These actions are supported by the European Fisheries Fund (EFF).

4.1. General analysis

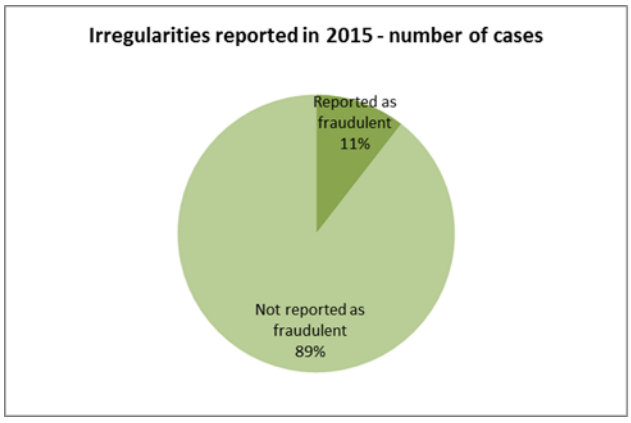
Table NR17 shows the overall number of irregularities (fraudulent and non-fraudulent reported by year and the related financial amounts.

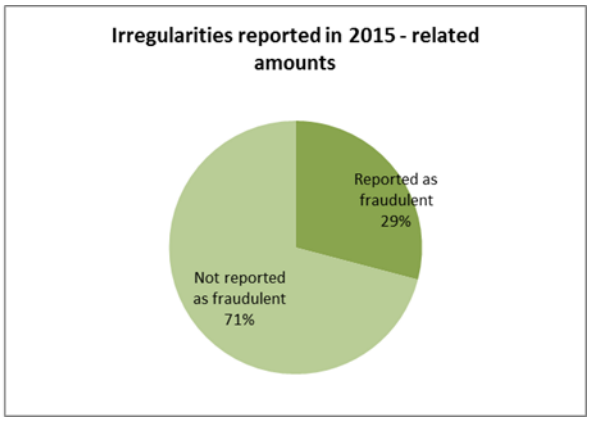
The increase from one year to the other simply reflects the increased level of implementation of the programmes.

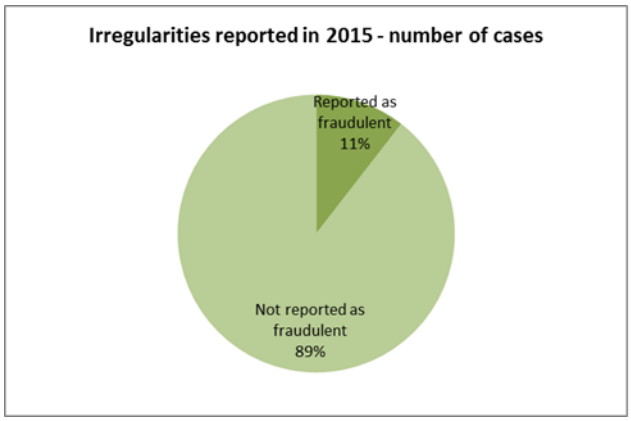
The share of irregularities reported as fraudulent on the total is 10% of the cases and 25% of the related amounts in the reference period 2011-2015.

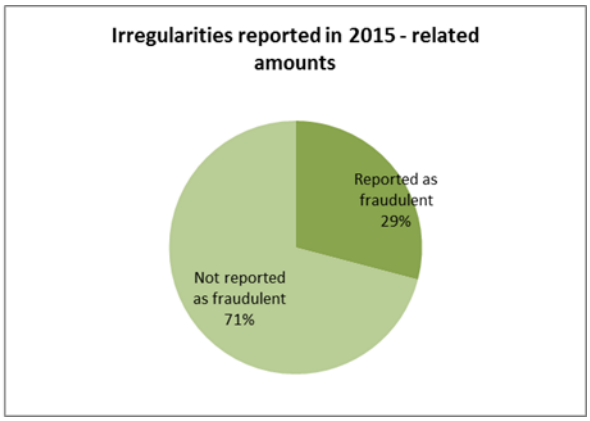
Table NR17: EFF - Irregularities (fraudulent and non-fraudulent reported by year – 2010-2014

Irregularities / Year	Reported as fraudulent		Not reported as fraudulent		TOTAL	
	N	EUR	N	EUR	N	EUR
2011	1	22 580	29	554 763	30	577 343
2012	4	706 272	72	6 549 020	76	7 255 292
2013	21	8 852 308	129	13 712 148	150	22 564 456
2014	10	2 462 823	85	6 004 442	95	8 467 264
2015	19	3 214 524	183	19 466 543	202	22 681 067
TOTAL	**55**	**15 258 507**	**498**	**46 286 915**	**553**	**61 545 422**









4.2. Specific analysis

Given the limited number of irregularities reported so far, the analysis covers the whole period 2011-15.

4.2.1. Types of irregularity detected

The number of irregularities reported in relation to the EFF is limited and to some extent incomplete in relation to the typologies of irregularities detected by national authorities.

This is reflected by the circumstance that of the 553 detected irregularities (fraudulent and non-fraudulent), 147 do not indicate the *modus operandi* (27% of the total).

The most detected typology is 'Not eligibility for aid of the action/project', followed 'control, audit, scrutiny etc. not carried out in accordance with regulations, rules, plan etc.', 'other irregularities', 'Infringements of public procurement rules' and 'Other infringements concerning the implementation of the project/action' and 'Documents missing and/or not provided'. These types plus those for which no *modus operandi* has been indicated cover 79% of the reported irregularities.

In relation to the 55 irregularities reported as fraudulent, there is no real pattern emerging from the reported information, also taking into account that in 27 cases no information has been provided.

4.2.2. Method of detection

In relation to the methods of detection, the most frequently reported are 'Control of accounts', 'On-the-spot checks' and 'Initial inquiry/control of documents'. Specific information is missing in 134 cases (24%).

In relation to the irregularities reported as fraudulent, information is missing in 30 cases.

4.3. Control activity by Member States

Table NR18 shows the results of the control activities in the Member States in 2015.

18 Member States have detected and reported irregularities related to the EFF; 5 countries have reported some fraudulent cases. In terms of numbers of irregularities, the majority has been detected by the Netherlands, Portugal, Romania and the United Kingdom.

Portugal is the Member State having detected and reported the highest number of fraudulent irregularities. The 8 Bulgaria cases represent 42% of the total number of

irregularities reported as fraudulent. However the two irregularities reported as fraudulent by Romania account for 39% of the related amounts.

Table NR18: EFF – Irregularities (fraudulent and non-fraudulent) reported by Member State – 2015

Member State	Irregularities reported as fraudulent		Irregularities not reported as fraudulent		TOTAL	
	N	EUR	N	EUR	N	EUR
BG	4	186 613	5	75 532	9	262 145
CZ			3	51 662	3	51 662
DE			4	593 268	4	593 268
DK			1	12 105	1	12 105
ES			12	755 342	12	755 342
FI			1	47 884	1	47 884
GR			4	126 996	4	126 996
HU			2	65 572	2	65 572
IT	2	937 729	1	34 181	3	971 910
LT			13	675 805	13	675 805
LV			1	10 245	1	10 245
NL			53	6 962 981	53	6 962 981
PL			6	1 673 150	6	1 673 150
PT	8	664 975	27	4 241 232	35	4 906 207
RO	2	1 253 828	23	3 151 694	25	4 405 522
SE			8	318 970	8	318 970
SK			1	189 016	1	189 016
UK	3	171 379	18	480 908	21	652 286
TOTAL	19	3 214 524	183	19 466 543	202	22 681 067

Table NR19 shows the overall results for the whole programming period 2007-13.

Irregularities have been detected and reported by 24 Member States; 11 Member States have reported fraudulent irregularities during this period. Spain, Portugal, Poland, the Netherlands and Romania are the countries having reported the highest number of irregularities (fraudulent and non-fraudulent). Italy is the Member State having detected and reported the highest number of fraudulent irregularities and related amounts.

The established fraud ratio in the Fishery sector is calculated at 12.5% with four Member States reporting the finalisation of the related procedures (United Kingdom, Italy, Germany and Estonia).

Table NR19: EFF – Irregularities (fraudulent and non-fraudulent) reported by Member State – 2010-15

Member State	Irregularities reported as fraudulent				Irregularities not reported as fraudulent		TOTAL	
	Suspected fraud		Established fraud					
	N	EUR	N	EUR	N	EUR	N	EUR
AT					1	17 645	1	17 645
BE							0	0
BG	7	1 056 315			11	379 429	18	1 435 744
CY	2	203 450			1	11 516	3	214 966
CZ					8	1 440 091	8	1 440 091
DE			1	14 120	5	596 664	6	610 784
DK					14	1 664 437	14	1 664 437
EE			1	193 916	15	560 112	16	754 028
ES					94	8 629 438	94	8 629 438
FI					8	234 493	8	234 493
FR	1	0			9	991 634	10	991 634
GR					5	141 374	5	141 374
HR							0	0
HU					5	407 470	5	407 470
IE					10	136 460	10	136 460
IT	22	7 953 281	2	937 729	10	704 994	34	9 596 004
LT					16	732 749	16	732 749
LV	1	347 118			4	166 252	5	513 370
MT							0	0
NL					57	7 138 549	57	7 138 549
PL	3	1 448 551			57	3 604 741	60	5 053 292
PT	10	904 003			52	6 424 497	62	7 328 500
RO	3	2 222 561			54	9 510 540	57	11 733 101
SE					14	456 954	14	456 954
SI					1	10 620	1	10 620
SK					3	248 081	3	248 081
UK			3	171 379	49	2 118 075	52	2 289 454
TOTAL	**49**	**14 135 280**	**7**	**1 317 144**	**503**	**46 326 815**	**559**	**61 779 238**

Case study: Attempted fraud against the European Fisheries Fund

Portugal reported several cases concerning the European Fisheries Fund (EFF) which emphasise the methodology of control and cooperation between national entities. An anonymous complaint was addressed to the Tax and Customs Authority (AT) - Ministry of Finance involving a shipbuilding company, providing services to several vessel owners. The AT examined the cash flows of the company providing services (the supplier) and ascertained that the company accounts showed no direct link between the amounts received from customers and those paid into the bank accounts. Additional documents requested from the company were analysed, confirming that the following practice occurred repeatedly with payments received from customers (vessel owners): on the same date that sums were credited to the bank account, the company withdrew the same amount; this was sometimes deposited into the customer's account and in other cases was transferred to the managing partner's personal account or to an unknown beneficiary. As such, the AT informed the Directorate-General for Maritime Policy (DGPM) in the Ministry of the Sea and the DGPM sent the case to the Directorate-General for Natural Resources, Safety and Maritime Services (DGRM), also in the Ministry of the Sea, which referred the case to the PROMAR Managing Authority. The Managing Authority informed the Prosecutor's Office of the facts of the case and the EFF Certifying Authority (IFAP) sent the details of the irregularities to the Inspectorate-General of Finance (IGF), which is the AA and the AFCOS. The IGF entered the communications in the IMS system and sent them to OLAF in the third quarter of 2015.