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**REPORT FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN  
PARLIAMENT**

**35th Annual Report on the protection of the European Union's financial interests and  
the fight against fraud – 2023**

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## **EXECUTIVE SUMMARY**

In line with the obligation laid down in Article 325(5) of the Treaty on the Functioning of the European Union (TFEU), each year the European Commission, in cooperation with the EU Member States, submits a report (the Protection of Financial Interests Report/PIF Report) to the European Parliament and the Council on the measures taken to implement the Article. On the basis of the report, the European Parliament adopts its annual motion for a resolution on the protection of the EU's financial interests and the fight against fraud.

The 2023 PIF Report highlights measures at EU and national level aimed at strengthening the protection of the EU's financial interests.

By the end of 2023, a political agreement was reached on the proposed recast of the Financial Regulation to strengthen the protection of the EU's financial interests. The agreed text extends the scope of the Early Detection and Exclusion System to include shared management. It also introduces the legal basis for a modernised data mining and risk scoring tool to be built on the existing tool called Arachne.

As spending linked to the implementation of the national recovery and resilience plans grows, the Commission is increasing its audit activities into the regularity and legality of spending and the protection of the EU's financial interests. The revision of the national plans has also been an opportunity to reassess the adequacy and robustness of Member States' control systems and include additional requirements where needed.

The Commission adopted a package of anti-corruption measures, including a proposal for a Directive on combating corruption. The ambitious proposal aims to step up the prevention of corruption in all Member States, harmonise corruption offences and sanctions, and ensure that law enforcement and prosecution authorities have the tools they need to fight corruption.

As the Commission's 2019 anti-fraud strategy action plan had been fully implemented, in 2023 the Commission adopted a new action plan focused on seven themes, among which the digitalisation of the fight against fraud.

The EU's anti-fraud programme concluded its third year of implementation, financing initiatives throughout the EU to strengthen the fight against fraud and supporting the maintenance and development of IT tools. These provide administrative assistance to customs and support the reporting of irregularities.

In 2023, 21 out of 27 Member States indicated that they have an anti-fraud strategy in place for the protection of the EU's financial interests. The approach taken by the 21 Member States varied widely, with 10 countries adopting a national anti-fraud strategy and the others relying on other types of strategies (sectoral, regional, programme-related).

Member States are also following the Commission's recommendations to strengthen their anti-fraud governance and keep the digitalisation of the fight against fraud high on their agenda. Attention to this key aspect in the fight against fraud is also witnessed by the increasing number of measures adopted at national level.

The key indicators on detected fraud and irregularities remain in line with previous years, as do the main issues identified, for example in relation to the follow-up of suspected fraud. The Commission therefore reiterates the recommendations issued in the PIF Report 2022. This will also ensure a continuous monitoring of measures adopted in relation to the strengthening of anti-fraud governance, digitalisation of the fight against fraud and the improvements linked to detection, reporting and follow-up of suspected fraud.

## LIST OF ABBREVIATIONS

AFIS	Anti-Fraud Information System
AI	Artificial Intelligence
CAFS	Commission anti-fraud strategy
CAP	Common agricultural policy
DAI	Hungarian Directorate for Internal Audit and Integrity
EDES	Early Detection and Exclusion System
EPPO	European Public Prosecutor's Office
ERDF	European Regional and Development Fund
ESF	European Social Fund
EU	European Union
FEAD	Fund for European Aid to the Most Deprived
IMS	Irregularity Management System
IPA	Instrument for Pre-Accession
JCO	Joint Customs Operation
NAFS	National Anti-Fraud Strategies
OLAF	European Anti-Fraud Office
PIF	Protection of financial interests
PFIU audits	Audits on the protection of the financial interests of the Union
RRF	Recovery and Resilience Facility
RRP	National Recovery and resilience plan
TFEU	Treaty on the Functioning of the European Union
TOR	Traditional own resources
UAFP	Union Anti-Fraud Programme
VAT	Value Added Tax

## 1. INTRODUCTION

### 1.1. The EU's financial interests and their protection

The EU's 2023 budget amounts to around EUR 186.6 billion in commitment appropriations and EUR 168.6 billion in payment appropriations. This represents an increase of +1.1% in commitments and +1% in payments compared to the 2022 budget. The 2021-2027 multiannual financial framework amounts to EUR 1 074.3 billion. Additional resources come from NextGeneration EU, the EU's post-COVID economic recovery package. It provides for EUR 750 billion to be spent between 2021 and 2026.

By means of these resources, the EU finances its policies and promotes its aims and values.

EU Member States manage the largest share of EU expenditure and collect VAT and traditional own resources (TOR – mainly customs duties).

In accordance with [Article 325](#) TFEU, the EU and its Member States must counter fraud and any other illegal activities that affect the EU's financial interests <sup>(1)</sup>. In line with Article 325(5) TFEU, each year the Commission, in cooperation with the EU Member States, submits a report to the European Parliament and the Council on the measures taken to implement the Article. This report, also known as the PIF Report, meets that obligation for 2023. It is accompanied by seven working documents <sup>(2)</sup>.

Section 2 of the report focuses on measures at EU level, while Section 3 covers the measures taken at national level. Section 4 presents data and the main analytical findings on the fight against fraud, corruption, conflicts of interest and other irregularities that affect the EU budget. Section 5 provides conclusions and recommendations.

### 1.2. Data sources

Section 3 of this report relies on information provided by the Member States through dedicated questionnaires. Section 4 is based on irregularities detected and reported by the Member States <sup>(3)</sup> (Sections 4.2 and 4.3), by the beneficiary countries of pre-accession assistance <sup>(4)</sup> (Section 4.4) and on recovery orders extracted from the Commission accounting system, ABAC (direct management, Section 4.4).

Sectoral regulations on traditional own resources, shared management funds and pre-accession instruments specify the conditions under which Member States and beneficiary countries of pre-

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<sup>(1)</sup> Article 310(6) TFEU.

<sup>(2)</sup> This PIF Report is accompanied by seven Commission staff working documents:

- a) National anti-fraud strategies (NAFS) state of play and assessment;
- b) Measures adopted by Member States to protect the EU's financial interests in 2023;
- c) Follow-up on recommendations to the Commission report on the protection of the EU's financial interests and the fight against fraud – 2022;
- d) Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2023;
- e) Implementation of the action plan accompanying the Commission anti-fraud strategy (CAFS);
- f) Early Detection and Exclusion System (EDES) – Panel referred to in Article 143 of the Financial Regulation;
- g) Annual overview with information on the results of the Union anti-fraud programme in 2023.

<sup>(3)</sup> See, in particular, Box 2 of the [2021 PIF Report](#), Section 6.1, p. 31.

<sup>(4)</sup> Reported to the Commission via the Irregularity Management System (IMS).

accession assistance must report irregularities detected in those areas. The reporting of irregularities is subject to certain limitations <sup>(5)</sup>.

Two broad categories are used in this report for cases reported by the Member States and beneficiary countries: **fraudulent irregularities** <sup>(6)</sup> and **non-fraudulent irregularities** <sup>(7)</sup>.

[Section 4.1.1](#) summarises the main administrative investigative results of the European Anti-Fraud Office in 2023, taken from its annual report. The OLAF 2023 Annual Report <sup>(8)</sup> covers in particular all investigations closed in the reporting year.

[Section 4.1.2](#) summarises the main judicial investigative results of the European Public Prosecutor’s Office (EPPO) in 2023, taken from its annual report. The EPPO 2023 Annual Report <sup>(9)</sup> presents among others statistics on the investigations launched in the reporting year <sup>(10)</sup> as well as on all investigations ongoing at the end of the reporting year <sup>(11)</sup>.

The data sources have some significant underlying differences in nature, scope, budgetary areas covered and timelines <sup>(12)</sup>.

The PIF Report primarily takes a single year approach, presenting irregularities reported in the reporting year, and shows the amounts calculated and reported by the Member States as the financial impact of the irregularities detected <sup>(13)</sup>.

The following table summarises the main differences between the three main data sources.

**Figure 1: Similarities and differences between the data sources used in this report**

Scope	PIF Report	OLAF Report	EPPO Report
Specific to the activities of a single body	No	Yes	Yes
Fraudulent irregularities	Yes	Yes <sup>(a)</sup>	Yes

<sup>(5)</sup> For a description of these limitations, see Box 3 in the [2021 PIF Report](#), Section 6.1, p. 32.

<sup>(6)</sup> Fraudulent irregularities are those for which the reporting country provided the classification of fraud in traditional own resources, suspected fraud or established fraud in relation to shared management and pre-accession.

<sup>(7)</sup> All irregularities that have not been classified as fraudulent are considered as non-fraudulent.

<sup>(8)</sup> [https://ec.europa.eu/olaf-report/2023/index\\_en.html](https://ec.europa.eu/olaf-report/2023/index_en.html)

<sup>(9)</sup> [https://www.eppo.europa.eu/sites/default/files/2024-03/EPPO\\_Annual\\_Report\\_2023.pdf](https://www.eppo.europa.eu/sites/default/files/2024-03/EPPO_Annual_Report_2023.pdf)

<sup>(10)</sup> Total number of investigations and estimated financial damage, number of VAT fraud investigations and related estimated financial damage.

<sup>(11)</sup> These statistics are provided in the form of aggregated data on all ongoing investigations, including those initiated in previous years and not yet closed. They cover, among others, the number of offences investigated, broken down by type, and the number of investigations broken down by expenditure programme. Other aggregated statistics on the EPPO’s activities refer to the judicial activities and the number of complaints or reports received from national authorities.

<sup>(12)</sup> The reporting workflow from the Member States and, ultimately, the availability of complete data for the preparation of this report depend heavily on information from the authorities detecting and investigating the irregularity or fraud. Reporting bodies in the Member States (mainly managing authorities or paying agencies in shared management and customs authorities in relation to traditional own resources) may report about criminal investigations only when the relevant judicial or law enforcement authorities provide them with the authorisation and the necessary information. This implies that while the EPPO, OLAF or national law enforcement are actively investigating a case, bodies responsible for reporting irregularities and fraud to the Commission might not be in the position to do so in certain cases because of the possible confidentiality of investigations. In such cases, this information will only become available when the investigation is completed and is therefore not included in the PIF Report until such time.

<sup>(13)</sup> These financial amounts to a large extent tend to be those for which recovery is effectively pursued.

Non-fraudulent irregularities	Yes	Yes	No
<b>Territorial scope</b>			
EPPO participating Member States	Yes	Yes	Yes
Non-EPPO Member States	Yes	Yes	Yes <sup>(a)</sup>
Non-EU countries	Yes <sup>(b)</sup>	Yes	Yes <sup>(a)</sup>
<b>Budgetary area</b>			
Shared management	Yes	Yes	Yes
Customs fraud (non-VAT)	Yes	Yes	Yes
Indirect management (pre-accession)	Yes	Yes	Yes <sup>(a)</sup>
Direct management (not RRF)	Yes	Yes	Yes
Direct management (RRF)	No	Yes	Yes
VAT fraud	No	Yes	Yes
<b>Data sources</b>			
Direct <sup>(c)</sup>	Partial	Yes	Yes
Indirect <sup>(d)</sup>	Yes	No	No
<b>Timeline</b>			
Year-to-year <sup>(e)</sup>	Yes	Yes	Partial
Aggregated <sup>(f)</sup>	Partial	Partial	Yes
<sup>(a)</sup> Within the limits of its mandate.			
<sup>(b)</sup> Limited to countries benefitting from pre-accession assistance			
<sup>(c)</sup> Direct data source means that the report refers to cases directly investigated by the reporting body. Data on cases detected by the Commission is only a limited part of the data set used in the PIF Report.			
<sup>(d)</sup> Indirect data source implies that data reported come from a different data source. In the case of the PIF Report, the Commission uses data about irregularities (fraudulent and non-fraudulent) reported by national authorities of Member States and Candidate Countries.			
<sup>(e)</sup> The EPPO report shows information on the data referred to in the reporting year (opened investigations, freezing orders granted) as well as aggregated data (active investigations).			
<sup>(f)</sup> Aggregated data (usually the last 5 years) for the PIF Report are available in the staff working document 'Statistical evaluation of reported irregularities', but not in the report itself. - The OLAF report provides aggregated data on some types of information, mainly referring to the last 5 years. - The EPPO report provides aggregated data when referring to active investigations.			

## 2. KEY MEASURES AT EU LEVEL

This section focuses on the main developments in key policy and legislative initiatives at EU level to protect the EU's financial interests. It is not an exhaustive list.

### 2.1. Financial Regulation recast

Protection of the EU's financial interests has been strengthened by political agreement on recasting the Financial Regulation of 7 December 2023. The amendments made to the Early Detection and Exclusion System (EDES) and the introduction of the legal basis for a risk scoring and data mining tool, as well as changes to the transparency system, are meant to address and improve fraud detection and prevention and the fight against fraud.

First, in relation to the EDES, the co-legislators agreed to extend its scope for the most serious offences (e.g. fraud, corruption, money laundering activities) to shared management funds and funds disbursed under direct management with Member States. The amendment will be in force

for programmes adopted or financed as from 1 January 2028. In addition, the new Financial Regulation will bring more improvements to the system, including (i) the possibility to exclude beneficial owners and affiliated entities of a primary excluded entity; (ii) new grounds of exclusion (e.g. refusal to cooperate in investigations, checks or audits carried out by EU investigative bodies); (iii) the introduction of an expedited procedure before the EDES Panel.

The recast of the Financial Regulation also introduced the legal basis for a modernised data mining and risk scoring tool to be built on the existing tool called Arachne. The current tool is used by the Commission and a number of Member States on a voluntary basis in shared management and for the Recovery and Resilience Facility (RRF). The modernised data mining and risk scoring tool will be used in all management modes. All Member States will be required to feed the tool with data as from the next multiannual financial framework. The Commission must assess the readiness of the revised tool by 2027 in terms of interoperability with other IT systems and databases (avoiding duplication of reporting), risk indicators targeted to user needs, AI for analysing and interpreting data, and data protection. On that basis, the possibility of compulsory use may be discussed again by the co-legislators.

To reduce the administrative burden for the Member States and for all entities that implement the EU budget, the Financial Regulation recast also introduced an element of interoperability and harmonised the data categories that will be extracted from the data mining and risk scoring tool into the Commission Financial Transparency System.

## **2.2. Implementation of national recovery and resilience plans**

In 2023, alongside RRF implementation, an additional priority for the Commission was the revision of the 27 recovery and resilience national plans (RRPs) to accommodate the changed circumstances resulting from energy market disruptions caused by Russia's war of aggression against Ukraine. With the addition of REPowerEU chapters to the RRPs, the EU aims to rapidly reduce its dependence on Russian fossil fuels by accelerating the clean energy transition.

In 2023, the Commission disbursed 22 payments to Member States for a total of EUR 74.4 billion (EUR 28.7 billion in loans). This brings the total disbursements to EUR 220.5 billion by the end of 2023, divided into 141.6 billion in grants (40% of the total RRF envelope of EUR 357 billion) and EUR 78.9 billion in loans (27% of the total RRF envelope of EUR 291 billion).

Since the start of the RRF, the Commission has created a robust audit and control framework based on two pillars. The first pillar ensures the regularity and legality of spending. The second pillar deals with the protection of the EU's financial interests (PFIU audits). According to Article 22(1) of the RRF Regulation, it is primarily the responsibility of the Member States to protect the EU's financial interests and ensure that the use of funds in relation to measures supported by the RRF complies with applicable EU and national law. The Commission should receive reasonable assurance from Member States on this.

Benefiting from the findings and recommendations of Commission auditors (including from the Internal Audit Service), the European Court of Auditors and the European Parliament, the Commission strengthened its audit and control framework by verifying how Member States' control systems ensure compliance with EU and national rules. RRP revisions have also been an opportunity to reassess the adequacy and robustness of Member States' control systems and include additional requirements in the plans where needed in the form of new audit and control milestones. The disbursement of EU funds can only be authorised if such milestones are fulfilled satisfactorily.



In 2023, the Commission carried out 13 PFIU system audits <sup>(14)</sup>. They covered 12 coordinating bodies and 58 implementing bodies, such as ministries or agencies. By the end of 2023, all Member States had been audited at least once.

Based on the system audit work carried out in 2023, Member States have started to implement the necessary improvements stemming from audit findings in the audited implementing bodies but also in other relevant bodies.

In 2023, the Commission informed OLAF about 15 cases of potential fraud.

### **2.3. The Whistleblower Protection Directive – state of transposition <sup>(15)</sup>**

By the end of 2023, 24 Member States <sup>(16)</sup> had adopted national legislation to transpose the Directive and declared their transposition complete.

The Commission will published in July 2024 a report on the compliance of the national measures with the Directive, to assess whether the Directive’s provisions have been transposed completely and correctly and highlight the main shortcomings identified.

#### ***Snapshot 1: National measures to transpose the Directive <sup>(17)</sup>***

The document ‘Measures adopted by the Member States’ that accompanies this report describes the specific measures adopted by five Member States <sup>(18)</sup> to better protect whistleblowers. Previous PIF reports <sup>(19)</sup> have already emphasised the key role that whistleblowers can play in boosting fraud detection, investigation and prosecution. This can have positive effects also on other stages of the anti-fraud cycle (prevention, recovery, etc).

### **2.4. Revision of the action plan accompanying the Commission anti-fraud strategy**

The current Commission anti-fraud strategy (CAFS), adopted in 2019, seeks to further improve the prevention, detection and sanctioning of fraud and frames the Commission’s ongoing efforts to decrease the level of fraud committed against the EU budget. As its accompanying action plan was implemented by 2022, the Commission adopted a new action plan in July 2023 <sup>(20)</sup>.

The new action plan includes 44 actions under seven themes that cover the Commission’s priorities in fighting fraud. With digitalisation as the plan’s first theme, a quarter of the actions focus on improving the Commission’s and Member States’ use of IT tools for anti-fraud purposes, for example Arachne, EDES and the Irregularity Management System (IMS). The plan also provides for increased cooperation within the Commission and with key external partners

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<sup>(14)</sup> Austria, Belgium, Croatia, France, Germany, Hungary, Italy, Luxembourg, Netherlands, Portugal, Romania, Slovakia, and Sweden.

<sup>(15)</sup> Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law, OJ L 305, p. 17.

<sup>(16)</sup> All Member States but Belgium, Estonia and Poland.

<sup>(17)</sup> Other measures for the transposition of the Directive reported by five Member States – Belgium, Cyprus, France, Greece and Romania – are described in the document [Measures adopted by the Member States to protect the EU’s financial interests](#), accompanying the PIF Report 2022.

<sup>(18)</sup> Belgium, Bulgaria, Czechia, Poland and Spain.

<sup>(19)</sup> See [Section 4.4](#) of the PIF Report 2022 and Recommendation 2 (p. 28) of the [PIF Report 2017](#).

<sup>(20)</sup> COM(2023) 405 final and SWD(2023) 245 final.

and civil society to protect EU funding. Other themes include the RRF, customs fraud and further strengthening the ethics and anti-fraud culture in the Commission.

Implementation of the action plan is ongoing <sup>(21)</sup>.

## 2.5. EU anti-corruption package

### 2.5.1. Directive on combating corruption by criminal law

In her 2022 State of the Union address, the President of the Commission announced that the Commission will update its legislative framework for fighting corruption ‘by raising standards on offences such as illicit enrichment, trafficking in influence and abuse of power, beyond the more classic offences such as bribery’. Delivering on that commitment, the Commission adopted a package of anti-corruption measures in May 2023, including a proposal for a Directive on combating corruption <sup>(22)</sup>. The ambitious proposal aims to step up the prevention of corruption in all Member States, harmonise corruption offences and sanctions, and ensure that law enforcement and prosecution authorities have the tools they need to fight corruption.

### 2.5.2. Communication on the fight against corruption

In a Joint Communication <sup>(23)</sup>, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy brought together existing work and developed new directions and tools at both EU and Member State level to prevent and fight corruption, also feeding into a clear commitment to tackling corruption at global level. It established an EU network against corruption, bringing together law enforcement, public authorities, practitioners, civil society and other stakeholders to act as a catalyst to prevent corruption across the EU, create synergies for cooperation and develop best practices and practical guidance in areas of common interest. A first meeting took place in September 2023 <sup>(24)</sup>. OLAF, Eurojust, Europol and the European Public Prosecutor’s Office (EPPO) are all members of the network. One key task of the network will be to help the Commission **identify common areas where corruption risks are high across the EU**. This outcome will be a building block for a future **EU anti-corruption strategy**.

Within the EU institutions there is zero tolerance of corruption. The Communication details the ethical, integrity and transparency rules in place to prevent corruption within the institutions.

### 2.5.3. Expanding the Common Foreign and Security Policy sanctions toolbox to cover serious acts of corruption

EU sanctions help to achieve key Common Foreign and Security Policy objectives such as preserving peace, strengthening international security, and consolidating and supporting democracy, international law and human rights. With the proposal, **the EU will be able to target serious acts of corruption worldwide**, no matter where they occur. It will complement and strengthen the EU’s internal and external instruments against corruption and show the EU’s determination to use any tools, including sanctions, to fight it.

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<sup>(21)</sup> For a complete overview of the state of implementation of the actions, see ‘Commission Anti-Fraud Strategy (CAFS) action plan state-of-play May 2024’ accompanying this report.

<sup>(22)</sup> COM (2023) 234 final.

<sup>(23)</sup> [JOIN\(2023\) 12 final](#) of 3 May 2023.

<sup>(24)</sup> [EU network against corruption - European Commission \(europa.eu\)](#).

## 2.6. The EU anti-fraud programme

The EU anti-fraud programme (UAFP), with a budget of EUR 181 million for 2021-2027, provides financial support for (i) the protection of the EU's financial interests by its Member States; (ii) the organisation of mutual administrative assistance and cooperation in customs and agricultural matters (Anti-Fraud Information System – AFIS); and (iii) the development and maintenance of IMS for the reporting of irregularities by Member States.

The 2023 Financing Decision allocated EUR 16.1 million to the Hercule component, EUR 8.4 million to the AFIS component and about EUR 1 million to the IMS component. The available funds were successfully implemented in 2023 using the various financing instruments available.

In 2023, OLAF received its first association request from a non-EU country, Ukraine, in relation to the UAFP. An association agreement covering the participation of Ukraine in the programme has been negotiated between the Commission (represented by OLAF) and the relevant authorities of Ukraine (adopted in March 2024).

OLAF launched an interim evaluation of the programme in 2023, to be finalised by the end of 2024. It is being carried out with the support of an external contractor, who is undertaking an independent evaluation study. The results should provide valuable input on the programme's efficiency, effectiveness and relevance, and indicate areas of improvement for the remaining programming period.

## 2.7. The European Parliament's resolution on the 2022 PIF Report

On 18 January 2024, the European Parliament adopted its resolution on the protection of the EU's financial interests for 2022 <sup>(25)</sup>.

The Parliament welcomed the actions taken by the Commission in 2022 to improve the level of protection of the EU's financial interests, but called for further vigilance and complementary actions in this field. The resolution maintains that digitalisation has boosted the prevention and detection of fraud, simplified administrative procedures and that it needs to be at the heart of every anti-fraud strategy, including the national anti-fraud strategies (NAFS).

It emphasised that EDES has considerable potential for flagging people and companies that misuse EU funds and called for the system to be extended to all types of budget management modes, in particular shared management.

The Parliament urged the Commission to improve its rate of recovering funds unduly spent and strengthen its control of the use of funds under NextGenerationEU. In addition, it expressed its belief that funds under the Global Europe: Neighbourhood, Development and International Cooperation Instrument for assistance to non-EU countries and the resources allocated for the EU's response to the war in Ukraine are not adequately monitored and controlled.

Furthermore, the Parliament recommended the suspension of budgetary support to non-EU countries, including candidate countries, where the authorities clearly fail to take genuine action against widespread corruption, while ensuring that assistance reaches the civil population through alternative channels.

### ***Snapshot 2 – Commission's response to the European Parliament resolution***

The Commission is fully committed to continuing its efforts on the swift recovery of misused funds.

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<sup>(25)</sup> Procedure file [2023/2045\(INI\)](#).

The protection of the EU's financial interests and sound implementation of the RRF remains a core priority for the Commission, which increased the number of audits conducted in 2023 and will further increase them in 2024 <sup>(26)</sup>. Regulation (EU) 2023/435 requires Member States to publish twice per year information on the 100 final recipients receiving the highest amounts of RRF funding and, as required by the RRF Regulation, Member States are obliged to collect data on the contractors and subcontractors. Data on beneficial owners are collected and stored for audit and control purposes.

The targeted revision of the Financial Regulation, on which political agreement was reached in January 2024, aims to increase the efficiency and quality of controls and audits with the help of digitalisation and emerging technologies.

The fight against corruption is a major priority in pre-accession negotiations, with an embedded conditionality framework and a focus on capacity building. Programmes can be suspended and funds decommitted when deemed necessary.

## **2.8. Anti-money laundering and counter-terrorist financing**

Fraud against the EU budget may also be a predicate offense to money laundering and terrorist financing and a precursor to other crimes. Thus, even if not directly linked to the protection of the EU budget, the EU legal framework on anti-money laundering (AML) and counter-terrorist financing <sup>(27)</sup> is highly relevant in this context. With the recent adoption of the ambitious legislative package <sup>(28)</sup>, the Commission continues to reinforce the implementation of the AML policy framework and strives to establish good cooperation and exchanges of information with the upcoming AML authority <sup>(29)</sup>. AMLA is expected to become operational mid-2025.

## **3. MEMBER STATES' MEASURES TO PROTECT THE EU'S FINANCIAL INTERESTS**

### **3.1. National anti-fraud strategies**

In 2023, 21 out of 27 Member States indicated that they have an anti-fraud strategy in place for the protection of the EU's financial interests <sup>(30)</sup>. The approach taken by the 21 Member States varied widely.

Ten Member States indicated they have a NAFS that covers all expenditure sectors <sup>(31)</sup>. They were not asked to elaborate on other anti-fraud strategies in place with a more limited scope.

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<sup>(26)</sup> See [Section 2.2](#).

<sup>(27)</sup> Anti-money laundering and countering the financing of terrorism at EU level - European Commission (europa.eu). At the moment of the preparation of this report all Member States have reported full transposition of the fifth anti-money laundering directive (EU Directive 2018/843) on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

<sup>(28)</sup> [Anti-money laundering and countering the financing of terrorism legislative package - European Commission \(europa.eu\)](#).

<sup>(29)</sup> [AMLA - European Commission \(europa.eu\)](#).

<sup>(30)</sup> The information was gathered via a dedicated questionnaire. See the document 'Measures adopted by the Member States to implement Article 325 TFEU' accompanying this report.

<sup>(31)</sup> For a detailed analysis of the anti-fraud strategies, see 'National Anti-Fraud Strategies (NAFS): state of play and assessment' accompanying this report.

**Figure 2: Overview of national anti-fraud strategies covering all expenditure sectors**

MS	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK
NAFS (all sectors)																											
Planned adoption																											

Yes
No

On the question of possible preparation of a NAFS, out of the 17 Member States who do not have one covering all expenditure sectors, 3 Member States<sup>(32)</sup> are in the preliminary stage of adopting one, i.e. establishment of the legal framework, 1<sup>(33)</sup> is in the preparatory phase, i.e. state of play and fraud risk assessment, and 4 Member States<sup>(34)</sup> declared not having a national anti-fraud strategy nor an ongoing procedure for adopting one. The remaining 9<sup>(35)</sup> have other anti-fraud strategies in place.

**Figure 3: Overview of other anti-fraud strategies reported by Member States without a national anti-fraud strategy covering all expenditure sectors**

MS	AT	BE	CY	DE	DK	EE	EL	ES	FI	HR	IE	LT	LU	NL	PL	SE	SI
<b>Other AFS</b>																	
Regional																	
Sectoral national																	
Sectoral regional																	
Anti-corruption																	
Authority level																	
Programme level																	
Other																	
<b>Sectors covered</b>																	
Cohesion																	
Agriculture																	
Fisheries																	
Customs																	
VAT																	
RRF																	
Other shared management funds																	
Other																	

### 3.2. Anti-fraud measures adopted at national level

Member States reported a total of **69 measures**. Among the measures adopted, 49 were single measures and the other 20 were a package of individual measures. These packages consisted of 39 actions. This means that a total of **88 individual measures** were reported by Member States, comprising 41 new measures and 44 updates/amendments. In addition, 3 package measures contained both new and updated measures.

**Figure 4 – Summary of measures reported by Member States in 2023**

Member State	Measures adopted
<b>Austria</b>	Two measures related to cohesion policy. The first aims to facilitate the exchange of information between the money laundering reporting unit and relevant national and foreign authorities, as well as with Europol. The second strengthens checks on expenditure submitted by beneficiaries.
<b>Belgium</b>	Three measures, two of which are of a cross-cutting nature (adoption of the legislation to protect whistleblowers and the Walloon policy to combat cross-cutting fraud) and one related to the use of Arachne as part of their European Regional Development Fund (ERDF), European Social Fund (ESF) and RRF programmes.

<sup>(32)</sup> Denmark, Lithuania, Netherlands.

<sup>(33)</sup> Luxembourg.

<sup>(34)</sup> Croatia, Ireland, Slovenia, Sweden.

<sup>(35)</sup> Austria, Belgium, Cyprus, Estonia, Finland, Germany, Greece, Poland and Spain.

<b>Bulgaria</b>	Three legislative measures on the management of irregularities, the protection of whistleblowers and creation of a new anti-corruption commission.
<b>Croatia</b>	Three measures: two dedicated to shared management (introduction of a new IT tool for the monitoring of the European Maritime and Fisheries Fund (EMFF) and anti-fraud training by OLAF) and one to the RRF.
<b>Cyprus</b>	Two legislative and one administrative measures. They cover the establishment of a national coordinating body for combating fraud affecting the EU's financial interests, the monitoring of RRP implementation and implementation of the 'Lobbying Law'.
<b>Czechia</b>	Three measures on the protection of whistleblowers, the fight against VAT fraud, and the fight against corruption and fraud in EU funds.
<b>Denmark</b>	Two measures relate to anti-fraud strategies, one covering the national RRP and the second the fisheries policy. The third measure concerns the introduction of a new IT tool for the management of payments in cohesion policy.
<b>Estonia</b>	The three measures concern the strengthening of the investigative capacity into corruption and economic crimes of the Estonian Police and Border Guard; the launch of a new information system in the area of customs; and some improvements to the national e-procurement platform.
<b>Finland</b>	Two measures: one on a customs project focused on food fraud, and the second related to anti-fraud training in the area of cohesion policy
<b>France</b>	Three measures: two provide for the setting up of an inter-ministerial monitoring unit to tackle public aid fraud and a working group to analyse emerging fraud in relation to the RRF; the third establishes a system of financial liability for public managers and the development of relations between the judicial authority and the financial courts.
<b>Germany</b>	As Germany is a federal state, anti-fraud measures are often taken at regional level. Three such measures were reported on the deployment of fraud risk assessment tools in Berlin, Saxony and Schleswig-Holstein.
<b>Greece</b>	The first measure integrates procedures on preventing and combating fraud into the management and control system of cohesion policy; the second concerns the introduction of the IT tool Arachne in relation to the common agricultural policy; and the third describes the launching of an IT platform to collect complaints from citizens in the area of customs and tax fraud.
<b>Hungary</b>	Three measures: the first defines the tasks of the Directorate for Internal Audit and Integrity (DIAI) in relation to the prevention of conflicts of interest; the second develops cooperation between the National Tax and Customs Administration and the DIAI; and the third consists of a plan for European Agricultural Guarantee Fund <i>ex post</i> controls and an audit plan.
<b>Ireland</b>	Two measures on the ESF+ programme and the fight against e-commerce VAT fraud.
<b>Italy</b>	The three measures concern the RRP: an anti-fraud strategy, improving the IT tool for monitoring and implementing the plan; and strengthening the investigative role of the economic and financial police in relation to the RRF.
<b>Latvia</b>	Three measures: the first, of a cross-cutting nature, concerns anti-corruption; the second focuses on VAT fraud in vehicle trade; and the third deals with public procurement.
<b>Lithuania</b>	Three measures, two of which focus on public procurement and address related issues of conflicts of interest and corruption, and one that approves a methodology

	for the application of sanctions in relation to agricultural and fisheries policies.
<b>Luxembourg</b>	An organisational measure related to the preparatory work for the adoption of the national anti-fraud strategy.
<b>Malta</b>	Training programmes for national officials in the area of anti-corruption.
<b>Netherlands</b>	Two measures on reporting suspected fraud to the EPPO and checks on actual land use.
<b>Poland</b>	Two measures deal with the RRF: the adoption of guidelines on controls and the whistleblowers policy. The third measure concerns the adoption of guidelines on procedures for granting and disbursing financial aid in the common agricultural policy (CAP).
<b>Portugal</b>	Three measures: an update of its NAFS; a training activity for managing authorities on fraud risk assessment; and the strengthening of systematic risk analysis in customs.
<b>Romania</b>	The three measures focus on VAT fraud, the reporting of suspicions of fraud to the EPPO and the adoption of the NAFS for the period 2023-2027.
<b>Slovakia</b>	Three measures: the first provides a reference document on the measures to protect the RRF funds from serious irregularities; the second concerns the establishment of the anti-corruption board and its policy; and the third relates to guidelines to fight conflicts of interest in the CAP.
<b>Slovenia</b>	Two sets of measures, the first aimed at strengthening controls in the CAP, and the second on the deployment of an IT platform in customs. The third measure concerns the correction of the transposition into national law of the PIF Directive.
<b>Spain</b>	The three measures focus on whistleblower protection and the protection of the resources allocated to Spain from the RRF.
<b>Sweden</b>	Two measures, both aim to explore ways to improve information exchange and cooperation between national administrations.

### **3.3. Implementation of the 2022 Commission recommendations to Member States**

In its 2022 PIF Report, the Commission made three recommendations to Member States: a) the improvement of detection, reporting and follow-up of suspected fraud; b) the need to digitalise the fight against fraud; and c) the reinforcement of anti-fraud governance in the Member States <sup>(36)</sup>.

#### **3.3.1. Improving the detection, reporting and follow-up of suspected fraud**

Most Member States <sup>(37)</sup> assess their country as having a low incidence of fraud. As it remains hard to determine whether low levels of reported fraud accurately represent the success of certain anti-fraud measures, it is crucial that Member States continue to detect and report fraud, while

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<sup>(36)</sup> For a complete overview and detailed description of the follow-up actions summarised in this section, see ‘Implementation of the 2022 recommendations by the Member States’ accompanying this report.

<sup>(37)</sup> Austria, Belgium, Bulgaria, Croatia, Czechia, Denmark, Finland, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Netherlands, Portugal, Slovakia and Spain.

developing measures and tools to prevent it. Several Member States <sup>(38)</sup> indicate that they have conducted a fraud risk analysis to assess the reasons for low detection of suspected fraud.

While half of the Member States that analysed their low level of fraud identified weaknesses in fraud detection, most of them stated that successful interventions to prevent fraud are ensured when a multi-stakeholder and multilevel approach is in place. This facilitates cooperation among all domestic, national and international players involved.

Within this cooperation, it is important that certain core principles are respected:

- a clear distribution of responsibilities between audit and control bodies within the Member States;
- regular administrative and on-the-spot checks to keep the levels of incidence of fraud low;
- continued reporting to the Commission via the IMS, to the EPPO as well as to national audit and control bodies of the Member States; these comparative data can then be used to assess the level of incidence of fraud;
- initiatives that facilitate knowledge sharing and best practices, as well as benchmarking the performance of Member States, while acknowledging the varying sizes, specific situations etc. (as indicated by some Member States <sup>(39)</sup>);
- training courses, guidelines and workshops to keep the performance and quality of performance high;
- internal mechanisms to prevent fraud are ensured within the various bodies, e.g. by taking measures such as the four-eyes principle within all institutions.

### **3.3.2. The digitalisation of the fight against fraud at Member State level**

The case for digitalising the fight against fraud has been made in recent PIF reports, and progress is being made at Member State level.

Among the measures implemented, Member States have indicated an inventory of existing tools, the maintenance of interoperability between these tools and the development of new tools for the IT architecture. Many Member States continue to invest in the revision and development of existing IT tools, in particular the data mining and risk scoring tool Arachne. As several Member States have just started implementing their NAFS, it is recommended to integrate IT tools from an early stage.

Over half of the Member States <sup>(40)</sup> have reportedly taken steps to identify and address skills gaps in digitalisation, mostly referring to a lack of information and/or access to data on digitalisation. Measures to address these gaps often involve knowledge sharing, training, and broadening of know-how and skills in the field of digitalisation, as well as continued development of the available systems.

However, developments in the area of new technologies also pose potential threats when it comes to fighting fraud. While over half of the Member States <sup>(41)</sup> have acknowledged this issue, there are still several among them <sup>(42)</sup> that have not yet integrated these concepts as part of their anti-

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<sup>(38)</sup> Austria, Belgium, Bulgaria, Croatia, Czechia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Malta, Netherlands, Portugal, Spain and Slovenia.

<sup>(39)</sup> Estonia, Greece and Italy.

<sup>(40)</sup> Austria, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Malta, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden.

<sup>(41)</sup> Austria, Belgium, Bulgaria, Denmark, Estonia, France, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Portugal, Slovenia, Slovakia and Spain.

<sup>(42)</sup> Croatia, Cyprus, Czechia, Finland, Germany, Netherlands, Poland, Romania, Sweden.

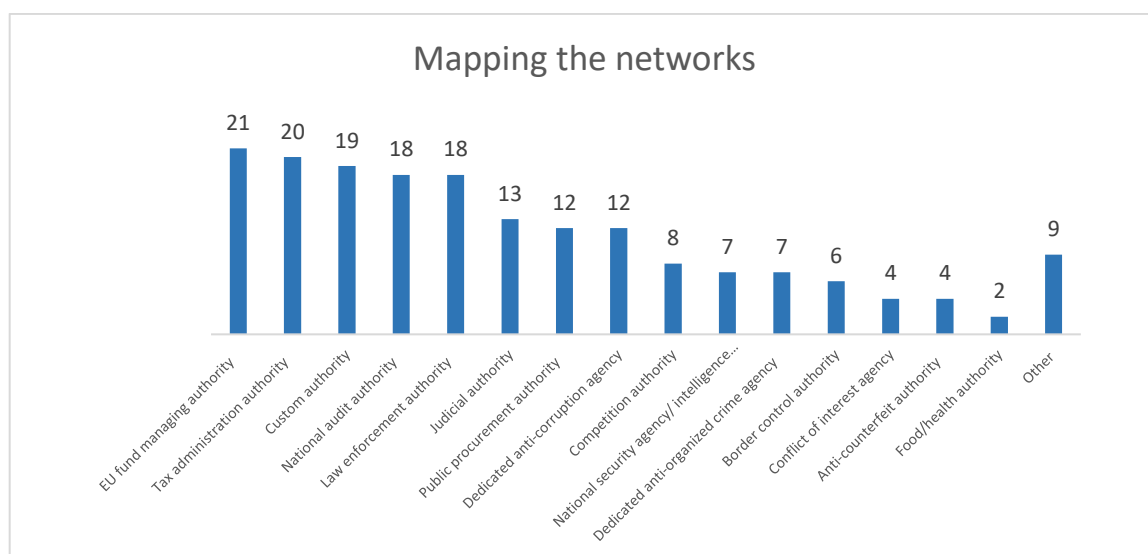


fraud strategies. A few Member States <sup>(43)</sup> have already fully implemented measures to identify and address the threats posed by new technologies, but most Member States <sup>(44)</sup> have only implemented some measures.

### 3.3.3. Strengthening anti-fraud governance in the Member States

Most Member States <sup>(45)</sup> have an anti-fraud cooperation network in place or under development. These networks consist of many different bodies. According to the survey, the following agencies are most commonly represented in the national anti-fraud networks: EU fund managing authorities, tax administration authorities, customs authorities, national audit authorities and law enforcement authorities. **Figure 5** shows the various agencies that are represented (and how often they are included) within the national anti-fraud network. Additionally, almost all Member States actively cooperate with EU-level investigative, prosecution and judicial and bodies, in particular with OLAF and the EPPO.

*Figure 5: Mapping the anti-fraud networks*



Most Member States <sup>(46)</sup> have sufficient staff in their national anti-fraud coordinating structure. However, the majority of the Member States point out that there is a need to improve staff's expertise level.

<sup>(43)</sup> Germany, Italy, Poland, Romania.

<sup>(44)</sup> Austria, Belgium, Bulgaria, Czechia, Denmark, Estonia, Finland, France, Hungary, Latvia, Lithuania, Portugal, Slovenia, Spain and Sweden.

<sup>(45)</sup> Austria, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Malta, Poland, Portugal, Romania, Slovenia, Slovakia, Spain and Sweden. In development: Belgium, Ireland, Lithuania and Netherlands.

<sup>(46)</sup> Adequately staffed with necessary expertise: Austria, Bulgaria, Czechia, Denmark, Germany, Greece, Hungary, Italy and Slovenia. Staffing needs improvement: Cyprus, Estonia, Finland, France, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Spain and Sweden.

## **4. COMBATING IRREGULARITIES, FRAUD, CORRUPTION AND CONFLICTS OF INTEREST DETRIMENTAL TO THE EU BUDGET**

### **4.1. General overview**

From an operational point of view, protecting the EU's financial interests from fraud, irregularities and other illicit activities is entrusted to national authorities, OLAF and the EPPO.

A total of 13 563 fraudulent and non-fraudulent irregularities, amounting to EUR 1.90 billion, were reported <sup>(47)</sup> in 2023. There has been a slight increase in reported irregularities compared to 2022 (+2.3%) and in the related irregular amounts (+4.6%).

The number of fraudulent irregularities reported by national authorities to the Commission via the IMS has remained relatively stable over the last 5 years and amounted to 1 030 in 2023 (-9.5% compared to 2022). The financial amounts linked to these cases have varied more due to a limited number of individual cases with high financial impact, and increased to EUR 585.8 million in 2023 (+103% compared to 2022).

The number and financial impact of the reported non-fraudulent irregularities peaked in 2023 following a growing trend over the last 5 years, with 12 533 irregularities (+3.5% compared to 2022) involving a financial amount of EUR 1.31 billion (-14%).

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<sup>(47)</sup> Irregularities were reported by the Member States and non-EU countries in IMS in relation to expenditure and in OWNRES in relation to TOR. Irregularities related to direct management are extracted from the Commission accounting system ABAC.

**Figure 6: Reported irregularities and related financial amounts – 2019-2023; irregularities and related financial amounts by budgetary area – 2023**



#### 4.1.1. Investigations by OLAF

In 2023 OLAF concluded investigations into 265 cases, issuing 309 recommendations, of which 185 financial, for a total recommended amount for recovery of EUR 1 043.8 million and EUR 209.4 million prevented from being unduly spent<sup>(48)</sup>. Over the same period 190 new investigations were opened, of which 26 (14%) were related to own resources and 2 (1%) to illicit trade, 85 (45%) to shared management and the RRF, 23 (12%) to indirect management, and 39 (21%) to direct management. 18 (9%) investigations were opened in relation to internal matters<sup>(49)</sup>.

OLAF investigated allegations and instances of collusion, manipulation of procurement procedures, conflicts of interest, inflated invoices, evasion of customs duties, smuggling and counterfeiting. One emerging trend, which was very visible in 2023, is the use of administrative violations, preferably in artificially created cross-border situations, with the aim to defraud the EU budget without being detected. A trend that continued to grow in 2023 was complex frauds taking place online and across multiple jurisdictions.

<sup>(48)</sup> The data reported in this section are included in the [OLAF Annual Report 2023](#).

<sup>(49)</sup> The sum of the investigations opened per budgetary area is higher than the total number of investigations opened in 2023 (190), as an investigation can cover more than one sector.

#### 4.1.2. Investigations by the EPPO

In 2023, the EPPO opened 1 371 investigations corresponding to estimated damages of EUR 12.28 billion <sup>(50)</sup>. At the end of 2023, the EPPO had 1 927 active investigations involving an estimated damage of EUR 19.27 billion, of which almost 60% (EUR 11.50 billion) was linked to 339 VAT-related investigations. In terms of the EU's financial interests at stake, only a small share (0.3%) of the VAT-related financial amounts belongs to the EU budget <sup>(51)</sup>. 1 349 investigations involved cases of expenditure fraud with estimated financial damage of EUR 7.24 billion. Of these, 233 investigations refer to recovery and resilience programmes, with an estimated financial damage of EUR 1.86 billion.

Among the typologies identified in these active investigations, 1 486 offences (33.9% of the total) relate to non-procurement expenditure fraud, 379 (8.6%) to procurement expenditure fraud, 131 (3%) to corruption, 72 (1.6%) to misappropriation, 226 (5.2%) to money laundering, 405 (9.2%) to non-VAT revenue fraud and 873 (19.9%) to VAT revenue fraud.

#### 4.2. Revenue – traditional own resources <sup>(52)</sup>

In 2023, the number of **fraudulent and non-fraudulent irregularities** (5 118) relating to traditional own resources (TOR) was **10% higher** than the average number of irregularities reported in the past 5 years. However, the total estimated and established **amount involved decreased by 12%** to EUR 478 million. The number of fraudulent irregularities declined by 27%, while the number of non-fraudulent irregularities increased by 15% compared to the 5-year average for 2019-2023. The related estimated and established amount involved decreased by 54% for fraudulent cases and by less than 1% for non-fraudulent cases compared to the 5-year period.

Smuggling remains one of the main **modus operandi** for fraudulent cases, while the most common type for non-fraudulent cases is incorrect classification/misdescription of goods. In monetary terms, most cases reported in 2023 relate to the **incorrect value** of goods (1 157 cases amounting to EUR 165 million involved). **Textiles and footwear** continue to be the most affected goods in terms of number of cases and value. **China, the United States and Vietnam** remain the top three countries of origin of goods affected by irregularities.

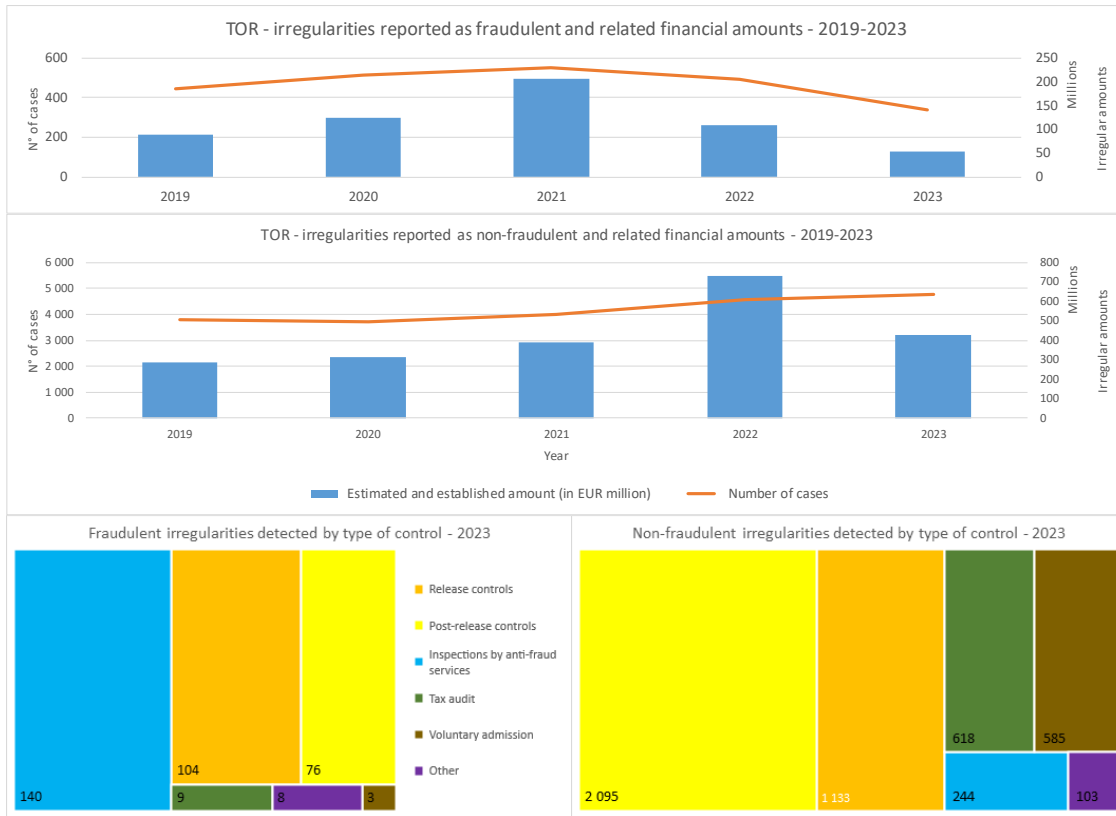
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<sup>(50)</sup> The data reported in this section are included in the [EPPO Annual Report 2023](#).

<sup>(51)</sup> For the period 2021-2027, a uniform call rate of 0.3% is being applied on each Member State's [VAT base](#).

<sup>(52)</sup> For a detailed analysis of irregularities reported by the Member States in relation to TOR, see 'Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2023' accompanying this report, Section 2.

**Figure 7: Irregularities detected and reported in TOR and detection by type of control**



**Snapshot 3: Detecting fraud and irregularities in TOR**

**Release for free circulation** remains the **customs procedure** most affected by irregularities (4 236 cases with an overall estimated and established amount of EUR 397 million, which translates, whether fraudulent or non-fraudulent, into 83% of all cases and amounts reported for 2023).

In 2023, **inspections by national anti-fraud services** (41% of cases and 61% of amounts) together with customs release controls and post-release controls played a crucial role in detecting fraudulent cases. Non-fraudulent instances were primarily detected by **post-release controls** (44% of cases with 34% of amounts), although other methods of detection, such as release controls and tax audits, were also successful.

Thirteen Member States reported 87 cases of **smuggled cigarettes**, with nearly EUR 13 million of the estimated amount of TOR involved. In 2023, the highest number of cases was reported by **Lithuania** (23), and the highest amount of TOR was reported by **Belgium** (EUR 3.8 million in total). Compared to 2022, 11 Member States<sup>(53)</sup> continue to have smuggling cases, whereas two<sup>(54)</sup> reappear in the statistics. This might indicate a potential shift in fraud or cigarette smuggling routes to other Member States.

**Snapshot 4: Joint Customs Operations**

Joint Customs Operations (JCOs) are targeted actions of a limited duration aimed at combating fraud and the smuggling of sensitive goods in specific areas at risk and/or on identified trade routes. In 2023, 13 JCOs were co-organised or supported by OLAF covering a broad spectrum of

<sup>(53)</sup> Belgium, Bulgaria, Estonia, Greece, Spain, France, Croatia, Latvia, Lithuania, Poland and Romania.

<sup>(54)</sup> Slovakia and Finland.

targets: from the fight against tobacco smuggling, illegal waste shipments, counterfeit and substandard oncological medicines and hormonal substances, counterfeit food and beverages, counterfeit and/or hazardous toys to the detection of goods undervaluation and the smuggling of protected species <sup>(55)</sup> of wild fauna and flora <sup>(56)</sup>.

### 4.3. Expenditure

This section covers the areas of shared, indirect and direct management expenditure. The first two are based on the analysis of fraudulent and non-fraudulent irregularities reported via IMS and the latter on data extracted from the Commission accounting system ABAC.

#### 4.3.1. Agriculture <sup>(57)</sup>

During the period 2019-2023, irregularities (both fraudulent and non-fraudulent) reported by the Member States in **rural development** increased, mainly due to rising detections during the programming period 2014-2020. The fraudulent irregularities under **support to agriculture** peaked in 2022, when the number was influenced by one Member State that reported many small interlinked cases. The irregular financial amounts involved in non-fraudulent irregularities fluctuated significantly, mainly because of cases involving high amounts for market measures.

**Detection rates** for rural development were much higher than for support to agriculture. However, one part of support to agriculture, market measures, accounted for the highest detection rates. The detection of irregularities, especially fraud, was concentrated in a few Member States.

During the period 2019-2023, fraudulent irregularities often involved **falsification of the aid request** or of **documentary proof**. For market measures and rural development, violations concerning the **implementation of the action** were also significant, thus confirming patterns and risks already highlighted in previous reports <sup>(58)</sup>.

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<sup>(55)</sup> Under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.

<sup>(56)</sup> See OLAF Annual Report 2023.

<sup>(57)</sup> For a detailed analysis of irregularities reported by the Member States in relation to agriculture, see ‘Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2023’ accompanying this report, Section 3.

<sup>(58)</sup> See snapshot 3 in [Section 4.3.1](#) of the PIF Report 2022.

**Figure 8: Reported irregularities in CAP by type of expenditure<sup>(59)</sup> and duration of irregularities (from beginning of irregular behaviour to closure of the case)**

FDR and IDR by type of expenditure - 2019-2023

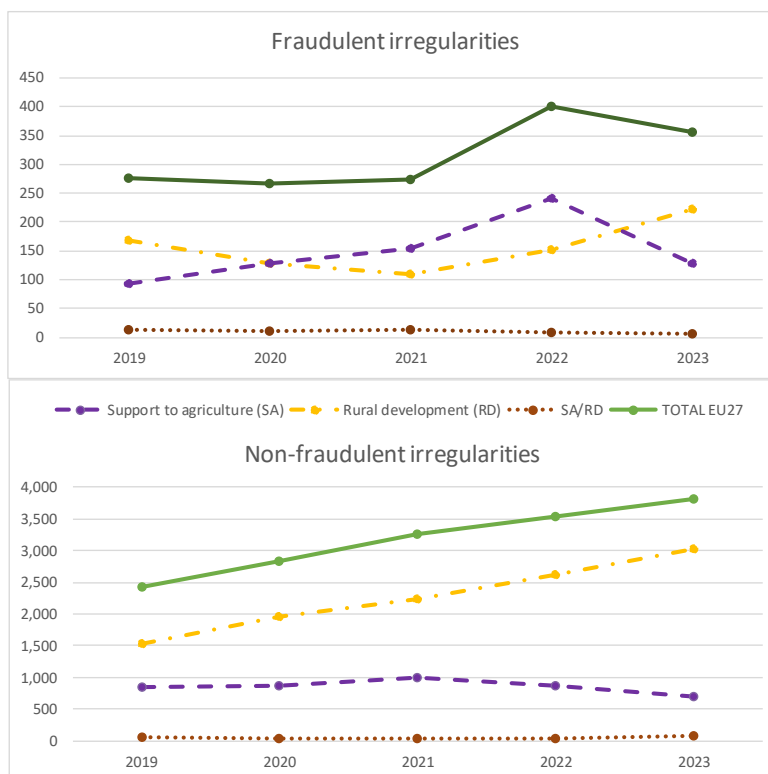
FDR	Type of expenditure	IDR
0.02%	Direct payments	0.05%
0.13%	Intervention in agricultural markets	0.30%
0.11%	Rural development	0.71%
0.05%	Total CAP	0.33%

Average time from beginning of irregular behaviour to case closure

**Fraudulent irregularities: 8 years and 7 months**

**Non-fraudulent irregularities: 5 years and 11 months**

Reported irregularities 2019-23 by type of support



**Snapshot 5 – Detecting fraud and irregularities in the common agricultural policy**

**Detection rates** for rural development were much higher than for support to agriculture. However, one part of support to agriculture – market measures – accounted for the highest detection rates. The detection of irregularities, especially fraud, was concentrated in a few Member States.

During 2019-2023, **risk analysis** still only marginally contributed to detecting fraud in rural development and direct payments to farmers, while it seems to have played a more significant role in market measures (but only if scrutiny activities were actually based on risk analysis). Also the share of fraud detections based on **tips from informants** and whistleblowers was low, with the exception of market measures, where it reached 11%. However, this figure may be volatile as it is based on very few cases. Fraud was never detected following information published in the **media**.

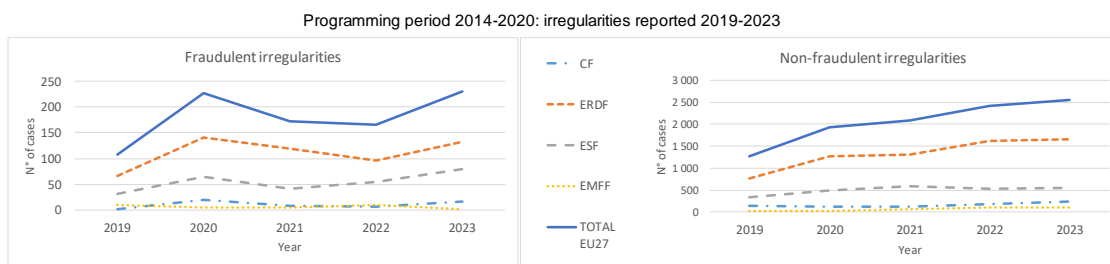
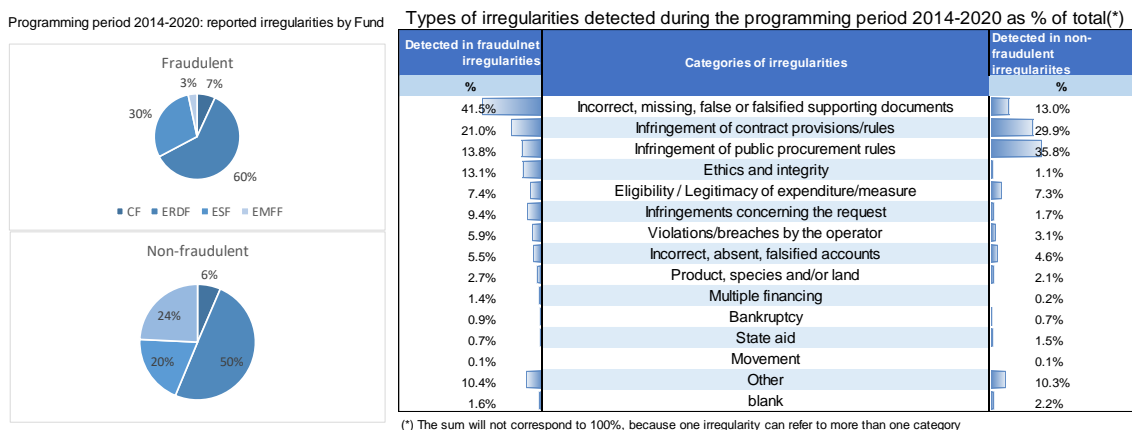
**For 10% of the irregularities reported during 2014-2023, there was a suspicion of fraud** (incidence of fraud). **For just 16%** of the irregularities with a suspicion of fraud, the suspicion was then confirmed as **established fraud**, and **for 11% the suspicion was dismissed**. There are significant **differences between Member States** and these are subject to ongoing examination.

<sup>(59)</sup> The Fraud Detection Rate (FDR) is calculated as the percentage of financial irregular amounts linked to fraudulent irregularities on the total payments. The Irregularity Detection Rate (IDR) is calculated as the percentage of financial irregular amounts linked to non-fraudulent irregularities on the total payments.

### 4.3.2. Cohesion policy <sup>(60)</sup>

The number and financial amounts of **non-fraudulent irregularities** that have been reported for the programming period 2014-2020 are **much lower** than those reported during the first 10 years of implementation of the programming period 2007-2013. It concerns all funds and most of the Member States <sup>(61)</sup>. It is much smaller, but a gap has been recently emerging also for the number of irregularities reported as fraudulent.

**Figure 9: Focus on the programming period 2014-2020 –irregularities reported by fund and typology**



On fraud, the most frequent **type of violations** involved **supporting documents**. High financial amounts were involved in fraudulent irregularities where infringements of **contract provisions/rules** took place, which often consisted of incomplete implementation or non-implementation of the funded action. Infringements of **public procurement rules** were the most reported **non-fraudulent** irregularities. In relation to the number of infringements detected in relation to public procurement, the percentage of fraudulent cases is low (4%).

Most of the fraudulent violations against **ethics and integrity** were related to conflicts of interest (about 70%), while about 23% involved corruption/bribery <sup>(62)</sup>.

#### **Snapshot 6 – Detecting fraud and irregularities in cohesion policy**

During 2019-2023, **risk analysis** still only **marginally** contributed to **detecting fraud**, while **civil society** (including tips from informants, whistleblowers or information published in the media) played an **increased role** overall compared with the previous 5 years. In relation to

<sup>(60)</sup> For a detailed analysis of irregularities reported by the Member States in relation to cohesion policy, see ‘Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2023’ accompanying this report, Section 4.

<sup>(61)</sup> An in-depth analysis of this trend was published in the [2021 PIF Report](#), snapshot 17, p. 38.

<sup>(62)</sup> See also [Section 4.4](#).



**non-fraudulent irregularities, neither risk analysis nor information from civil society** played a noticeable role in detection.

The **Fraud Detection Rate** <sup>(63)</sup> for the programming period 2014-2020 was 0.53%, which is similar to the programming period 2007-2013. The **Irregularity Detection Rate** <sup>(64)</sup> was 0.67%, which is much lower than the rate recorded for the programming period 2007-2013 (2.5%). There are significant **differences between Member States** and these are subject to ongoing examination.

#### 4.3.3. Other budgetary areas <sup>(65)</sup>

A number of funds, implemented under shared management, support **other internal policies**, such as the Youth Employment Initiative <sup>(66)</sup>, the Fund for European Aid to the Most Deprived (FEAD), the Internal Security Fund, the European Globalisation Adjustment Fund, and the Asylum, Migration and Integration Fund. Over the 2014-2020 multiannual financial framework, 289 irregularities (of which 33 were reported as fraudulent) were reported, involving EUR 52 million of irregular amounts (of which EUR 8.2 million was linked to fraudulent irregularities, mostly affecting FEAD). Of these, 44 irregularities were reported in 2023, for a total irregular amount of EUR 19.71 million.

The **Instrument for Pre-Accession Assistance** (IPA) is the means by which the EU has been supporting reforms in the enlargement region through financial and technical assistance since 2007. Irregularities reported by the beneficiary countries during the period 2019-2023 in relation to pre-accession mainly involved funds distributed under the 2007-2013 Instrument for Pre-accession Assistance I (IPA I) and the 2014-2020 IPA II. In 2023, the financial amounts involved in fraudulent irregularities peaked at about EUR 19 million, mainly due to one irregularity reported from Turkey in relation to the regional development component. The number of reported non-fraudulent irregularities significantly increased in 2022 and remained high in 2023 <sup>(67)</sup>. Overall, during the period 2019-2023 half of the reported irregularities involved less than EUR 10 000 <sup>(68)</sup>.

#### *Snapshot 7 – Areas at risk in pre-accession*

A **majority** of the irregularities (more than 70%) in IPA II relate to the **rural development component**. Fraudulent irregularities mainly relate to the falsification of supporting documents or accounts. For this component, they mainly involve projects for the production of honey and agricultural plants. In relation to non-fraudulent irregularities, projects related to the acquisition of equipment (e.g. tractors) frequently recur.

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<sup>(63)</sup> See footnote 59.

<sup>(64)</sup> See footnote 59.

<sup>(65)</sup> For a detailed analysis of irregularities reported by the Member States in relation to pre-accession and direct management, see ‘Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2023’ accompanying this report, Sections 5 and 6.

<sup>(66)</sup> Under the multiannual financial framework 2021-2027, the initiative is part of the European Structural and Investment Funds.

<sup>(67)</sup> In the PIF Report 2022, a total financial amount of EUR 79.70 million was reported as affected by irregularities. This amount was largely due to irregularities reported by Albania for a total irregular amount of EUR 33.53 million. This amount, however, was the result of some reporting mistakes by the Albanian authorities linked to the incorrect use of national currencies rather than the euro. The revised irregular amount reported by Albania for 2022 is EUR 2.89 million.

<sup>(68)</sup> While the threshold for reporting in shared management is EUR 10 000, for pre-accession there is no threshold.

Fraudulent irregularities in other components mainly refer to projects that support civil society or transport.

Irregularities, both fraudulent and non-fraudulent, related to expenditure disbursed under **direct management** remained fairly stable over the period 2019-2023. More than 88% of the irregularities identified as potentially fraudulent were **detected following OLAF investigations**.

#### **4.4. Organised crime, corruption and conflicts of interest**

Information on **organised crime activity** against the financial interests of the EU is available in the EPPO's Annual Report. It indicated 209 investigated offences concerning PIF-focused criminal organisations in its active investigations up to the end of 2023.

In relation to **corruption cases**, the EPPO reported 131 investigated offences <sup>(69)</sup> up to the end of 2023. Over the years 2019-2023, 65 cases were reported to the Commission via IMS by 11 countries, with 6 relating to agriculture, 56 to cohesion and 3 to pre-accession. The reported irregular amounts linked to such cases come to about EUR 50.5 million.

Over the same period, 419 cases related to **conflicts of interest** were reported via IMS (85% referred to cohesion, 7% to agriculture and 8% to pre-accession) involving approximately EUR 112 million. The analysis of such irregularities reveals that reported conflicts of interest mainly concern relations between recipients of the funds and their contractors and sub-contractors, based on specific infringements of national rules.

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<sup>(69)</sup> Representing 3% of the offences investigated by the EPPO. See [Section 4.1.2](#).

## 5. CONCLUSIONS AND RECOMMENDATIONS

The EU budget is used to finance and deliver on the EU policy priorities. By pooling resources and standing together against common challenges the EU faces, the EU budget creates value added, strengthens Europe's economy and its geopolitical standing.

In recent years, the EU budget has become an even stronger expression of solidarity by serving as the EU's main crisis response tool. It helps address the biggest challenges facing the EU, including the coronavirus pandemic, the war in Ukraine, addressing climate change and building Europe's strategic autonomy, and ensuring energy independence.

Protecting these resources from fraud and irregularities ensures that they reach their full potential and achieve their intended goals.

To achieve this goal, the EU has developed a complex and sophisticated anti-fraud architecture over time, with several layers of protection, at national and EU level. The continuous action taken by control and investigative bodies, both at EU and national level, has led to the detection and prosecution of a significant number of attempts to defraud the EU budget. However, the repressive aspect of the fight against fraud is only one side of the coin, and the Commission has constantly underlined the importance of fraud prevention.

As the fraud landscape constantly evolves and new challenges emerge, the response needs to adapt continuously. Pivotal in this respect are three elements: anti-fraud knowledge, tools and governance structures.

### 5.1. Building anti-fraud knowledge on complete, reliable and up-to-date data

In previous reports, the Commission has repeatedly highlighted the need for complete, reliable and timely data on fraud and irregularities. This information is at the basis of the knowledge necessary to fight fraud more effectively and, ultimately, improve fraud prevention, detection, investigation and prosecution. Even though **data quality** is constantly improving, the analysis conducted this year shows once more that **further action is needed**. As highlighted in Section 1.2, investigations into fraud by EU bodies can only be reported when the required information is shared with the relevant national authorities. Some of the EPPO's and OLAF's cases are already included in the figures detailed in this report. The Commission is working to ensure that the reporting systems can duly capture all necessary information to identify cases investigated by them. When this information becomes fully available, it will be possible to assess whether there is a change in the trends linked to fraud detection or if they are consistent and in line with the anti-fraud results of national investigative authorities reported over the years.

#### ***Recommendation 1: Improving the reporting and follow-up of suspected fraud***

The reporting and follow-up of suspected fraud can still be significantly improved. Member States should ensure that reported cases of suspected fraud are updated in a timely manner with reliable and complete information and data. To this end, establishing appropriate communication channels with law enforcement and prosecution services; and exchanging information with investigative bodies and timely reporting are prerequisites to effective follow-up.

Complete reporting also implies that national authorities report irregularities and fraud detected by Commission audit services, the European Court of Auditors, OLAF and the EPPO as soon as the necessary information becomes available.

## 5.2. Better tools: accelerating the digitalisation of the fight against fraud

The digitalisation of the fight against fraud is one of the key themes of the revised action plan accompanying the CAFS. Through this and previous PIF reports, the Commission has provided information about EU and national measures to digitalise the fight against fraud, showing that there is positive momentum to ensure that the fight against fraud keeps pace with the latest technological developments.

Nonetheless, this process now needs to accelerate, and the development of new or existing IT tools should be matched with their increased use to target fraud more efficiently in all areas of the budget implemented by the Member States. In parallel, the Commission will continue implementing of the dedicated measures in the revised action plan that accompanies the CAFS.

### ***Recommendation 2: Accelerating the digitalisation of the fight against fraud***

Digitalisation of the fight against fraud needs to be at the heart of anti-fraud strategies. As fraudsters increasingly use and exploit new technologies to commit crime, the EU anti-fraud architecture must be equal to the challenge to prevent, detect and investigate it.

Member States should ensure that the digitalisation of the fight against fraud is part of their strategic approach to fighting fraud.

Member States should begin their preparations for the next phase in the development of the Commission's risk scoring and data mining tool. All Member States will be required to feed the tool with data as of the next multiannual financial framework. Such preparations could test the automated feeding of requested data and interoperability with national systems.

## 5.3. Developing the governance of the anti-fraud architecture

The Commission welcomes the progress made in all Member States to build effective anti-fraud governance and develop strategic approaches to fighting fraud at national, regional or sectoral level. Setting up specific networks that gather together national anti-fraud players creates the foundations for exchanging good practices, knowledge, experiences and expertise in the most efficient way.

These networks create the ideal conditions for developing strong anti-fraud strategies based on exhaustive fraud risk assessments. They can be used to help correctly identify weaknesses and threats, devise effective mitigating actions, define concrete objectives and take timely corrective measures in case of sudden changes in the anti-fraud landscape.

### ***Recommendation 3: Reinforcing anti-fraud governance in the Member States***

Member States are requested to keep on reinforcing their anti-fraud governance structures, ensuring that they include all relevant players.

Central to this at Member State level is the adoption of all necessary strategies to fight fraud, ideally at national level (by adopting a national anti-fraud strategy).