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Protection of the European Union's financial interests — Fight against fraud 2014 Annual Report

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EXECUTIVE SUMMARY

The annual report on the protection of the European Union's financial interests is presented by the Commission in cooperation with the Member States under Article 325 of the Treaty on the Functioning of the European Union (TFEU). It covers measures taken by the Commission and the Member States in the fight against fraud, and their results. This is the first report to be presented by the current Commission which took up office on 1 November 2014. In line with the political priorities set out by President Juncker, the new Commission is pursuing a more focused agenda, which attaches particular importance to the principles of sound financial management. The conclusions and recommendations included in the report are based on analysis of the information available for the past five years and the problems and risks identified during this time.

Measures taken at EU level to protect the EU's financial interests, 2014

In 2014, the Commission successfully completed the priority actions of its multi-annual Anti-Fraud Strategy (CAFS), adopted in June 2011. As a result, all Commission services and agencies now have an anti-fraud strategy in place, which is a major achievement.

The Commission has continued to support the Member States in their fraud prevention efforts. As the Member States manage approximately 80% of the EU's budget, it is of utmost importance for the Commission to continue assisting them to develop their own national anti-fraud strategies. The Anti-Fraud Coordination Services (AFCOS) of each Member State could play a major role in this regard.

In 2014, two proposals aiming to reinforce and increase the efficiency of criminal law regarding the protection of the EU's financial interests, were further discussed by the European Parliament and the Council, namely:

- a draft directive on the fight against fraud by means of criminal law, proposed in July 2012, which should remove loopholes in Member States' anti-fraud legislation that impede the effective prosecution of fraudsters;
- a draft regulation on the establishment of a European Public Prosecutor's Office (EPPO), proposed in July 2013. The setting up of the EPPO, as proposed by the Commission, would represent a very significant step forward in the drive to protect the EU's financial interests.

Moreover, the adoption in 2014 of revised public procurement and utilities directives, and a new concessions directive, greatly enhances transparency and strengthens the anti-fraud and anti-corruption provisions by defining 'conflict of interest', making e-procurement mandatory, and by introducing monitoring and reporting obligations in order to curb procurement fraud and other serious irregularities.

On 18 June 2014, the Commission adopted a proposal to partially revise the Financial Regulation to align it with the revised public procurement Directive. This involves the strenthening of the rules of exclusion of economic operators and establishing a new early detection and exclusion database.

On the expenditure side of the EU's budget, in 2014 the modalities for the reporting of irregularities of shared management funds for the new programming period 2014-2020 were discussed and agreed upon with the Member States. Their adoption is scheduled for 2015.

On the revenue side of the budget, significant progress was made in 2014 to further protect the EU's financial interests:

- The revised Regulation 515/97 on mutual administrative assistance in the customs area (which should enter into force in 2015) creates an EU database on goods entering, transiting and leaving the EU. Furthermore, it was shown in 2014 that mutual assistance notices issued following Joint Customs Operations (JCOs) conducted by OLAF are an important source of information for the detection of irregularities in transactions involving certain types of goods.

- The fight against cigarette smuggling and other forms of illicit trade in tobacco products remains a high priority for the EU as well as for the Member States. The Commission continued in 2014 to actively implement the action plan of the 'Communication on stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products', in close cooperation with the Member States.

The Hercule III Programme, adopted in 2014, will contribute to strengthening the operations and administrative capacities of customs and police forces in the Member States.

With these measures, the Commission is helping to reshape anti-fraud policy at EU level.

Detection and reporting of fraudulent and non-fraudulent irregularities that affect the EU budget

In 2014, 1 649 irregularities were reported by the Member States as fraudulent (both suspected and established fraud), involving EUR 538 million in EU funds. The number of reported fraudulent irregularities has been increasing on the revenue side. On the expenditure side, the number decreased slightly in 2014 compared with 2013, while the related amounts have increased. Differences still exist among Member States in detection and reporting, although to a lesser extent than in previous years.

Some trends have grown stronger in the past two years: the involvement of administrative bodies in detecting fraudulent irregularities has continued, while the most commonly detected modus operandi is the use of falsified documentation.

Irregularities not reported as fraudulent have increased, both in terms of amounts and in number. This largely reflects the progressive implementation of the various spending programmes and the fact that the control systems of the European institutions and national audit services have been strengthened.

Preventive and corrective measures

In 2014, the Commission took steps to ensure that EU resources are spent according to the principle of sound financial management and that the EU's financial interests are duly protected. It made 193 decisions to interrupt payments (involving over EUR 7.7 billion) in the cohesion policy and rural development areas. Of these, 145 were still open at the end of 2014 (involving about EUR 4.8 billion of interrupted payments). The Commission also made sixteen new suspension decisions.

The Commission made financial corrections of over EUR 2.2 billion and issued recovery orders for EUR 736 million.

The corrective measures taken in 2014 show that the Union's financial interests are well protected. National budgets, however, may bear the risk of not recovering amounts that have already been unduly paid out to beneficiaries but are subject to financial corrections.

Measures taken by the Member States

At the end of 2014, all Member States had designated their AFCOS. Structured coordination between anti-fraud bodies and other national authorities has proved to be a best practice.

Throughout 2014, Member States also took a large number of other anti-fraud measures, regarding public procurement, financial crime, conflict of interest, corruption, the definition of fraud and whistle-blowers.

Application by the Member States of definitions contained in the provisions for irregularity reporting

This year's report takes a specific look at the Member States' application of the definitions related to irregularity reporting (fraudulent and non-fraudulent) and the timing of the reporting. Despite efforts to streamline the application of rules on the reporting of irregularities among the Member States, differences have been identified. Based on the provisions on the reporting of irregularities for the new programming period, currently being adopted, and the information collected and analysed in the framework of this report, the Commission will guide the Member States towards a harmonised approach in the interpretation of such definitions, thus enhancing the comparability of the data reported by the Member States.

1. INTRODUCTION

Each year, under Article 325(5) of the Treaty on the Functioning of the European Union (TFEU), the Commission, in cooperation with the Member States, submits to the European Parliament and the Council a report on measures taken to counter fraud and any other illegal activities affecting the EU's financial interests.

The EU and the Member States share responsibility for protecting the EU's financial interests and fighting fraud. National authorities manage approximately 80 % of EU expenditure and collect Traditional Own Resources (TOR). The Commission oversees both of these areas, sets standards and verifies compliance. It is essential that the Commission and the Member States work closely together to ensure that the EU's financial interests are effectively protected. One of the main aims of this report is to assess how well this cooperation was conducted in 2014, and how it could be improved.

This report describes the measures taken at EU level in 2014 and provides a summary and evaluation of the actions taken by Member States to counter fraud. An analysis of the main achievements of national and European bodies in detecting and reporting fraud and irregularities relating to EU expenditure and revenue is included. The report, in particular, highlights how the provisions for the reporting of irregularities are applied in each Member State, as the analytical part of this report is based on the information received from such reporting.

The report is accompanied by six Commission Staff Working Documents[1]. The documents include, among others: 'Implementation of Article 325 by Member States in 2014', 'Recommendations to follow up the Commission report on protection of the EU's financial interests — fight against fraud, 2013' and 'Statistical analysis of irregularities', containing tables summarising the results of each Member State's anti-fraud actions.

2. ANTI-FRAUD POLICIES AT EU LEVEL

2.1. Anti-fraud policy initiatives taken by the Commission in 2014

2.1.1. Proposal for a Directive on the fight against fraud detrimental to the Union's financial interests by means of criminal law

The Commission submitted a proposal for a Directive on the protection of the EU's financial interests by means of criminal law[2] in July 2012. The aim of the proposal is to strengthen the existing legal framework by creating common minimum rules for the definition of offences affecting the Union's financial interests, as well as the sanctions and the time limitations for these cases. Negotiations between the European Parliament and the Council commenced in the second half of 2014, following the adoption of a general approach by the Council on 6 June 2013 and a first reading in the European Parliament on 16 April 2014.

[1] Implementation of Article 325 by the Member States in 2014; (ii) Statistical evaluation of irregularities reported for 2014 own resources, natural resources, cohesion policy and pre-accession assistance; (iii) Recommendations to follow up the Commission report on protection of the EU's financial interests — fight against fraud, 2013; (iv) Methodology regarding the statistical evaluation of reported irregularities for 2014; (v) Annual overview with information on the results of the Hercule III Programme in 2014; (VI) Implementation of the Commission Anti-Fraud Strategy (CAFS).

[2] COM(2012) 363 final

2.1.2. Proposal for a Council Regulation on the establishment of a European Public Prosecutor's Office

On 17 July 2013 the Commission adopted a proposal for a Regulation on the establishment of a European Public Prosecutor's Office (EPPO)[3], as a major initiative in the Commission's overall strategy to improve the protection of the EU's financial interests.

The main objective of the proposal is to establish a coherent and effective European system for the investigation and prosecution of offences affecting the EU's financial interests, as defined in the proposed Directive on the fight against fraud by means of criminal law (point 2.1.1).

At the end of 2014, negotiations in the Council were still ongoing. The European Parliament adopted a first interim report in March 2014[4] and a second report in April 2015[5], expressing support for the main elements of the EPPO.

2.1.3. Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU, EURATOM) No 966/2012 on the financial rules applicable to the general budget of the Union

On 18 June 2014, the Commission adopted a proposal[6] to partially revise the Financial Regulation to align it with the revised public procurement Directive. The main objective of the proposal is to reinforce the protection of the Union's financial interests by setting up a system, to be operated by the Commission, to facilitate the early detection of risks threatening the Union's financial interests and the exclusion of an economic operator so that they can no longer obtain EU funds and/or the imposition of a financial penalty on such an economic operator.

The legislative authority agreed on this proposal in June 2015 and the new rules will apply from January 2016.

2.1.4. Fighting corruption in the EU

2014 saw the Commission publish its first EU Anti-Corruption Report, which included a chapter on corruption in public procurement. The report assesses how each Member State tackles corruption, examines how laws and policies work in practice and suggests how each country can enhance its anti-corruption work.

Following on from the report, the Commission set up a network of Member State National Contact Points, and incorporated anti-corruption objectives in the European Semester process of economic governance. In 2014, twelve Member States received corruption-related recommendations under the European Semester, which were discussed during subsequent country visits.

The Commission also made preparations for the launch of an ''Experience Sharing Programme' in spring 2015.

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3 COM(2013) 534 final

4 P7_TA(2014)0234 - European Parliament resolution of 12 March 2014 on the proposal for a Council regulation on the establishment of the European Public Prosecutor's Office (COM(2013) 0534 – 2013/0255(APP))

5 A8-0055/2015 (APP) 29/04/2015

6 (COM(2014)358)

2.1.5. Reporting of irregularities — provisions in the Multiannual Financial Framework (MFF) 2014-2020 expenditure field

In the framework of the new programming period 2014-2020, the modalities for the reporting of irregularities needed to be defined in delegated and implementing acts for all areas under shared management[7]. In 2014, the Commission negotiated four delegated and four implementing Regulations, which were discussed and agreed at Member States' expert level. Their adoption is scheduled for 2015. In order to achieve maximum clarity whilst imposing minimal administrative burden on the Member States, the provisions are harmonised as much as possible across all of the EU's expenditure fields. The information reported by the Member States is presented in the annual Commission report under Article 325 TFEU.

2.1.6. Anti-fraud policy in customs

2.1.6.1. Mutual administrative assistance (proposal for amendment of Regulation 515/97)

The Commission adopted a proposal for the amendment of Regulation 515/97[8] in 2013. Throughout 2014 negotiations with the European Parliament and the Council of the EU were conducted. This resulted in a political agreement being reached on 18 December 2014. The institutions welcomed the deal, which closes certain loopholes in the current rules on mutual assistance between the Member States and the Commission. The proposal aims to create an EU database on goods entering, transiting and leaving the EU. In addition, the proposal envisages a container monitoring system, which will allow the European Anti-Fraud Office (OLAF) to analyse container movements in order to identify potentially fraudulent activity. The Regulation is expected to enter into force in mid-2015, and the relevant secondary legislation will be adopted by early 2016.

2.1.6.2. Joint Customs Operations (JCOs)

JCOs are coordinated and targeted operational measures implemented by the customs authorities of Member States and third countries over a limited time period, to combat illicit cross-border trafficking of goods.

In 2014, OLAF worked together with Member States in seven JCOs by providing intelligence, technical and/or financial support, ensuring the secure access to and exchange of information via the AFIS platform, and making available its permanent operational coordination facilities to smooth the work of the JCOs involving a large number of participants:

JCO REPLICA[9]: This operation focused on the importation of goods infringing intellectual property rights, with emphasis on dangerous goods posing a risk to the environment or to the safety or health of citizens. As a result of the operation, 1.2 million counterfeit goods, including perfumes, car and bicycle spare parts, toys, fashion accessories and electronic devices, and 130 million cigarettes were seized. The seizures of cigarettes alone prevented the loss of EUR 25 million in customs duties and taxes.

- JCO SNAKE[10]: This JCO targeted the undervaluation of imported textiles and footwear from China. The operation resulted in the detection of more than 1 500 containers, where the

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7 Article 122 of Regulation (EU) Nos 1303/2013, OJ 347, 20.12.2013, p. 320, Articles 48 and 50 of Regulation (EU) No 10306/2013, OJ 347, 20.12.2013, p. 549, Article 30 of Regulation (EU) No 223/2014, JO 72, 12.03.2014, p.1 and Article 5 of Regulation (EU) No 514/2014, OJ 150, 20.5.2014, p. 112.

8 OJ L 82, 22.3.1997, p. 1–16

9 Coordinated by OLAF and organised within the Asia-Europe Meeting (ASEM) framework, as part of joint efforts in the fight against counterfeit goods. It had the participation of all EU Member States, Norway, Switzerland and 11 other non-EU international partners, as well as Europol, Interpol and the World Customs Organisation.

10 Coordinated by OLAF and the Anti-Smuggling Bureau of the General Administration of China Customs, it involved the customs administrations of all EU Member States, as well as of the People's Republic of China.

customs value was heavily underdeclared, and prevented estimated losses of over €80 million in customs duties.

- JCO ERMIS[11]: The aim of this operation was to detect counterfeit goods coming into the EU in small parcels, via mail from third countries. Over 70 000 items of various nature, such as mobile phones, sunglasses, and small vehicle spare parts, medicines and pharmaceutical products were seized.

- JCO ATHENA IV[12]: This JCO targeted the detection of undeclared cash, as well as the prevention of money laundering within the territory of the European Union. As a result of the operation, over EUR 1 200 000 in cash was detained and seized.

- JCO WAREHOUSE II[13]: This JCO aimed to combat smuggling and excise fraud related to tobacco products and alcohol. The final results of the operation are still being evaluated.

- Regional JCO 'ICARE'[14]: This was a maritime surveillance operation, coordinated by French customs, and targeted the detection of illicit trafficking of sensitive goods by sea, in the Atlantic area.

- Regional JCO 'ISIS 2014'[15]: A maritime operational action coordinated by Spanish customs, aimed at fighting the illicit trafficking of sensitive goods in the Mediterranean Sea. It resulted in the seizure of 39.3 kg of cannabis.

2.1.6.3. The Anti-Fraud Information System (AFIS)

The Anti-Fraud Information System (AFIS) is a set of anti-fraud applications operated by OLAF, aimed at the timely and secure exchange of fraud-related information between Member States' administrations, as well as the storage and analysis of relevant data. It encompasses two major areas; mutual assistance in customs matters, and irregularity management.

In 2014, a total of 6 560 cases were registered in the AFIS mutual assistance databases and modules. The transit information database (ATIS) received information on seven million new transit consignments, representing a total of 31.5 million goods movements. The irregularity management system (IMS) received 23 735 communications. Seven JCOs were conducted in 2014, using the AFIS system's Virtual Operations Coordination Unit (VOCU) as a communication tool.

The programme's budget for 2014 was EUR 6.4 million.

2.1.7. Fight against illicit trade in tobacco products

The 2013 'Communication on stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products'[16] was accompanied by a comprehensive action plan. Since then, the Commission has been actively implementing the action plan, in close cooperation with Member States. Three meetings dedicated to this topic took place with Member States' experts in 2014.

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11 Coordinated by the Greek Customs Administration and OLAF, with the participation of the EU Member States, FYROM, Montenegro, Serbia, Turkey.

12 Coordinated by the National Customs Board of the State Revenue Service of Latvia and OLAF, with the participation of all EU Member States and Europol.

13 Coordinated by the Italian Customs and Monopolies Agency and OLAF.

14 Coordinated by French Customs, with the participation of the customs authorities of Ireland, Portugal, Spain, the UK, Germany, Italy and the Netherlands.

15 Coordinated by French Customs, with the participation of the Italian and Spanish customs services.

16 COM(2013) 324 final, 6.6.2013.

2.1.8. Fight against VAT fraud

A mandate to start negotiations with Norway for an EU agreement on administrative cooperation and recovery of taxes in the field of VAT was granted to the Commission by the Council in December 2014. Negotiations are due to start in June 2015. The Benelux countries' pilot project to introduce cross-border fraudulent network analysis within the context of the Eurofisc network was presented to all Member States in June 2014. Subsequently, a large majority within the Eurofisc group requested that this pilot be extended to all Member States. The Eurofisc network continues to exchange operational information on cross-border fraud and seeks new sources of information, such as vehicle registration data. Furthermore, a Fiscalis project group, aimed at improving cooperation between tax and customs authorities, has made substantial progress. In relation to new threats coming from e-commerce, a project group was set up to gather best practice from national tax administrations in this field.

2.1.9. Anti-fraud provisions in international agreements

Many of the EU's international agreements contain provisions on mutual administrative assistance (MAA) in customs matters and, in the case of preferential agreements, also contain measures on the enforcement of preferential treatment.

In 2014, 48 agreements including MAA provisions for 71 third countries were in force and negotiations were under way with 49 countries, including major trading partners, such as the USA and Japan. Negotiations with Canada and Vietnam were finalised. Free trade agreements with Georgia and Moldova became operational. The entry into force of the Deep and Comprehensive Free Trade Area (DCFTA) with Ukraine is scheduled for 1 January 2016. All of these agreements contain MAA provisions and measures on the enforcement of preferential treatment.

The Commission aims to include anti-fraud provisions in other EU international agreements, such as Association Agreements and Partnership Agreements. In 2014, OLAF successfully negotiated anti-fraud provisions in the Partnership and Cooperation Agreement (PCA) with Kazakhstan. Negotiations on similar provisions in the PCA with Malaysia continued.

2.1.10. Public procurement rules

In April 2014 the revised public procurement and utilities directives and a new concessions directive entered into force[17]. The new directives enhance transparency and strengthen the anti-fraud and anti-corruption provisions, by defining 'conflict of interest', making e-procurement mandatory and introducing monitoring and reporting obligations to curb procurement fraud and other serious irregularities. The transposition of the new directives gives each Member State the opportunity to boost effectiveness, close loopholes, make their procurement processes more efficient and clean, and strengthen the necessary control and sanctioning mechanisms, without hindering the efficiency of the process.

The Commission assists Member States in the transposition of the public procurement package and works closely with some Member States on specific country approaches.

[17] Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts, Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC and Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC

2.1.11. Directive on the protection of the euro and other currencies against counterfeiting by criminal law

Directive 2014/62/EU[18] on the protection of the euro and other currencies against counterfeiting by criminal law was adopted in May 2014[19].

The directive builds on, and replaces, the Council Framework Decision 2000/383/JHA on increasing the protection against counterfeiting by using criminal penalties and other sanctions, which was adopted upon the introduction of the euro. The Directive introduces provisions for the following elements:

- effective investigative tools are made available in cases of currency counterfeiting;
- common maximum penalties for the most serious counterfeiting offences;
- transmission of seized counterfeit euro notes and coins to National Analysis Centres and National Coin Analysis Centres during ongoing judicial proceedings for analysis and identification, to enable the detection of counterfeit euros in circulation; and
- an obligation to report every two years to the Commission the number of counterfeiting offences committed and the number of persons convicted.

2.1.12. Commission Anti-fraud Strategy (CAFS)

2014 is the second year that the Commission reports on the implementation of the CAFS[20].

In the 2013 report, the main emphasis was placed on the three priority actions of the CAFS:

1. Inclusion of anti-fraud clauses in legislative proposals for the MFF 2014-2020
2. Development of anti-fraud strategies at Commission level
3. Revision of the procurement directives

In 2014, anti-fraud strategies at Commission level were extended to the EU agencies. In addition, two guidance documents were developed within the framework of the Advisory Committee for Coordination of Fraud Prevention expert group. One of the guidance documents aims to assist Member States in establishing national anti-fraud strategies. To date, five Member States have developed such strategies. The second guidance document outlines the role of auditors in the field of fraud prevention and detection. Both documents were developed in close cooperation with Member States' experts.

Throughout 2014, the Commission organised a series of conferences and contributed to seminars organised by the Member States or Agencies, in order to raise awareness of fraud as part of their sectoral Anti-Fraud Strategies.

2.1.13. Hercule and Pericles Programmes

2.1.13.1. Implementation of Hercule Programme

The Hercule III Programme[21] (2014-2020) promotes activities to counter fraud, corruption and any other illegal activities affecting the financial interests of the European Union. In 2014, a budget of EUR 13.7 million was available for funding actions to strengthen the operational and administrative capacity of customs and police forces in the Member States, for training activities, conferences and for IT support[22].

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18 OJ L 151, 21.5.2014, p. 1.

19 In 2014 this competency moved from OLAF to DG ECFIN.

20 See the SWD (vi) on the implementation of the CAFS.

21 Regulation (EU) No 250/2014 of the European Parliament and of the Council of 26 February 2014.

22 See SWD (v) on Annual overview with Information on the Results of the Hercule III Programme in 2014.

During the first year of implementation, Hercule III funding was provided for 21 technical assistance activities undertaken by law enforcement agencies in the Member States (EUR 8.7 million). The actions consisted of, for example, the purchase of x-ray scanners deployed at the EU's external borders to examine containers, trucks and other vehicles. The scanners helped to detect substantial amounts of smuggled and counterfeit cigarettes and tobacco and also revealed the presence of liquor, drugs and arms.

Hercule III funding was also provided for 34 grants and contracts for the organisation of 55 conferences and training seminars in 2014, enabling law enforcement staff from different Member States and third countries to meet and share information on best practices in the fight against irregularities, corruption and fraud.

The Hercule II Programme[23], which ended in 2013, was evaluated during 2014 by an independent evaluator. The evaluation confirmed that the programme delivered its intended impact at a reasonable cost, was well received by stakeholders, and was successful in providing added value. Based on this evaluation, the Commission adopted its report[24] on the achievement of the objectives under Article 7 of the Hercule II Programme on 27 May 2015.

2.1.13.2. Implementation of Pericles Programme

In March 2014, Regulation (EU) No 331/2014[25] was adopted, establishing the Pericles 2020 Programme; an exchange, assistance and training programme to protect the euro against counterfeiting. The proposal for a Council Regulation extending the application of Regulation (EU) No 331/2014 to non-participating Member States is expected to be adopted in 2015.

Under the Pericles Programme for the protection of euro banknotes and coins against fraud and counterfeiting, the Commission committed to ten activities, including conferences, seminars and staff exchanges, organised by it and/or by Member States. These events focused specifically on increasing networking and regional cooperation in sensitive areas, as well as strengthening cooperation between different professionals engaged in protecting the euro against counterfeiting. By the end of 2014, 94.5 % of the Pericles Programme's EUR 924 200 budget had been committed[26].

2.2. Advisory Committee for Coordination of Fraud Prevention (COCOLAF)

The 2014 meeting of the Advisory Committee for Coordination of Fraud Prevention (COCOLAF)[27] with Member States experts gave the opportunity to discuss, *inter alia*, the main developments regarding the fight against illicit trade in tobacco products, as well as the reporting of irregularities in relation to the use of EU funds for the new multi-annual financing framework 2014-2020.

Four COCOLAF subgroups met in 2014, allowing for the negotiation of the reporting of irregularities, and to prepare guidelines as mentioned under paragraph 2.1.11. Newly appointed AFCOS also exchanged experiences and best practice in anti-fraud activities.

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23 Decision 878/2007/EC of the European Parliament and of the Council of 23 July 2007, OJ L 193, 27.7.2007, p. 18.

24 COM(2015) 221 final of 27 May 2015: Report from the Commission to the European Parliament and to the Council on the achievement of the objectives of the Hercule II programme.

25 OJ L 103, 5.4.2014, 1

26 See footnote 18.

27 Commission Decision 94/140/EC of 23 February 1994, amended on 25 February 2005.

2.3. Follow-up to European Parliament Resolutions on the Protection of the EU's financial interests — Fight against fraud — Annual Reports 2012 and 2013

2.3.1. European Parliament resolution of 3 July 2014 on the protection of the EU's financial interests — Fight against fraud — Annual Report 2012

In response to the Parliament's request for a distinction between fraud, errors and irregularities, the Commission underlined the difference between irregularities reported as fraudulent (which include suspicions of fraud, as well as established fraud) and irregularities not reported as fraudulent. The definition of 'irregularity' encompasses intentional (for cases of suspected and established fraud) and non-intentional infringements of EU rules, with a financial impact on the EU budget. The concept of 'error' is not defined in EU law, but stems from auditing practices and is not part of the reporting obligations under Article 325 TFEU. As from 2012, information is given on the proportion of irregularities reported as fraudulent in cases where Member States have indicated that fraud has actually been established.

The Commission has acknowledged that differences exist in the way in which Member States approach fraud detection and prosecution. It has, however, in recent years invested time and resources to raise the fraud-awareness of all parties involved in the detection and prevention of fraud affecting the EU budget.

The obligation of managing authorities (MAs) to put in place effective and proportionate anti-fraud measures, based on fraud risk assessments, was introduced in the legal framework concerning EU funds disbursed under shared management for the period 2014-2020. National audit authorities are also obliged to verify the compliance of MAs with these obligations, i.e the putting in place of the effective and proportionate anti-fraud measures taking into account the risks identified.

Regarding corruption, the Commission has, since 2012, included in its reports on the protection of financial interests a reference to the number of reported cases of corruption with an impact on the financial interests of the EU. In addition, the Commission will publish the EU Anti-Corruption Report every two years and will continue to cooperate closely with Member States for better implementation of anti-corruption policies.

It was also clarified that the OLAF annual report will contain an analysis of incoming information of investigative interest referred to OLAF, including a breakdown between public and private sources and a breakdown by Member State.

The Parliament has, since 2012, received a comprehensive annual overview on the implementation of the Hercule II Programme. The Commission will continue to provide the Parliament with such an overview. The Hercule III Regulation provides a solid legal basis for the Commission to request information from the Member States on the results of the implementation of the programme.

2.3.2. European Parliament resolution of 11 March 2015 on the protection of the EU's financial interests — Fight against fraud — Annual Report 2013

Concerning the lifespan of detected irregularities, the Commission indicated that it would take into account the suggestions of the European Parliament in relation to the minimum, maximum and average duration under each policy sector in shared management.

The Commission agreed to conduct a mid-term assessment in 2018 of whether the new regulatory architecture of the cohesion policy further prevents and reduces the risk of irregularities.

In response to the Parliament's request for financial support for cross-border investigative journalism, the Commission pointed out that it is providing funding for the work of independent organisations engaged in the fight against corruption, such as the 'European Corruption Observatory', which is dedicated to encouraging pan-European tracking of corruption-related news and fostering awareness of corruption.

The Commission acknowledged the need for enhanced cooperation with Member States. It pointed out, however, that a comprehensive database of irregularities already exists, namely, the Irregularity Management System (IMS). Member States report on detected irregularities, including suspected fraud, via IMS. Streamlining of IMS has been taking place since October 2014 and a new version will be available to national authorities by the end of 2015. This will enable further rationalisation of the reporting and analytical processes.

Regarding VAT, the Commission sponsors studies to quantify the 'VAT gap' in Member States. This will help to address policy to improve VAT compliance and enforcement, and the figures can serve as a benchmark against which progress in this field can be measured.

3. MEASURES TAKEN BY MEMBER STATES TO COUNTER FRAUD AND OTHER ILLEGAL ACTIVITIES AFFECTING THE FINANCIAL INTERESTS OF THE EU

3.1. Measures to combat fraud and other irregularities affecting the financial interests of the EU

Member States reported that they took a large number of measures in 2014 concerning the protection of the EU's financial interests and the fight against fraud, reflecting the adoption of the bulk of Union legislation for the new programming period 2014-2020.

Member States' measures covered the whole anti-fraud cycle, mostly in the area of public procurement, followed by measures concerning conflict of interest, financial crime, corruption, the Anti-Fraud Coordination Service (AFCOS), and measures regarding the definition of fraud and whistle-blowers. By the end of 2014 all Member States had designated an AFCOS.

In 2014, half of the Member States adopted fraud prevention measures or procedures regarding the management of EU funds[28]. Furthermore, seven Member States adopted measures on the reporting of irregularities[29] and seven Member States conducted fraud awareness training[30].

Five Member States[31] adopted a National Anti-fraud Strategy (NAFS) for the programming period 2014-2020. Nine Member States[32] reported national anti-fraud measures with regard to the cohesion policy funds[33], while six Member States[34] adopted national anti-fraud measures pertaining to agriculture funds[35]. A national fraud prevention strategy for public procurement

28 Germany, Ireland, Greece, Italy, Latvia, Lithuania, Hungary, Netherlands, Austria, Poland, Slovenia, Slovakia, Finland, Sweden.

29 Bulgaria, France, Croatia, Austria, Portugal, Slovakia, Sweden.

30 Denmark, Germany, Ireland, France, Hungary, Portugal, Sweden.

31 Bulgaria, Greece, Croatia, Malta and Slovakia (NAFS concerning structural actions: Greece, Croatia, Malta, while NAFS concerning all sectors: Bulgaria and Slovakia).

32 France, Croatia, Lithuania, Hungary, Netherlands, Portugal, Romania, Finland, United Kingdom.

33 Article 125, 4. (c) of Regulation (EU) No 1303/2013, OJ 347, 20.12.2013, p. 320.

34 Germany, Ireland, Hungary, Portugal, Slovakia, United Kingdom.

35 Article 58, of Regulation (EU) No 1306/2013, OJ 347, 20.12.2013, p. 549.

was adopted in one Member States[36] and a national anti-corruption programme was adopted in two others[37].

Thirteen Member States[38] reported fraud detection and six Member States[39] reported investigation measures. Nine Member States[40] introduced criminal sanctions and penalties in relation to fraud.

3.2. Application by the Member States of definitions contained in the provisions for irregularity reporting

This year's specific emphasis was on examining the Member States' application of the definitions relating to irregularity reporting (fraudulent and non-fraudulent) and the timing of the reporting. The information collected is analysed by OLAF, with the aim of guiding the Member States toward a harmonised approach in the interpretation of such definitions and increasing the comparability of the data reported by the Member States.

Almost all Member States made reference to their Civil Servants Code or Penal Code regarding legal obligations for public officials to refer to law enforcement or a judicial authority on any crime an official becomes aware of in the execution of their tasks, while four Member States[41] have no such provision in their national legislation.

All Member States reported the existence, and use, of guidelines on irregularity reporting. Twenty Member States[42] provided details on which definitions are specifically included in their internal guidelines. Seven Member States[43] reported the application of the definition of *'economic operator'* in line with the relevant EU sectoral Regulations and guidelines[44], which is also consistent with the Council Regulation on the protection of the EU's financial interests[45], with the exception of a Member State exercising its prerogatives as a public authority.

The analysis highlighted the fact that there are some differences in the Member States' application of the 'primary administrative or judicial finding' according to the sector and irregularity.

As regards the reporting of 'suspected fraud', all except two Member States[46] pointed out that they do not request authorisation from the judicial authority before reporting suspected fraud. Eight Member States[47] use the definition of 'suspected fraud', as set out in EU legislation, in their national guidelines.

Sixteen Member States[48] make explicit reference in national legislation to fraud against the EU budget, while twelve Member States[49] say that their national legislation contains general definitions of the behaviour, without any specific reference to the 'victim'.

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36 Bulgaria.

37 Italy, Lithuania.

38 Bulgaria, Czech Republic, Greece, Ireland, Italy, Latvia, Luxembourg, Netherlands, Austria, Poland, Romania, Slovenia and the United Kingdom.

39 Estonia, France, Italy, Hungary, Netherlands, Poland.

40 Belgium, Estonia, Greece, Spain, France, Hungary, Malta, Portugal, Romania.

41 Denmark, Ireland, Sweden, United Kingdom.

42 Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Greece, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, Malta, Netherlands, Poland, Romania, Slovenia, Slovakia, Finland and Sweden.

43 Belgium, Czech Republic, Estonia, Latvia, Netherlands, Poland, Romania.

44 Regulations (EC) Nos 1828/2006 and 1848/2006.

45 Article 7 of Regulation (EC, Euratom) No 2988/95.

46 Italy requests authorisation systematically and Romania does so on a case-by-case basis.

47 Belgium, Bulgaria, Czech Republic, Estonia, Greece, Latvia, Romania and Slovakia.

48 Belgium, Bulgaria, Czech Republic, Denmark, Greece, Spain, Croatia, Italy, Cyprus, Hungary, Malta, Portugal, Romania, Slovenia, Slovakia and Sweden.

Half of the Member States[50] use an internal system for signalling suspected irregularities outside of the Irregularity Management System (IMS), used for reporting of irregularities by the Member States to the Commission. Ten Member States[51] rely upon IMS only and four Member States[52] do not use internal IT systems for signalling suspected irregularities at all.

There are differences in relation to the reporting of cases subject to criminal proceedings: eight Member States[53] report the follow-up to the Commission after indictment, seven Member States[54] report the follow-up after the initial sentence, fifteen Member States[55] say that they do so after the definitive sentence (final court decision) and seventeen Member States[56] specify an 'other' practice of follow-up reporting.

3.3. Implementation of 2013 recommendations

In the 2013 report on the protection of the EU's financial interests, the Commission made a number of recommendations to the Member States on the following subjects; designating the national Anti-Fraud Coordination Service (AFCOS); transposition of the public procurement directives into national legislation; implementation of anti-fraud measures; the adoption of legislative proposals on the directive on the fight against fraud, on EPPO, and on the amendment of Regulation (EC) No 515/97; measures to strengthen customs controls; the timely reporting of and updating of fraud and irregularity cases; and improving low levels of reporting. Implementation of these recommendations, presented during the 2014 reporting exercise, was generally adequate, although some concerns were not fully addressed.

The four Member States[57] that were requested specifically to establish an AFCOS during the 2013 reporting exercise did so in 2014, all of which were given coordination powers and one AFCOS was given both coordination and investigative powers[58]. All Member States had an AFCOS by the end of 2014.

The majority of Member States[59] began preparing for the transposition of the package of public procurement directives into national law. Preparations undertaken include; drafting the necessary national legislation, launching consultations and establishing working groups. However, some Member States are yet to take action on this point.

While most Member States implemented anti-fraud measures in 2014, only five Member States[60] submitted a National Anti-Fraud Strategy (NAFS) to the Commission, while three others[61] began the process of developing a NAFS.

Negotiations on two (EPPO and directive on the fight against fraud by means of criminal law) out of the three (and mutual administrative assistance in the customs area) legislative

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49 Germany, Estonia, France, Latvia, Lithuania, Luxembourg, Netherlands, Ireland, Austria, Poland, Finland, and the United Kingdom

50 Belgium, Bulgaria, Czech Republic, Estonia, Spain, Croatia, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Romania and Slovakia

51 Germany, Ireland, France, Italy, Netherlands, Austria, Portugal, Slovenia, Finland and Sweden

52 Denmark, Greece, Poland and the United Kingdom

53 Belgium, Denmark, Germany, Greece, Latvia, Poland, Romania and Finland

54 Belgium, Germany, Greece, Latvia, Austria, Romania and Finland

55 Belgium, Denmark, Germany, Greece, Spain, Latvia, Luxembourg, Hungary, Malta, Austria, Poland, Romania, Slovenia, Slovakia and Finland

56 Belgium, Bulgaria, Czech Republic, Estonia, Ireland, France, Croatia, Italy, Cyprus, Lithuania, Netherlands, Austria, Poland, Portugal, Slovenia, Sweden, United Kingdom

57 Ireland, Spain, Luxembourg, Sweden

58 United Kingdom

59 Belgium, Bulgaria, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Italy, Slovenia, Sweden, Finland

60 Bulgaria, Greece, Croatia, Malta, Slovakia

61 Italy, Romania, Slovenia

proposals are still ongoing. Several Member States provided detailed information on the actions taken by them in respect of these proposals in 2014.

In order to detect fraudulent import operations more successfully, ten Member States[62] improved, or are in the process of updating, the information systems used in the customs domain, while six Member States[63] focused on developing a strategic control plan in this area. However, several Member States reported no changes.

Six Member States[64] introduced, or are in the process of introducing, new specific guidelines, instructions or training on the reporting in OWNRES and eight Member States[65] have developed, or are in the process of developing, improved internal rules and processes which will ensure that the data in the system are accurate, reliable and up-to-date. Furthermore, several Member States[66] believe that their quality and timeliness of reporting in OWNRES at present is sufficient and no new measures are necessary.

Several Member States described the interactions between the relevant managing authorities, audit authorities and anti-fraud bodies. In particular, eight Member States[67] reported on the collaboration that takes place between relevant managing authorities and AFCOS. As regards the IT tools currently in use, seven Member States[68] [69]made reference to tools that they are in the process of developing, and some Member States[70] noted, more specifically, that they are exploring the possibility of introducing the ARACHNE risk management tool.

Regarding the low level of reporting of irregularities, some Member States[71] named in the recommendation stated that this reflects the low levels of fraud that these countries experience, as well as reflecting measures taken to prevent fraudulent activity. In the area of cohesion policy, both France and Hungary outlined their efforts to improve the low levels of reporting, while Lithuania, Portugal and Finland described their efforts in the area of agriculture.

4. FRAUD AND OTHER IRREGULARITIES

4.1. Reported irregularities and overall trends 2010-2014

In 2014, 16 473 (fraudulent and non-fraudulent) irregularities were reported to the Commission, involving a total amount of approximately EUR 3.24 billion, with approximately EUR 2.27 billion concerning the expenditure sector of the EU budget. Detected irregularities represent 1.8 % of payments on the expenditure side, and 4.46 % of gross total TOR collected.

Compared to 2013, the number of irregularities detected increased by 48 % and the corresponding financial amounts saw an increase of 36 %.

Between 2010 and 2014, the number of reported irregularities increased by 9 %, while the related amounts increased by 80 %.

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62 Belgium, Bulgaria, Estonia, Greece, Spain, Cyprus, Latvia, Lithuania, Italy, Sweden.

63 Denmark, Germany, Croatia, Romania, Slovenia, United Kingdom.

64 Denmark, Estonia, Greece, France, Cyprus, Latvia.

65 Latvia, Cyprus, Czech Republic, Hungary, Malta, Belgium, Slovakia, Sweden.

66 Italy, Czech Republic, Germany, Ireland, Lithuania, Poland.

67 Belgium, Denmark, Croatia, Italy, Cyprus, Latvia, Malta, Slovakia.

68 Bulgaria, Czech Republic, Finland, Greece, Italy, Hungary, Slovakia.

69 The Italian Guardia di Finanza is developing a specific IT tool called Anti-Fraud Information System (SIAF), to prevent fraud against the EU's financial interests. The development is co-funded by OLAF under the Hercule II program.

70 Bulgaria, Spain, Croatia, Cyprus, Netherlands, Slovenia.

71 Denmark, Ireland, Luxembourg, Netherlands.

Several factors lie behind this increase: firstly, it is linked to the resources available to the EU budget, which in 2014 were over 10 % higher than in 2010; secondly, cyclical circumstances play a role, such as the approaching closure of the programming period 2007-2013; thirdly, the control over the management of EU funds by the appropriate institutions (European Commission and Court of Auditors) and national services is constantly improving, as can be seen from the data concerning corrective and preventive measures[72].

4.2. Irregularities reported as fraudulent

The number of irregularities reported as fraudulent (which include cases of suspected and established fraud) and the related amounts are not strictly in correlation with the level of fraud affecting the EU budget. They tend to indicate the level of detection of cases of potential fraud attained by Member States and EU bodies. The final decision on whether a case actually constitutes fraud is the responsibility of the relevant authorities of the Member State involved[73].

In 2014, 1 649 irregularities were reported as fraudulent involving EUR 538.2 million, covering both expenditure and revenue. Significant differences are recorded between sectors, as shown in Table 1.

In comparison with 2013, the number of fraudulent irregularities[74] reported in 2014 increased by 2 %, while their financial impact increased by 68 %.

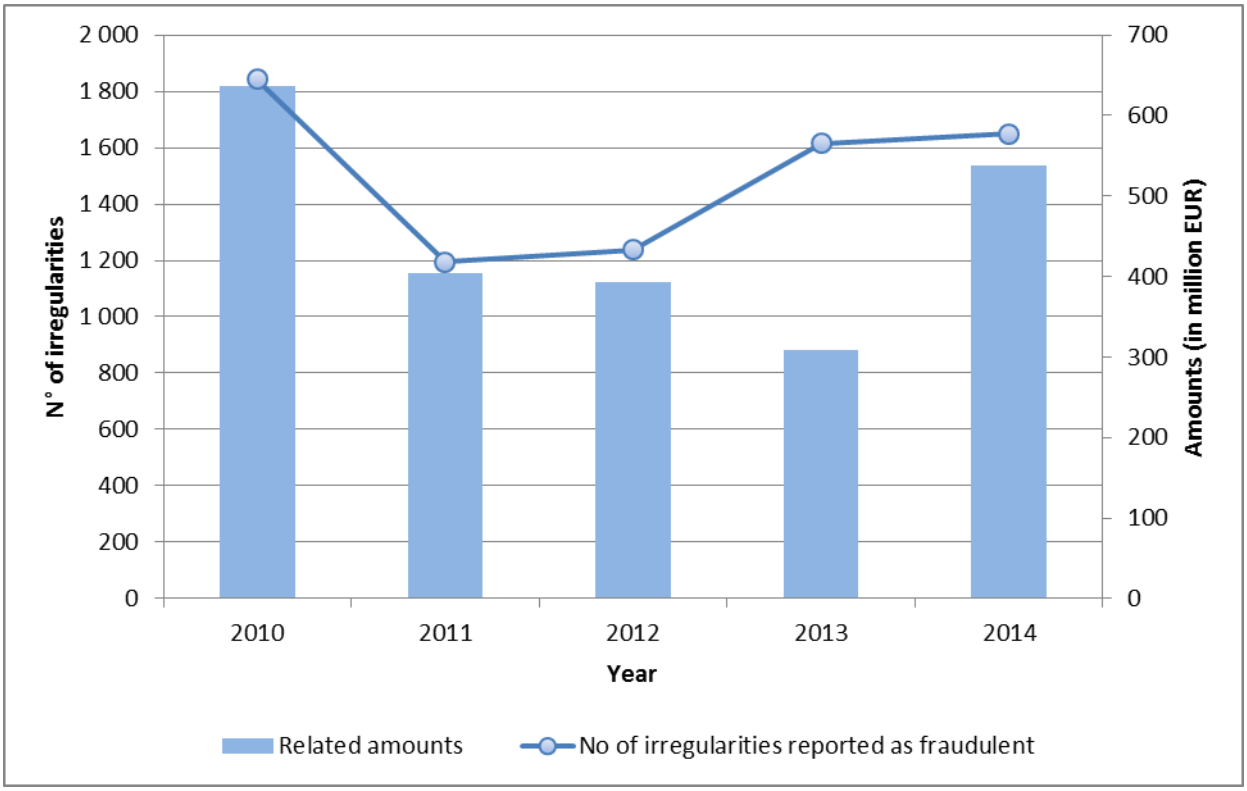
Chart 1 shows the overall trends over the last five years, highlighting a decrease in the number of reported cases and amounts. Nonetheless, it should be noted that after the significant decrease between 2010 and 2011, the subsequent years show a rising trend in terms of the number of fraudulent irregularities detected and reported, while the related amounts have fluctuated greatly. It should be noted that the variation in the number of cases is more informative than the variation in the amounts involved, since the latter vary greatly from year to year, as they can be affected by individual cases involving high values.

72 See paragraph 6.

73 This implies that the cases initially reported by Member States as potentially fraudulent may be dismissed by judicial authorities.

74 See Staff Working Document IV

Chart 1: Irregularities reported as fraudulent and the related amounts, 2010-14



There are also differences between the revenue trend (showing a slight increase by number but a significant increase by amount in 2014) and the expenditure trend (where fluctuations appear to be linked to the progression of the multi-annual programming cycles and where there has been a slight decrease in the number of cases after two years of increase).

Table 1: Irregularities reported as fraudulent in 2014[75]

Budget sector (expenditure)	N° of irregularities reported as fraudulent	Variation in relation to 2013	Involved amounts (in million EUR)	Variation in relation to 2013	As % of payments
Natural resources	**519**	**-12%**	**68.6**	**-10%**	**0.13%**
Agriculture market support and direct payments	*166*	*-41%*	*48.5*	*0%*	*0.11%*
Rural development	*335*	*82%*	*13.7*	*0%*	*0.11%*
Both	*7*	*-93%*	*4.3*	*N/A*	*N/A*
Fisheries	*11*	*-52%*	*2.1*	*-79%*	*0.29%*
Cohesion Policy	**306**	**-5%**	**274.2**	**76%**	**0.51%**
ESIF 2014-20	*0*	*-*	*0.0*	*-*	*0.00%*
Cohesion 2007-2013	*259*	*4%*	*250.4*	*102%*	*0.48%*
Structural funds 2000-2006 (Cohesion fund included)	*47*	*-36%*	*23.8*	*-25%*	*8.56%*
Pre accession	**31**	**-26%**	**14.47**	**-7%**	**1.74%**
Pre accession assistance (2000-2006)	*22*	*-33%*	*14.4*	*0%*	*19.16%*
Instrument for Pre-Accession (2007-2013)	*9*	*0%*	*0.1*	*-92%*	*0.01%*
Direct expenditure	**83**	**232%**	**4.7**	**292%**	**0.03%**
Total expenditure	**939**	**-4%**	**362.0**	**46%**	**0.26%**

Budget sector (revenue)	N° of irregularities reported as fraudulent	Variation in relation to 2013	Involved amounts	Variation in relation to 2013	As % of gross amount of TOR collected for 2014
Revenue (traditional own resources)	**710**	**12%**	**176.2**	**191%**	**0.80%***
TOTAL	**1 649**	**2%**	**538.2**	**74%**	**/**

* The calculation includes estimated amounts reported

A breakdown of all fraudulent irregularities reported in 2014, by Member State and by budget sector, is set out in Annex 1.

4.2.1. Revenue

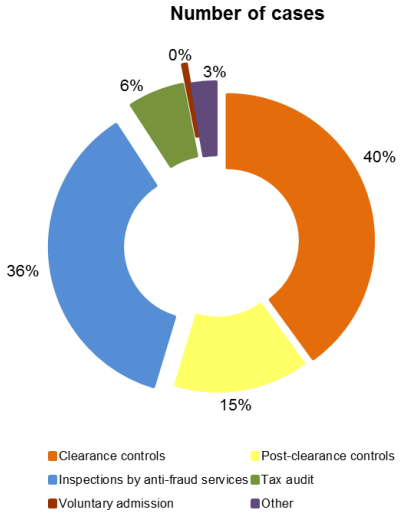
The number of irregularities reported as fraudulent for 2014 (710) is 2% lower than the average number reported for the years 2010-2014 (726). The total established amount of TOR reported for 2014 (EUR 157 million) is 54% higher than the average for the years 2010-2014 (EUR 102 million).[76]

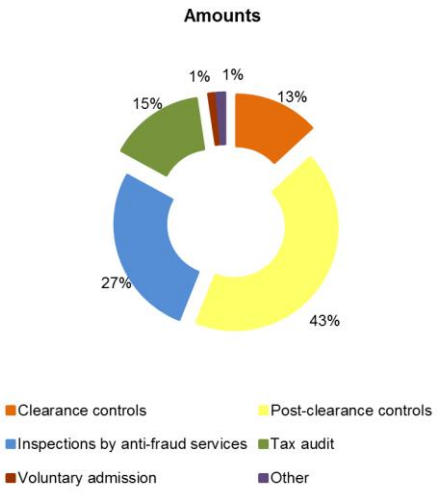
In 2014, most of the fraudulent cases (40%) were discovered during customs controls carried out at the time of the clearance of goods, while 36% were discovered during inspections carried out by anti-fraud services. In terms of amounts involved, 43% of all TOR amounts for fraudulent cases were established during post-clearance controls, 27% during inspections carried out by anti-fraud services and 15% by tax audits.

75 The high percentage of amounts for which irregularities were reported as fraudulent, relative to the total payments for Pre-accession assistance (last column of Table 1), is entirely due to the fact that payments for this sector were very limited in 2014 (EUR 75 million), as the assistance programmes were almost complete. Fraudulent irregularities detected and reported in 2014 relate to actions financed under previous financial years.

76 For comparability reasons, figures for the period 2010-13 are based on the data used for the reports of those years.

Charts 2 & 3: Method of detection — by number of cases and established amount





The analysis shows a decreasing trend in the number of fraudulent cases over the period 2010-2013 and an increase of 12 % in 2014 in comparison with the previous year.

The increase in the established amounts is due in part to one specific case detected by Italy amounting to EUR 44 million.

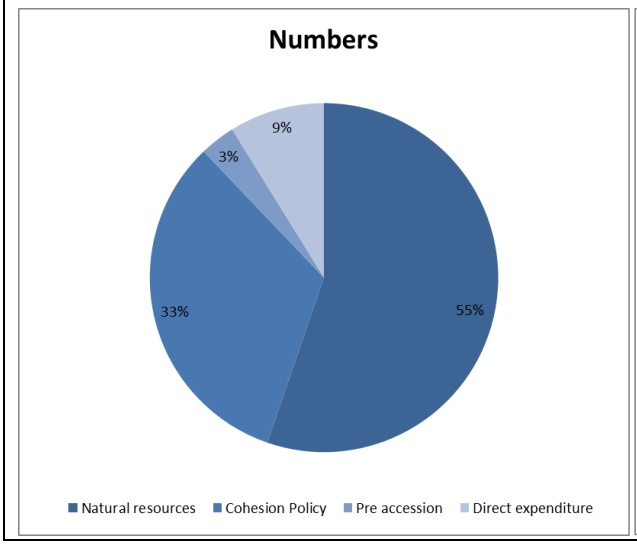
4.2.2. Expenditure

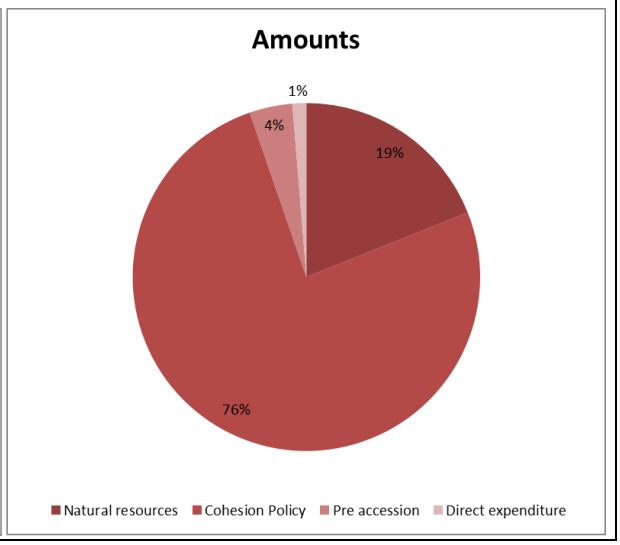
For EU expenditure, there was a minor decrease of 4 % in the number of irregularities reported in comparison with 2013. The decrease is seen across all sectors of the budget, with the exception of direct expenditure. However, some significant differences between sectors should be noted; natural resources, market support, direct payments and fisheries all show significant decreases, while rural development shows an increase of 82 % (see paragraph 2.2.2.1). Decreases were also seen in the cohesion (-5 %) and pre-accession (-26 %) policy sectors. The fluctuations in the amounts involved are usually less informative, as already explained. However, the amounts involved have increased in comparison with 2013, with the exception of agriculture (-10 %) and pre-accession (-7 %) funds.

Charts 4 and 5 show the irregularities reported as fraudulent and their associated amounts, by budget sector.

For the second consecutive year the largest proportion of irregularities reported as fraudulent (55 %) was detected in the agricultural sector. As in previous years, however, the bulk of the related monetary amounts (64 %) comes from cohesion policy.

Charts 4 & 5: Irregularities reported as fraudulent by budget sector (expenditure) — by number and amount





The use of false or falsified documentation or declarations remained the most common type of fraud. Six of the irregularities reported as fraudulent were related to corruption[77] in the cohesion policy sector.

About 28 % of irregularities reported as fraudulent in 2014 were detected by anti-fraud bodies, or during criminal investigations, or via other external controls; this percentage increases to 47 % if detections following OLAF investigations are taken into account. 46 % were detected by the administrative control systems provided for under sector-specific regulations. This underlines the importance of external controls in the fight against fraud and the need for strong coordination with managing and audit authorities. Anti-fraud or criminal investigations detect cases of potential fraud involving large financial amounts, which reflects the efficacy of the investigations and the strong investigative capabilities of the authorities concerned.

Detection continues to vary between Member States, but the differences have narrowed[78]. In 2014, only two Member States, Austria and Luxembourg, did not classify any of their irregularities as fraudulent. Very few fraudulent irregularities (less than three for all expenditure sectors) were reported by Croatia, Malta and Finland, while in 2013 nine Member States reported very few cases. The Member States which detected and reported the highest number of fraudulent irregularities are Hungary, Poland, Romania, Germany and Italy (between 65 and 208). In terms of amounts involved, the highest figures were reported by Poland, Czech Republic, Romania, Hungary and Greece (between EUR 8.5 million and EUR 210 million). These differences are caused by several factors and reflect different approaches among Member States and among various administrations in the same Member State.

During the period 2010-2014, 8 % of irregularities reported as fraudulent were established as fraud. In this area, Bulgaria and Germany reported the highest number of procedures concluded.

4.2.3. Natural resources (agriculture, rural development and fisheries)

The rural development sector accounted for the largest number of reported irregularities in 2014, showing the biggest increase in comparison with 2013. The other sectors show a significant decrease.

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77 Four Member States reported that they had detected such cases: Estonia, Lithuania, Poland, Romania.

78 See Annex 1.

Similar to 2013, the irregularities notified by four Member States (Hungary, Poland, Romania and Italy) represent about 71 % of the total number of irregularities reported as fraudulent.

For Hungary, the reported cases originated from an investigation of the European Anti-Fraud Office (OLAF).

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

The increase in irregularities reported as fraudulent concerns the Rural Development Fund[79], while the European Agricultural Guarantee Fund[80] shows a significant decrease. For 2014, only 1 % of reported cases concern both funds. The corresponding percentage over the last five years, however, was 12 %.

The most recurrent types of fraudulent irregularities are the use of incorrect documents and operators not possessing the required capabilities, and the implementation of operations prohibited during the measure concerned (almost 28 % of all fraudulent irregularities). These infringements constitute a recurrent modus operandi detected by OLAF in the framework of the investigation in Hungary outlined above. The second most frequently detected modus operandi involves the use of false or falsified documents or declarations.

In 2014, control activities performed by EU bodies (and in particular OLAF) represented the second most successful type of control, after administrative controls which detected 39 % of the total irregularities reported as fraudulent.

Of the irregularities reported as fraudulent over the last five years, 8 % are described as established fraud. Over the same period, 4 % of the cases have been dismissed. Regarding established fraud, Bulgaria and Germany reported the highest number of procedures concluded.

4.2.4. Cohesion policy (in the 2007-2013 and 2000-2006 programming periods)

For the second consecutive year, cohesion policy was not the area of budgetary expenditure with the highest number of irregularities reported as fraudulent. The related amounts, however, accounted for the largest proportion of the total.

In line with the trend shown in recent years, the European Regional Development Fund (ERDF) accounted for the largest proportion of reported fraudulent irregularities in 2014. However, in terms of amounts involved, the Cohesion Fund accounted for the largest figure (59 %).

Most of the fraudulent irregularities (64 %) were detected by the control system provided for in EU legislation. This continued the trend already highlighted in 2012, but represents a striking change from the previous programming period (2000-2006), when fraudulent irregularities were almost exclusively detected during anti-fraud and criminal investigations.

In terms of financial amounts, however, the most significant results were obtained during criminal and anti-fraud investigations (66 %).

Fraudulent cases are, on average, reported within twelve months of their detection. Irregular practices are detected, on average, six and a half years after they began.

During the period 2010-2014, 10 % of irregularities reported as fraudulent were established as fraud (this figure stood at 11 % in 2013[81]). 1 % of the cases were dismissed. Regarding

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79 EAFRD

80 EAGF

81 This decrease is mainly due to the fact that Greece corrected the information from some cases initially reported as established fraud.

established fraud, Germany, Poland and Slovenia reported the highest number of procedures concluded.

4.2.5. Pre-accession policy (Pre-accession assistance (PAA) and the Instrument for Pre-Accession (IPA))

The number of irregularities reported as fraudulent in PAA and their related amounts decreased in 2014, in comparison with the previous year. Romania and Bulgaria are the countries that reported fraudulent irregularities in PAA, mostly concerning rural development[82].

The number of fraudulent irregularities related to the IPA remained stable, while the amounts concerned decreased, in comparison with 2013. Most of the fraudulent irregularities were reported by Turkey. The highest fraudulent amounts were recorded in relation to cross-border cooperation and rural development.

4.2.6. Expenditure directly managed by the Commission

Expenditure directly managed by the Commission is analysed on the basis of data on the recovery orders issued by Commission services.

In 2014, according to the accrual-based accounting system (ABAC), there were 83 recoveries classified as irregularities reported as fraudulent (i.e. 'OLAF notified' cases). They accounted for EUR 4.67 million — almost four times more than in the previous year. This is due to the high number of investigations closed by OLAF.

4.3. Irregularities not reported as fraudulent

In 2014, the Commission was notified of 14 824 irregularities not reported as fraudulent (about 5 % more than in 2013). The figures increased for all of the most important sectors, while they decreased for pre-accession and direct expenditure. The related financial impact also increased to approximately EUR 2.71 billion (47 % more than in 2013 – see paragraph 2.3.2), as shown in Table 2.

[82] SAPARD

Table 2: Irregularities not reported as fraudulent in 2014[83]

Budget sector (expenditure)	N° of irregularities not reported as fraudulent	Variation in relation to 2013	Involved amounts (in million EUR)	Variation in relation to 2013	As % of payments
Natural resources	**3 418**	**18%**	**237.5**	**14%**	**0.42%**
Agriculture market support and direct payments	*1 162*	*13%*	*108.0*	*-2%*	*0.24%*
Rural development	*2 112*	*21%*	*120.2*	*58%*	*1.03%*
Other / N/A	*53*	*51%*	*2.7*	*35%*	
Fisheries	*91*	*21%*	*6.6*	*-68%*	*1.37%*
Cohesion Policy	**4 977**	**7%**	**1 561.3**	**33%**	**2.88%**
ESIF 2014-20	*0*	*-*	*0.0*	*-*	*0.00%*
Cohesion 2007-13	*4 687*	*11%*	*1 463.1*	*45%*	*2.83%*
Structural funds 2000-2006 (Cohesion fund included)	*290*	*-35%*	*98.2*	*-41%*	*35.32%*
Pre-accession	**140**	**-25%**	**9.2**	**-80%**	**1.10%**
Pre-accession assistance (2000-2006)	*54*	*-64%*	*6.5*	*-86%*	*8.67%*
Instrument for Pre-Accession (2007-2013)	*86*	*121%*	*2.7*	*125%*	*0.34%*
Direct expenditure*	**1 814**	**-18%**	**96.1**	**-69%**	**0.81%**
Total expenditure	**10 349**	**4%**	**1 904.1**	**9%**	**1.54%**

Budget sector (revenue)	N° of irregularities not reported as fraudulent	Variation in relation to 2013	Involved amounts	Variation in relation to 2013	As % of gross amount of TOR collected for 2014
Revenue (traditional own resources)	**4 475**	**8%**	**802.4**	**146%**	**3.66%***
TOTAL	**14 824**	**5%**	**2 706.5**	**47%**	**/**

* The calculation includes estimated amounts reported

Annex 2 shows a breakdown of all non-fraudulent irregularities reported in 2014, by Member State and by budgetary sector.

4.3.1. Revenue

The number of irregularities not reported as fraudulent for 2014 (4475) is currently 10% *higher* than the average number reported for 2010-2014 (4073).[84] The total established amount of TOR involved (EUR 802 million) is 101% higher than the average of the established amount for the years 2010-2014 (EUR 398 million).

In particular, infringements with a specific pattern involving substantial financial impact were detected by the United Kingdom. This affected the overall established amount for all Member States and can be considered as a result of the Commission's work in the field of customs valuation.

In 2014, post-clearance controls were the most important method for detecting irregularities not reported as fraudulent in terms both of numbers (54% of the irregularities) and of established TOR amounts (81%).

4.3.2. Expenditure

The increase in the number of irregularities not reported as fraudulent concerns the main expenditure sectors of the EU budget (agriculture and cohesion policy). Irregularities related to pre-accession and direct expenditure have decreased.

This increase is mirrored by a significant rise in the related financial amounts. The control activities performed by European institutions (Court of Auditors and Commission) play a significant role, as shown by the results of the preventive and corrective measures described

83 See footnote 77.

84 For comparability reasons, figures for the period 2010-2013 are based on the data used for the reports of those years

in paragraph 5. All detected irregularities are followed up with corrective measures by national authorities, aiming to protect the EU's financial interests.

4.4. Results from activities of the European Anti-Fraud Office (OLAF)[85]

In 2014, OLAF opened 234 investigations and 54 coordination cases. In the same period, 307 investigations and coordination cases were concluded and 397 recommendations were issued.

OLAF sent 101 recommendations for judicial action to national authorities and recommended that approximately EUR 901.0 million be recovered, of which EUR 133.7 million related to revenue and EUR 767.3 million to expenditure (see Table 3).

Table 3: Amounts recommended for recovery in 2014 following OLAF investigations[86]

Sector	Recommended amount million EUR
Structural Funds	476.5
External Aid	174.0
Customs and trade	132.2
Agricultural Funds	75.9
New financial instruments	27.4
Centralised expenditure	13.0
Tobacco and counterfeit goods	1.5
EU staff	0.5
TOTAL	**901.0**

5. RECOVERY AND OTHER PREVENTIVE AND CORRECTIVE MEASURES

An important aspect of protecting the EU's financial interests involves the use of mechanisms to prevent and correct fraud and other irregularities, so as to ensure that the budget is implemented in accordance with the principles of sound financial management[87].

Under shared management, the Commission may adopt the following measures:

- preventive measures: interruption of payments (moving the payment deadline back by up to six months)[88]; suspension of all or part of the interim payments to a Member State[89];
- corrective measures: if a Member State does not take the required measures, the Commission may decide to impose a financial correction[90]. Expenditure that is not in accordance with applicable rules is either the subject of a recovery order or is deducted from a subsequent request for payment, or, for cohesion policy, the irregular expenditure can be replaced by new expenditure.

85 For a full description see 'The OLAF report 2014'. http://ec.europa.eu/anti_fraud/documents/reports-olaf/2014/olaf_report_2014_en.pdf

86 Idem, Figure 24, page 21. Structural Funds EUR 5 million concerned the European Social Fund.

87 Data presented in this section reflect those included in the provisional EU annual accounts, i.e. in Explanatory Note No 6 of the Accounts of the Union, pending the audit by the European Court of Auditors.

88 Cases where there is a significant deficiency in a Member State's management and control systems in 2007-13, or of certified expenditure being linked to serious irregularities.

89 Applied in three cases: evidence of serious deficiency in the management and control system with no corrective measure taken; certified expenditure linked to serious irregularity; a Member State's serious breach of its management and control obligations.

90 Financial corrections follow three main steps: (a) in progress: subject to change not formally accepted by the Member State; (b) confirmed/decided: agreed by the Member State or decided via a Commission decision; (c) implemented: the financial correction is carried out and undue expenditure corrected.

Data on Member States' direct recoveries from beneficiaries are only partially available[91] and are included in the Commission staff working document on 'Statistical evaluation of irregularities'.

Data on management types other than shared management (particularly direct expenditure) mainly concern recovery orders issued by Commission departments or deductions from cost claims.

5.1. Expenditure: preventive mechanisms

5.1.1. Interruptions in 2014

In 2014, the Commission took 193 decisions to interrupt payments in the cohesion policy area, involving over EUR 7.7 billion, and closed 181 cases for an overall amount involved of almost EUR 4.9 billion. There were still 145 cases open at the end of 2014, involving over EUR 4.8 billion.

Table 4 shows the interruption cases handled in 2014 and the significant prevention activity carried out, particularly in relation to the ERDF/Cohesion Fund, which represents more than 68 % of open cases and about 80 % of the total amounts concerned.

Table 4: Interruption cases handled by the Commission services in 2014

Programming period 2007-2013	EAFDR		ERDF/Cohesion Fund		ESF		EFF		Total	
	Number of cases	Amount (million EUR)	Number of cases	Amount (million EUR)	Number of cases	Amount (million EUR)	Number of cases	Amount (million EUR)	Number of cases	Amount (million EUR)
Open at 31.12.2013	2	1	101	1 608	20	272	10	97	133	1 978
New cases 2014	15	79	134	6 227	31	1 323	13	103	193	7 732
Closed cases during 2014	10	75	137	3 998	19	625	15	186	181	4 884
Open cases at 31.12.2014	7	5	98	3 837	32	970	8	14	145	4 826

5.1.2. Suspensions

Five[92] suspension decisions concerning the ERDF were still in force at the end 2013. Two were lifted during 2014, while the other three remained in force. Four new suspension decisions were adopted in 2014 and two were still in force at year-end.

Concerning the ESF, one suspension decision adopted in 2011 was still ongoing at the end of 2014. Out of the 11 suspension decisions adopted in 2013, seven were still ongoing at the end of 2014. During 2014, 11 new suspension decisions were adopted and still effective at year-end.

One suspension decision was taken in 2014 for EFF following a deficiency identified in the management and control system of one Member State related to the EU measure to reduce fishing overcapacity.

There were no suspension decisions taken in 2014 for EAFRD.

5.2. Expenditure: financial corrections and recoveries in 2014

In 2014, corrective measures decided by the Commission *vis-à-vis* Member States and beneficiaries increased in comparison with the previous year (by 38 %), while those implemented decreased (by 11 %), mainly in the cohesion policy area (by 25 %) and in particular in relation to the ESF (where they decreased by 67 %, see Table 5).

91 Subsequent amendments to the legal framework have significantly changed the reporting rules for the current programming period.

92 In one particular case, the decision for lifting the suspension was taken in 2013 but officially notified in 2014.

Table 5: Financial corrections and recoveries per budgetary sector, 2014–13

Budget sector	Confirmed/decided (million EUR)				Implemented (million EUR)			
	Financial corrections	Recoveries	Total	Variation 2014/13	Financial corrections	Recoveries	Total	Variation 2014/13
Agriculture	**1 869**	**378**	**2 247**	**54%**	**882**	**317**	**1 199**	**21%**
EAGF	*1 649*	*213*	*1 862*	*74%*	*796*	*150*	*946*	*49%*
Rural Development	*220*	*165*	*385*	*0%*	*86*	*167*	*253*	*-30%*
Cohesion Policy	**2 016**	**35**	**2 051**	**38%**	**1 357**	**32**	**1 389**	**-25%**
ERDF	*1 330*		*1 330*	*293%*	*823*	*1*	*824*	*32%*
Cohesion Fund	*292*		*292*	*33%*	*191*		*191*	*-31%*
ESF	*342*	*1*	*343*	*-61%*	*289*	*1*	*290*	*-67%*
FIFG/EFF	*39*	*29*	*68*	*100%*	*41*	*25*	*66*	*136%*
EAGGF Guidance	*13*	*5*	*18*	*500%*	*13*	*5*	*18*	*13%*
Other			*0*	*-100%*			*0*	*-100%*
Internal policy areas	**5**	**293**	**298**	**-25%**	**5**	**274**	**279**	**-30%**
External policy areas		**127**	**127**	**37%**		**108**	**108**	**-16%**
Administration		**5**	**5**	**-17%**		**5**	**5**	**-17%**
Total in 2014	**3 890**	**838**	**4 728**	**38%**	**2 244**	**736**	**2 980**	**-11%**
Total in 2013	*2 495*	*941*	*3 436*		*2 472*	*862*	*3 334*	
Variation 2014/13	*56%*	*-11%*	*38%*		*-9%*	*-15%*	*-11%*	

5.3. Recovery relating to own resources revenue

The bulk of the total TOR amount established in 2014 was collected without any particular problem. Member States have an obligation to recover the remaining unpaid amounts of TOR and to register them in the OWNRES database. For 2014, the amount to be recovered in respect of all irregularities, i.e. reported as fraudulent and non-fraudulent, involving TOR of over EUR 10 000 was EUR 958 million; EUR 229 million of this has already been recovered by Member States for cases detected in 2014, giving a recovery rate of 24 % for 2014. This is a starting point for the recovery process. Analysis shows that lengthy recovery procedures are often required in complex cases, fraudulent cases or cases with huge financial impact, owing particularly to the ongoing administrative and judicial procedures.

In addition, Member States continued their recovery activities for cases detected and reported in previous years. In 2014, Member States recovered a combined total of approximately EUR 204 million relating to irregular cases detected between 1989 and 2013.

The overall historical recovery rate (1989-2011) stands at 80 % when the calculation only takes into account closed cases for which Member States have completed their recovery efforts.

Member States' activities to recover TOR are monitored by means of inspections.

6. CONCLUSIONS AND RECOMMENDATIONS

In 2014, the new regulatory framework for the spending programme 2014-2020 was put in place, with special emphasis on anti-fraud measures. This coincided with the establishment of the new Commission, bringing with it a renewed impetus in the fight against fraud.

6.1. Improved coordination and cooperation: a new impetus in the fight against fraud

6.1.1. Reinforced legal and administrative structures for enhanced cooperation

Significant steps were taken in 2014 to enhance the Commission's and the Member States' protection of the EU's financial interests.

In 2014, the Commission successfully completed the priority actions of its multi-annual Anti-Fraud Strategy (CAFS). While the focus of CAFS is primarily upon developing anti-fraud

strategies at Commission service and agency level, the Commission is now increasingly focusing on how to support Member States in developing their own anti-fraud strategies.

Regulation (EU) No 883/2013 provides, *inter alia*, for enhanced cooperation with Member States through the appointment of an AFCOS.

At the end of 2014, all Member States had designated their AFCOS. The responsibilities of each national AFCOS vary, depending on the Member State. All Member States have given their AFCOS coordinative responsibilities, albeit to varying extents. Only a few Member States empower their AFCOS to act in an investigative capacity.

Structured coordination between anti-fraud bodies and other national authorities has proved to be a best practice and should be implemented in all Member States.

Recommendation 1:

Member States are encouraged to use their AFCOS to its full potential.

The Commission suggests that cooperation between relevant national parties be developed in the framework of national anti-fraud strategies.

6.1.2. Measures to fight fraud and corruption in public procurement

In February 2014, the first EU anti-corruption report was adopted[93] and the revised package of public procurement Directives and a new concessions Directive entered into force.

The transposition of these Directives gives the Member States an opportunity to enhance transparency and strengthen their anti-fraud efforts, by defining conflict of interest, making e-procurement mandatory and introducing monitoring and reporting obligations to curb procurement fraud and other serious irregularities.

In addition, Member States took a significant number of legislative and administrative measures aimed at strengthening anti-fraud work in the area of public procurement.

Recommendation 2:

During the public procurement process, conflict of interest can cause serious harm to the public budget and to the reputation of the EU and the Member States concerned.

Member States are invited not only to transpose the definition of 'conflict of interest' contained in the Public Procurement Directive, into national legislation but also to put effective measures in place to tackle conflicts of interest.

6.1.3. Sectoral measures: expenditure

In 2014, the main regulatory provisions for the 2014-2020 spending programmes were finalised. For the first time, they contain a specific requirement for national authorities to put in place effective and proportionate anti-fraud measures, taking into account the risks identified. These anti-fraud measures should ideally be embedded in national anti-fraud strategies.

Guidelines on fraud risk assessment and effective and proportionate anti-fraud measures were prepared by the Commission together with the national authorities in 2014[94]. One of the guidance documents aims to assist Member States in establishing national anti-fraud strategies.

93 See section 4.1.4.

94 In 2013 and 2014.

6.1.4. Sectoral measures: revenue

The revised Regulation 515/97 on mutual administrative assistance in the customs area paves the way for the creation of an EU database on goods entering, transiting and leaving the EU. In addition, the introduction of a container monitoring system will allow container movements to be analysed, in order to identify potentially fraudulent activities.

6.1.5. What lies ahead

Two major legislative proposals submitted to the co-legislators in previous years are still awaiting approval:

(1) a directive on the fight against fraud by means of criminal law;

(2) a regulation setting up the European Public Prosecutor's Office.

The adoption of these proposals would complement and strengthen the legal framework and would considerably reinforce the fight against fraud, in particular through the establishment of a European body equipped with full investigative powers.

6.2. Increasing detection: results and open issues

6.2.1. Expenditure

On the expenditure side, the fluctuation in the number of fraudulent irregularities reported over the last five years is difficult to interpret. However, apart from the years 2011 and 2012, the amounts concerned have remained relatively stable. This might reflect the fact that most spending programmes are multi-annual and the level of detection follows their cyclical nature.

The role of Managing and Paying Authorities in detecting fraud has grown since 2012 and should be further enhanced in the coming years, pursuant to the new regulatory framework for the period 2014-2020.

Fraud detection practices still differ between Member States and the Commission is concerned about the low number of potentially fraudulent irregularities reported by some countries. However, the number of Member States which report no, or very few, fraudulent cases has fallen in recent years. The Commission will continue to provide guidelines to improve the convergence of national systems and to raise awareness of fraud, in order to protect the EU's financial interests more efficiently.

In 2014, Italy and Romania were the most effective countries in detecting potential fraud in the agriculture sector[95]. Germany, Poland and the Czech Republic were the most effective in the cohesion policy area.

Overall, Germany was the most effective Member State regarding the detection of fraud.

Recommendation 3

As some Member States continue to report a very low number of fraudulent irregularities, the Commission recommends strengthening their work in relation to detecting and/or reporting fraud, in particular, as they have not reported any over the last five years:

- **in the area of agriculture: Slovakia and Finland.**
- **in the area of cohesion policy: Denmark and Luxembourg.**

[95] Hungary reported the highest number of fraudulent irregularities uncovered during the course of an OLAF investigation.

The Commission takes note of progress made in reporting by some Member States, such as France and Spain in the cohesion policy area, but believes that there is still considerable room for improvement.

Although satisfactory, the quality of the reported irregularities could be further improved, in particular in relation to the classification of fraudulent irregularities and the timing of reporting, as highlighted by the analysis of the Member States' replies to the questionnaire.

Given the new rules on the reporting of irregularities currently being adopted, and the remaining areas for improvement identified by the Commission following analysis of the information provided by the Member States, the Commission will prepare a working document on the practicalities of the reporting of irregularities, in close cooperation with the Member States.

6.2.2. Revenue: Updating control strategies

In 2014, on the revenue side, the number of detected irregularities and, in particular, the level of the established amounts increased significantly in comparison with previous years. Considering the risks of cross-border fraud, the Commission believes that close cooperation between the Member States and exchange of information beyond the borders for purposes of customs controls is to be welcomed. Exchange of information on customs transactions, economic operators or debts should ensure that all customs transactions and economic operators are included in the populations for post-clearance controls, regardless of the place of physical importation of goods, or the place where the economic operator is located. Information received from other Member States should be integral to risk management and supplement the national populations used for risk management purposes. Absence of such cooperation might result in financial liability in the area of TOR.

Based on the figures for 2014, it can be concluded that cases of fraud and irregularities are detected much more often after the clearance of goods. It should be kept in mind that a combination of different control strategies is required. However, post-clearance controls are the most effective method of detection, both in terms of the number of cases detected and in terms of established amounts. Controls at the time of clearance of goods and inspections carried out by anti-fraud services are crucial to the detection of certain types of existing fraud and new types of fraud.

Furthermore, mutual assistance notices issued following JCOs conducted by OLAF are an important source of information for detection of irregularities in transactions involving certain types of goods.

Recommendation 4

To fight customs fraud, Member States are invited to inform the Commission of the measures taken to strengthen cooperation in order to ensure that all transactions, and all economic operators, are included in the population for post-clearance controls, irrespective of whether or not the importer is located in the Member State of the physical importation.

Considering the decreasing number of customs controls at the time of clearance, Member States are invited to exchange experiences where customs authorities were particularly successful in detecting fraud or irregularities at the time of clearance.

ANNEX 1 — Irregularities reported as fraudulent

(The number of irregularities reported as fraudulent measures the results of Member States' work to counter fraud and other illegal activities affecting the EU's financial interests; it should not be interpreted as the level of fraud in the Member States' territories). Totals differ from Table 1 as Annex 1 does not include Third Countries (pre-accession) and Direct expenditure.

Member States	Agriculture		Fisheries		Cohesion Policy		Pre-Accession		TOTAL EXPENDITURE		REVENUE	
	N	€	N	€	N	€	N	€	N	€	N	€
Belgique/België	1	390 000			3	3 230 348			4	3 620 348	26	13 328 963
Bulgaria	11	506 467	5	772 584	3	883 193	6	3 836 555	25	5 998 799	25	10 549 202
Ceská republika	4	273 589			38	36 394 501			42	36 668 091	0	0
Danmark	3	50 349							3	50 349	2	695 560
Deutschland	6	146 831			65	7 067 858			71	7 214 690	125	6 197 315
Eesti	4	1 053 243			4	1 613 784			8	2 667 026	2	108 304
Éire/Ireland	33	388 420							33	388 420	4	2 249 080
Ellada	12	741 437			13	7 831 942			25	8 573 379	30	8 247 512
España	19	575 743			4	394 452			23	970 195	120	31 610 207
France	17	3 251 655	1		3	2 648 689			21	5 900 344	131	33 788 803
Hrvatska							1		1	0	8	666 342
Italia	54	5 812 888	3	370 654	8	721 271			65	6 904 813	51	54 423 351
Kypros	2	40 462			1	126 316			3	166 778	2	22 192
Latvija	11	715 218			27	7 044 371			38	7 759 590	20	987 566
Lietuva	6	1 603 846			2	283 773			8	1 887 620	14	712 907
Luxembourg									0	0	0	0
Magyarország	178	6 675 246			30	2 111 989			208	8 787 235	7	171 088
Malta	1	61 814							1	61 814	2	326 396
Nederland					3	2 105 339			3	2 105 339	7	414 169
Österreich									0	0	22	3 455 606
Polska	78	31 838 807			45	178 186 064			123	210 024 871	37	3 618 513
Portugal	6	2 633 580	1	28 979	1	2 629 333			8	5 291 891	1	150 068
Romania	53	8 560 882	1	968 733	25	12 173 753	16	3 177 233	95	24 880 600	14	381 856
Slovenija	3	679 525			7	6 779 604			10	7 459 129	11	1 009 264
Slovensko					11	1 102 103			11	1 102 103	3	256 714
Suomi/Finland					1	14 181			1	14 181	3	76 017
Sverige	1	7 543			2	7 755			3	15 297	1	95 624
United Kingdom	5	457 585			10	864 894			15	1 322 478	42	2 676 250
TOTAL	**508**	**66 465 130**	**11**	**2 140 949**	**306**	**274 215 514**	**23**	**7 013 788**	**848**	**349 835 381**	**710**	**176 218 869**

ANNEX 2 — Irregularities not reported as fraudulent

Totals differ from Table 2 as Annex 2 does not include Third Countries (pre-accession) and Direct expenditure.

Member States	Agriculture		Fisheries		Cohesion Policy		Pre-Accession		TOTAL		REVENUE	
	N	€	N	€	N	€	N	€	N	€	N	€
Belgique/België	10	158 098			85	11 621 149			95	11 779 247	121	6 205 170
Bulgaria	17	1 657 756	7	328 650	177	28 709 867	45	1 123 649	246	31 819 922	4	185 274
Ceská republika	48	2 606 617	2	11 744	982	290 890 461			1 032	293 508 822	83	11 557 085
Danmark	24	561 984			7	377 068			31	939 051	68	4 647 124
Deutschland	62	3 066 016	1	14 120	282	19 573 297			345	22 653 433	1 338	72 120 974
Eesti	48	1 498 065	9	191 886	53	8 288 471			110	9 978 422	6	140 863
Éire/Ireland	100	3 101 078			131	53 685 650			231	56 786 728	24	2 067 028
Ellada	73	1 582 488			226	107 242 238			299	108 824 726	12	1 292 094
España	417	24 936 676	12	842 444	167	381 229 728			596	407 008 848	288	16 277 914
France	158	27 504 870	9	991 634	170	39 310 735			337	67 807 239	283	28 031 020
Hrvatska							27	171 160	27	171 160	2	130 002
Italia	424	33 068 574	2	16 583	272	71 197 937			698	104 283 094	104	8 707 647
Kypros	19	427 553			4	186 877			23	614 429	9	140 537
Latvija	29	1 010 903			92	12 741 670			121	13 752 573	7	850 644
Lietuva	111	5 852 003	3	50 536	121	36 804 056			235	42 706 595	35	2 212 533
Luxembourg									0	0	0	0
Magyarország	345	19 489 855	2	324 559	190	15 924 460			537	35 738 874	78	2 268 155
Malta	2	57 085			14	981 879			16	1 038 964	0	0
Nederland	140	26 051 920	1	24 892	40	5 181 199			181	31 258 010	389	43 748 347
Österreich	28	504 607			56	2 038 206			84	2 542 812	58	2 761 902
Polska	153	4 780 302	6	847 041	681	121 528 992			840	127 156 335	176	7 725 213
Portugal	240	11 996 191	13	970 392	98	21 202 516			351	34 169 099	54	3 249 925
Romania	691	55 909 860	3	1 156 319	330	40 601 669	31	5 495 019	1 055	103 162 866	61	8 059 449
Slovenija	21	631 982	1	10 620	37	8 952 008			59	9 594 610	8	182 398
Slovensko	37	1 216 977	1	41 065	267	239 883 978	1	718	306	241 142 738	32	1 497 052
Suomi/Finland	26	479 858	5	91 674	12	336 607			43	908 139	32	1 371 455
Sverige	30	831 683	4	82 988	29	1 114 918			63	2 029 589	68	4 063 419
United Kingdom	74	1 935 792	10	594 411	454	41 714 072			538	44 244 275	1 135	572 885 031
TOTAL	3 327	230 918 791	91	6 591 557	4 977	1 561 319 707	104	6 790 546	8 499	1 805 620 602	4 475	802 378 256