



ISSN 2599-9443

European
Commission

Report from the Commission to
the Council
and the European Parliament

34th Annual Report on the Protection of the European Union's financial interests and the Fight against fraud 2022



European
Anti-Fraud Office

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Print ISBN 978-92-68-04175-8 ISSN 2599-9443 doi:10.2784/795600 OB-AE-23-001-EN-C
PDF ISBN 978-92-68-04174-1 ISSN 2599-9478 doi:10.2784/19670 OB-AE-23-001-EN-N

More information on the European Union is available on the internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2023

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Printed by the Publications Office of the European Union in Luxembourg



Report from the Commission to
the Council
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34th Annual Report
on the **Protection**
of the **European Union's**
financial interests
and the **Fight against fraud**

2022

COM(2023) 464 final

LIST OF ABBREVIATIONS

AFCOS	Anti-Fraud Coordination Service
AFIS	Anti-Fraud Information System
AMIF	Asylum Migration and Integration Fund
AML	Anti-Money Laundering
BOI	Binding Origin Information
CAFS	Commission Anti-Fraud Strategy
CAP	Common Agricultural Policy
CCEI	Customs Control Equipment Instrument programme
CRMS	Common Customs Risk Management System
EDES	Early Detection and Exclusion System
EP	European Parliament
EPPO	European Public Prosecutor's Office
ESIF	European Structural and Investment Funds
EU	European Union
FEAD	Fund for European Aid to the Most Deprived
FR	Financial Regulation
GDP	Gross Domestic Product
IMS	Irregularity Management System
IPA	Instrument for Pre-Accession
JCO	Joint Customs Operation
MAA	Mutual Administrative Assistance
MFF	Multiannual Financial Framework
NAFS	National Anti-Fraud Strategies
OLAF	European Anti-Fraud Office
PIF	Protection of financial interests
RRF	Recovery and Resilience Facility
RTD&I	Research, Technological Development and Innovation
TEN	Trans-European Network
TFEU	Treaty on the Functioning of the European Union
TOR	Traditional Own Resources
UAFP	Union Anti-Fraud Programme
VAT	Value Added Tax

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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 Commission, in cooperation with the EU Member States, submits a report to the European Parliament (EP) and the Council on the measures taken in implementation of that Article (known as the PIF Report). On the basis of that 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 2022 PIF Report highlights measures at EU and national level aimed at strengthening the protection of the Union's financial interests.

The implementation of the national recovery and resilience plans is now in full swing and the Commission has undertaken several actions to ensure that they are implemented correctly. In particular, system audits focusing on the protection of the EU's financial interests are ongoing, highlighting good practices and identifying weaknesses that need to be corrected.

The Union's anti-fraud programme is in its second year of implementation, financing initiatives throughout the EU to strengthen the fight against fraud and supporting the maintenance and development of IT tools supporting administrative assistance in customs and the reporting of irregularities.

The proposed recast of the Financial Regulation focuses on increasing transparency in the use of EU funds and enhancing digitalisation in the fight against fraud affecting them. Digitalisation of the fight against fraud is also one of the focuses of the revision of the action plan accompanying the Commission's anti-fraud strategy launched in 2022.

Member States have adopted corrective measures following the Commission's infringement procedures launched in relation to incorrect transposition of the PIF Directive. Most of those actions are expected to be completed in the coming months.

24 Member States have a strategy in place to increase the protection of the EU's financial interests or are in the process of finalising one. These strategies vary in terms of scope and focus, but the most common approach is to adopt a national anti-fraud strategy (NAFS).

Member States have also largely followed the Commission's recommendations to strengthen risk analysis and to increase digitalisation in fighting fraud.

In relation to investigations into fraud, corruption, conflicts of interest and other irregularities affecting the EU's financial interests, the European Anti-Fraud Office and the European Public Prosecutor's Office play a significant role in the EU's overall anti-fraud architecture. Numbers of irregularities, fraudulent and non-fraudulent, reported by the Member States in customs and shared management showed a slight increase compared to 2021, while their financial impact decreased. The report highlights the major areas at risk in relation to customs, agriculture and cohesion policy, based on the analysis of that data.

Detection and reporting of suspected fraud can still be significantly improved, as can their follow-up. There are still notable differences between Member States. Member States with low incidence of fraud should invest in fraud risk analysis to assess to what extent low detection is due to a real low level of fraud or to systemic weaknesses in the detection or reporting systems.

Digitalisation of the fight against fraud needs to be at the heart of anti-fraud strategies. It represents both a resource and a threat, as fraudsters are also increasingly using and exploiting new technologies to commit their crimes. Member States should ensure that the digitalisation of the fight against fraud is a part of their NAFS. The Commission reiterates its recommendations to the Member States which have not adopted a NAFS yet to do so.

1. Introduction

The EU's 2022 budget amounts to some EUR 170.6 billion, representing around 1% of the EU's gross domestic product (GDP). The 2021-2027 multiannual financial framework amounts to EUR 1,074.3 billion. Additional resources come from Next Generation EU, the EU's post-Covid economic recovery package, which 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.

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

In accordance with [Article 325](#) of the Treaty on the functioning of the EU (TFEU), the EU and its Member States counter fraud and any other illegal activities affecting the EU's financial interests¹. 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 (EP) and the Council on the measures taken in implementation of that Article. This report, also known as the PIF (protection of the EU's financial interests) Report, meets that obligation for 2022. It is accompanied by five working documents².

BOX 1: METHODOLOGICAL APPROACH

All applicable definitions are indicated in boxes 1, 2 and 3 of the [PIF Report 2021](#).

The 2022 PIF Report focuses on key initiatives at EU and national level. The digital version provides additional information through hyperlinks and in-built additional content.

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 concerning the fight against fraud, corruption, conflicts of interest and other irregularities affecting the EU budget. Section 5 closes the report with conclusions and recommendations.

¹ Article 310(6) TFEU.

² This PIF Report is accompanied by five Commission staff working documents:

- a) Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2022
- b) Measures adopted by Member States to protect the EU's financial interests in 2022
- c) Follow-up on recommendations to the Commission report on the protection of the EU's financial interests and the fight against fraud - 2021
- d) European anti-fraud programme – 2022 implementation
- e) Early Detection and Exclusion System (EDES) – Panel referred to in Article 143 of the financial Regulation

2. Focus on key measures at EU level

This section of the report focuses on the main developments concerning 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

The main reason for the revision of the Financial Regulation (FR)³ is to align it with the Multi-annual Financial Framework (MFF) package, ensuring that all general financial rules are included in a single rulebook, thus providing greater legal certainty for EU institutions and recipients of funds. As regards the protection of the EU's financial interests, by means of the targeted amendment of the FR, the Commission intends to further improve: (i) the way information is provided to the public regarding how the EU budget is used and who receives EU funding; and (ii) the protection of the EU budget against irregularities, fraud, corruption and conflicts of interest.

In relation to the first objective, the proposal requires Member States and other bodies implementing the EU budget, under all forms of management, to provide the Commission with information regarding the recipients of EU funding once per year, including unique identifiers where recipients are legal persons. To that information the Commission would add the information available regarding direct management and would be responsible for consolidating, centralising and publishing the information in a database on a single website, an improved version of the **Financial Transparency System**, covering all forms of management. The rights of beneficiaries in terms of their private lives and personal data will continue to be protected⁴.

The second objective will be pursued in a three-fold manner. First, the Commission proposes to make the **use of a single integrated IT system** for data-mining and risk-scoring **compulsory**. Second, the Commission also proposes to **increase the scope and effectiveness of the Early Detection and Exclusion System (EDES)**⁵, strengthening it by better targeting its application to funds under both shared management and direct management (for instance under the Recovery and Resilience Facility). The Commission also proposes to allow the exclusion of affiliated entities and/or beneficial owners of a primary excluded entity from bidding for public contracts and ultimately from obtaining EU funds. The refusal to cooperate in investigations, checks or audits carried out by an authorising officer, the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO) or the Court of Auditors, and the incitement to hatred or discrimination are added as grounds for exclusion. Third, the proposed amendments to the Financial Regulation, if endorsed by the co-legislator, will **increase the efficiency and quality of controls and audits with the help of digitalisation and emerging technologies** such as machine learning, robotic process automation and artificial intelligence. Digitalising the fight against fraud is also a topic for the revision of the action plan accompanying the Commission Anti-Fraud Strategy (CAFS) undertaken in 2023⁶.

3 COM(2022) 223 final, 16.5.2022

4 In line with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119 4.5.2016, p. 1) and Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (OJ L 295/39 21.11.2018).

5 For a detailed overview of the decisions taken by the Panel in 2022, see 'Early Detection and Exclusion System (EDES) — Panel referred to in Article 143 of the Financial Regulation' accompanying this report.

6 See section 2.4.

2.2. Implementation of national recovery and resilience plans

The Recovery and Resilience Facility (RRF) supports the implementation of the reforms and investments indicated in national recovery and resilience plans. The RRF Regulation requires that Member States take all appropriate measures to protect the financial interests of the Union and to ensure that the use of funds complies with applicable EU and national laws. Member States are therefore obliged to put in place effective and efficient control systems and to ensure compliance with all relevant national and European legislation, including procurement and state aid rules. Member States have the responsibility in ensuring that these resources are protected from fraud, corruption, conflict of interests (defined as 'serious irregularities') and double funding⁷.

The Commission has assessed these control systems prior to the approval of the plans and subsequently carries out system audits⁸.

The Commission's audit strategy provides for these system audits of all Member States' management and control systems. In 2022, the Commission carried out 16 system audits targeted on the protection of the EU's financial interests⁹.

These system audits cover the 16 coordinating bodies and 48 implementing bodies, such as ministries and agencies. By the end of 2023, all Member States will have been audited at least once. 5 audit assignments took place during the first quarter of 2023. The audited bodies were selected on the basis of a risk assessment.

Based on the current audit work, the Commission has identified variations in the way the different implementing and coordinating bodies audited implement internal control systems.

The RRF audits identified good practices among some implementing bodies, such as risk assessment as regards sensitive staff, procedures for detecting possible fraud and corruption, notably the use of data mining tools, procedures for detecting possible conflicts of interest, and procedures for verifying possible double funding before the grant award decision.

The main issues encountered concern a lack of sufficient coordination/supervision by coordinating bodies, incomplete anti-fraud strategies, missing elements in fraud risk assessments, a need for improvement of ex-ante controls aimed at preventing conflicts of interest, low participation in training activities intended to raise awareness of fraud, and deficiencies in the reporting of irregularities to OLAF for possible investigation. The Commission is issuing recommendations and the Member States have agreed to deadlines for implementation to resolve those issues.

2.3. Transposition of the PIF Directive – state of play

On 5 July 2017, Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interest by means of criminal law (PIF Directive)¹⁰ was adopted. The deadline for transposing the Directive expired on 6 July 2019. The Commission took action to address outstanding compliance issues in certain Member States¹¹.

7 In 2021, Europol, OLAF, the EPPD, Eurojust and 21 Member States joined forces as part of Operation SENTINEL to anticipate the expected wave of fraud affecting the recovery funds. For more details see the 2021 PIF Report, snapshot 11, p. 28.

8 In relation to the assessment of the plans, see the 2021 PIF Report, section 5.3.

9 Spain, Slovakia, Estonia, Denmark, Greece, Czechia, Italy, Lithuania, Malta, Slovenia, Bulgaria, Cyprus, Finland, Ireland, Latvia and Poland.

10 Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29–41)

11 See section 5.1 of the 2021 PIF Report.

By the end of 2022¹², an infringement procedure for incorrect transposition of the Directive was launched against 18 Member States.

Alongside Czechia, whose infringement procedure was closed in 2022, many of these countries expected to be in full compliance with the PIF Directive in the coming months.

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

The current CAFS, adopted in 2019, seeks to further improve the prevention, detection and sanctioning of fraud, and provides a framework for the Commission's ongoing efforts to decrease the level of fraud against the EU budget. It is accompanied by an action plan with 63 actions addressed to the Commission, of which 60 had been completed by the end of 2022 (or, when they are of a continuous nature, are ongoing). To ensure sustained anti-fraud efforts on the part of the Commission and address new challenges, OLAF began preparations for a revision of the action plan in 2022.

2.5. The Union anti-fraud programme

The Union Anti-Fraud Programme (UAFP), with a budget of EUR 181 million for the period 2021-2027, provides financial support for the protection by the Member States of the EU's financial interests; for the organisation of mutual administrative assistance and cooperation in customs and agricultural matters (AFIS component); and for the development and maintenance of the Irregularity Management System (IMS) for the reporting of irregularities by Member States.

The 2022 Financing Decision allocated EUR 15.4 million to the Hercule component, EUR 9 million for the AFIS component and about EUR 1 million for the IMS component. The available funds were successfully implemented in 2022, using the various financing instruments available:

- ▶ Two calls for proposals were published and evaluated, with 38 grants awarded to Member States' authorities, universities and research institutes;
- ▶ The programme also funded various activities to benefit the Member States authorities, such as specialised forensic and analyst training and access to commercial databases;
- ▶ Administrative arrangements have been concluded with the Joint Research Centre, providing specialised analytical support for research into new methods for identifying potential customs fraud and, as appropriate, developing associated IT tools for Member States' authorities (e.g. automated monitoring tool, container movement analytics, and tobacco analyses).

2.6. EU programmes concerning Customs and Taxation

2.6.1. Fiscalis programme

The Fiscalis programme aims to support tax authorities to enhance the functioning of the internal market, foster competitiveness, fight tax fraud, tax evasion and tax avoidance and improve tax collection, thus helping to protect the financial interests of Member States and taxpayers. The programme supports the relevant authorities to implement EU law in the field of taxation by ensuring exchange of information, supporting administrative

¹² As of 10 June 2023, the Commission opened infringement proceedings against 20 Member States for incorrect transposition of the Directive. Of these 20 proceedings, two have been opened in 2023 (Bulgaria and Poland), one has been closed (Czechia) and, in another case (Finland), the Commission decided to send a reasoned opinion. For the remaining 16 (Belgium, Cyprus, Estonia, Greece, Spain, Croatia, Hungary, Luxembourg, Latvia, Malta, The Netherlands, Portugal, Romania, Sweden, Slovenia and Slovakia), the Commission is in the process of assessing the replies to the letters of formal notice it has received from the Member States.

cooperation and helping to reduce the administrative burden of tax authorities and compliance costs for taxpayers when needed.

In 2022 the Fiscalis programme continued its activities in the field of taxation, including as regards digital transition. For example, the programme funded activities that support the automatic exchange of information, enabling tax administrations to strengthen their capacity of tackling tax fraud, tax evasion and aggressive tax planning.

2.6.2. Customs programme

The EU Customs programme supports the development and operation of the central IT systems for customs in the European Union. The programme aims to protect the financial and economic interests of the EU and its Member States,

In 2022, the Customs programme continued its activities in line with the policy priorities of the Union, in particular as regards the digital and green transition, and with a view to supporting the smooth functioning of the customs union. Notably, in terms of IT systems, in 2022 the Customs Risk Management System 2 (CRMS) started to operate, allowing a real-time exchange of risk-related information between Member States' customs administrations, enabling major improvements in the sharing of risk information and communication between experts of the Member States dealing with risks and risk management.

2.6.3. The Customs Control Equipment Instrument programme

The Customs Control Equipment Instrument programme (CCEI) supports the purchasing, maintenance and upgrading of customs control equipment for non-intrusive inspection, identification of hidden objects on humans, radiation detection, nuclide identification, analysis of samples in laboratories, sampling and field analysis of samples, along with handheld search tools and other types of innovative non-intrusive detection technology equipment.

In 2022, grants signed under the first CCEI Multi-Annual Work Programme committed EUR 273.5 million of EU funding to co-finance the purchase, maintenance, and upgrade of state-of-the-art customs control equipment in border crossing points and customs laboratories across the Union.

2.7. The European Parliament's resolution on the 2021 PIF Report

On 19 January 2023 the European Parliament adopted its resolution on the protection of the EU's financial interests for the year 2021¹³.

The Resolution welcomed the Commission's efforts on the protection of the EU's financial interests and recommended further action in a variety of fields related to the fight against fraud. The resolution noted that Parliament should play a significant role in the governance of the RRF and called for enhanced digitalisation, interoperability of data systems and harmonisation of monitoring and reporting in the EU. Parliament highlighted major threats to the EU budget, such as cross-border organised crime and corruption. It also asked the Commission to present a proposal to set up an inter-institutional ethics body, strengthen its internal control mechanisms and introduce a 'cooling-off period' to tackle the 'revolving door' phenomenon. Parliament emphasised the role of OLAF, the EPPO, Eurojust and Europol in the fight against fraud and corruption and reiterated its call for them to be ensured adequate resources. Parliament asked the Commission to take the necessary steps to ensure the effective transposition of the PIF Directive, Directive (EU) 2018/843 ('5th Anti-Money Laundering Directive')¹⁴ and Directive (EU) 2019/1937

¹³ Procedure file [2022/2152\(INI\)](#)

¹⁴ Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU (OJ L 156, 19.6.2018, p. 43–74)

('Whistleblower Directive')¹⁵. Parliament stressed that funds spent in non-EU countries should be better controlled.

SNAPSHOT 1 - COMMISSION'S RESPONSE TO THE EP RESOLUTION

The Commission has already taken action in several areas covered by the resolution. The proposed recast of the Financial Regulation¹⁶ seeks to enhance the protection of the EU's financial interests, also through the digitalisation of the fight against fraud. As announced by President von der Leyen¹⁷, the Commission has recently presented a comprehensive anti-corruption package¹⁸ aimed at preventing corruption and building a culture of integrity, harmonising definitions of criminal offences, increasing the level of criminal sanctions and ensuring effective investigations and prosecution of corruption (including in relation to the protection of the EU's financial interests). The Commission tabled a proposal¹⁹ for a joint agreement to establish an interinstitutional Ethics Body. The EPPO has received additional staff in order to tackle the increased workload. OLAF will carry out a mapping exercise of the Anti-Fraud Coordination Services (AFCOS) in 2023 in order to assess what, and whether, further actions are needed to strengthen them²⁰.

2.8. Other initiatives

2.8.1. Anti-fraud clauses in international agreements

The appropriate anti-fraud provisions in the international agreements that the EU concludes with its trading partners make a key contribution to protecting the EU's financial interests. In 2022, the Commission negotiated mutual administrative assistance (MAA) provisions and effective anti-fraud measures in four international agreements²¹.

2.8.2. 2nd Action Plan to fight the illicit tobacco trade

In 2022, the Commission and OLAF completed the implementation of the 49 actions included in the second Action Plan to fight the illicit tobacco trade 2018-2022.

2.8.3. Anti-money laundering and counter-terrorist financing

Fraud against the EU budget may also be a predicate offense 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 financing²² might become relevant in this context. 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.

15 Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L 305 26.11.2019, p. 17)

16 See section 2.1.

17 State of the Union address on 14 September 2022.

18 3 May 2023.

19 COM(2023)311 final of 8 June 2023.

20 More information in the Commission's official reply to the European Parliament.

21 Australia, Indonesia, India, and UK in respect of Gibraltar.

22 https://finance.ec.europa.eu/financial-crime/eu-context-anti-money-laundering-and-counter-terrorist-financing-terrorism_en. 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.

3. Member States’ measures to protect the EU’s financial interests

3.1. National anti-fraud strategies

Following the Commission’s sustained encouragement of Member States to adopt national anti-fraud strategies (NAFS), in 2022 only three Member States indicated that they do not have any strategy for protecting the EU’s financial interests. The approaches taken by the other 24 Member States varied widely²³.

15 Member States have a NAFS in place. Five reported that they were in the process of drafting one or were close to adopting one, while four additional Member States indicated that they have an alternative strategy in place²⁴.

FIGURE 1 – OVERVIEW OF THE TYPE OF ANTI-FRAUD STRATEGY PURSUED BY MEMBER STATES AND THE FIELDS THEY COVER

Type	Member State																										
	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK
National AFS																											
Regional AFS																											
Sectoral national																											
Sectoral regional																											
Anti-corruption																											
Other																											
Field																											
Cohesion																											
Agriculture																											
Fisheries																											
Customs																											
VAT																											
RRF																											
Other																											

YES, NAFS	
YES, other AFS	
NO, but developing	
NO, no plan	

	YES
	NO

Nine out of 15 NAFS were cross-cutting, covering the EU’s financial interests fully. The other national strategies take different approaches, targeting specific or multiple sectors, such as expenditure (shared management and RRF), customs or VAT.

All five Member States where the process of establishing a NAFS was ongoing indicated that their strategies would be cross-cutting.

23 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.

24 Germany’s approach, based on regional and sectoral strategies, covers cohesion, RRF, and other fields. Cyprus and Sweden have an anti-corruption strategy also covering the EU’s financial interests, while Slovenia has drawn up a specific strategy for RRF.

3.2. Anti-fraud measures adopted at national level

In 2022, Member States reported 72 measures intended to protect the EU's financial interests. Among the 72 measures adopted, 52 were 'single' measures, while 20 were comprehensive packages²⁵.

Measures were mainly of a sectoral nature, addressing in particular the shared management expenditure (agricultural, fisheries and cohesion policies) and RRF. They were mostly intended to prevent and detect fraud and other irregularities affecting the EU's financial interests. Recurring themes included the transposition of Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law (Whistleblower Directive), the RRF, and cooperation with the EPPO.

TABLE 1 – SUMMARY OF MEASURES REPORTED BY MEMBER STATES IN 2022

Member State	Measures adopted
Austria	Continued to update its administrative anti-fraud measures, focusing on prevention and detection of fraud against European cohesion-policy and agricultural funds.
Belgium	Put in place three anti-fraud measures. While the sectoral legislative measure focused on fraud detection, investigation and prosecution, the reported legislative package cut across sectors, fostering fraud prevention and detection. The only non-legislative measure reported by Belgium was an organisational update to RRF funds management in Wallonia, strengthening the investigation and prosecution of fraud against them.
Bulgaria	Anti-fraud action was predominantly legislative, covering the whole anti-fraud cycle. Two legislative updates were adopted, the first focusing on agricultural, fisheries, cohesion, FEAD, and AMIF funds, and the second cross-cutting. The third legislative measure was paired with administrative changes aimed at comprehensively protecting EU RRF funds.
Croatia	Two cross-cutting measures, one legislative, securing the confiscation of criminal proceeds, and the other operational, enhancing cooperation with the EPPO; as well as operational changes to the management of cohesion funds using Arachne. Together, they cover the entire anti-fraud cycle.
Cyprus	A legislative measure aimed at better protecting whistleblowers, transposing the Whistleblower Directive into domestic law, thereby boosting fraud prevention, detection, investigation and prosecution. A second legislative measure focused on fostering integrity and transparency in public decision-making processes, covering all stages of the anti-fraud cycle. The RRF and various stakeholders are targeted by the package adopted by Cyprus, which is aimed at preventing fraud.
Czechia	Three sectoral operational measures, targeting all stages but fraud detection. The first measure operationalised the enforcement of EU sanctions against the Russian Federation, enhancing coordination, cooperation, and information flows among Czech authorities. The second interconnected the beneficial owners' register with the information systems used in the management of fisheries and cohesion funds, and the third completed all methodological documents for the Multiannual Financial Framework (MFF) 2021-2027.
Denmark	The first measure sought to better prevent and detect fraud against cohesion policy funds by improving the data used by the Danish Business Authority. The second reinforced these objectives by safeguarding the correct application of remuneration rules. The third sought to increase the country's agricultural agency's anti-fraud and anti-evasion capacity.
Estonia	Anti-fraud action was focused on fraud prevention and detection. On the revenue side, Estonia created an IT tool that compares declared and prices enlisted in the tool. The second measure automatically linked public procurement procedures to the invoices paid, thus boosting control. Thirdly, Estonia updated its catalogue of anti-fraud training activities.
Finland	Two measures, both primarily aimed at strengthening fraud prevention, in a cross-cutting fashion and in relation to RRF funds. The first measure comprised guidelines for curbing corruption in the central state administration, which runs and supervises the management of EU funds. The second measure concerned training sessions on fraud prevention for RRF.
France	Three measures all covering fraud detection. The first measure aligned French law with EU law on whistleblowers and their protection across the board. The second action, also cross-cutting, concerned a training agreement and special training courses with the EPPO. The third measure specifically targeted the RRF and set up a task force to monitor and anticipate fraud risks.

²⁵ The PIF measures adopted by the Member States have been reported by them on the basis of a dedicated survey. Measures based on a single 'act' are referred to as 'single measures' to distinguish them from those implemented on the basis of a package of different acts (legal or administrative) or policy initiatives. For a complete overview and detailed description of the measures summarised in this section, see 'Measures adopted by the Member States to protect the EU's financial interests in 2022' accompanying this report.

Germany	Three measures predominantly aimed at preventing fraud against EU funds, including agricultural, fisheries and cohesion funds, but also targeting the remaining three stages of the anti-fraud cycle. They range from a new strategy paper to a strategic update and an updated self-assessment tool.
Greece	Three legislative measures mostly targeting the early stages of the anti-fraud cycle. The first was cross-cutting while the other two focused on RRF, agricultural, and fisheries funds. The cross-cutting measure transposed the Whistleblower Directive into Greek law. The second added a dedicated fraud prevention, detection, recovery, and sanctions unit to the Greek RRF Coordination Agency. The third measure followed an EU recommendation, separating administrative from on-the-spot checks under agriculture and fisheries fund management.
Hungary	Three measures, focusing primarily on fraud prevention and detection. The first implements the Commission notification submitted to Hungary under the conditionality mechanism, which relates to the country's public procurement system, through new legislation and an operational update. The second strengthened cooperation between Hungary and OLAF on investigations. The third targeted multiple funds and entailed new legislative, organisational, and operational steps, laying the groundwork for two bodies that will control EU funds.
Ireland	Two organisational measures fostered through anti-fraud action at all stages of the cycle in the management of agricultural and fisheries funds. The first measure enhanced the fraud register, while the second established an IT solution for conflict of interest declarations.
Italy	Three measures focused on revenue, covering all stages of the anti-fraud cycle. The first aims to curb tax evasion and money-laundering linked to the entry of under-declared Chinese goods into EU territory. The second concerned a plan targeting customs and VAT fraud. The third aligned Italian law with EU law on asset confiscation.
Latvia	Three measures intended to improve fraud detection, in a cross-cutting fashion and in relation to tax fraud. The first measure relates to an IT tool used to search for red flags in revenue and expenditure controls and checks. The second concerned an e-learning course on the protection of the EU's financial interests, available country-wide, and the third involved capacity-building training for revenue and control staff.
Lithuania	Not available
Luxembourg	Two measures cover all stages of the anti-fraud cycle. The first brought the Luxembourgish law on mutual assistance and the fight against money-laundering and the financing of terrorism into line with international standards, while the second related to the framework underpinning the country's RRP.
Malta	One cross-cutting measure targeting fraud prevention and detection: the country's first National Risk Assessment of fraud and corruption.
Netherlands	The first measure, cross-cutting, ensures that future legislation will be enforceable and verifiable before it becomes effective. The second action improved the Netherlands' reporting on traditional own resources. The third measure was an updated fraud risk assessment framework for fisheries funds.
Poland	Three measures focused on fraud prevention and detection in tax revenues, cohesion and agricultural funds. The first creates a national e-invoicing system. The second measure set up an IT tool used for EU project controls. The third action set out practices for preventing conflicts of interest among staff in the Ministry of Agriculture and Rural Development.
Portugal	Three operational anti-fraud packages, concerning customs, taxes, a variety of funds, and agricultural and fisheries funds. The first updated the strategic plan for combatting tax and customs duty fraud. The second updated the NAFS, and the third updated the strategy for ex-ante quality controls of agricultural and fisheries funding.
Romania	Three legislative measures touched upon all stages of the anti-fraud cycle, but on fraud prevention and detection in particular, in a cross-cutting fashion, in relation to the RRF, and in relation to various funds. The first action, cross-cutting, concerned the transposition of the Whistleblower Directive into domestic law. The RRF action regulated spending of the funds, as did the third measure in relation to multiple EU funds.
Slovakia	Three measures touching on all stages of the anti-fraud cycle. The first measure amended rules governing the distribution of fisheries, cohesion, and migration and asylum funds. The second was a cooperation agreement defining relevant authorities' future contribution toward more effective auditing of funds, and the third updated the distribution of RRF funds.
Slovenia	The first measure focused on tax fraud and customs strengthening, particularly fraud prevention and detection. The second measure amended control and monitoring procedures in relation to fisheries funds. The third established a manual for implementing the RRF on the part of its coordinating body.
Spain	The first measure creates new rules on financial and other fraud-related information. The second encompassed an information exchange agreement across various relevant authorities. The third, specific to the RRF, laid down rules for the systematic analysis of conflict of interest risks.
Sweden	Three cross-cutting measures covered all stages of the anti-fraud cycle. The first is preparatory for Sweden joining the EPPO. The second related to the activities of a body that is solely dedicated to protecting the EU's financial interests. The third was aimed at reducing subsidy abuse and VAT fraud and evasion rates.

3.3. Implementation of the 2021 Commission recommendations to Member States

In its 2021 PIF Report the Commission made four recommendations to Member States, covering: a) the correct transposition of the PIF Directive; b) participation in the EPPO; c) digitalising the fight against fraud; and d) strengthening fraud risk analysis²⁶.

The situation concerning the PIF Directive is described in section 2.3.

In relation to participation in the EPPO, Sweden indicated that further legislative preparation was ongoing in 2022 with a view to future membership.

On digitalising the fight against fraud, Arachne was by far the most widely-used IT system (by 21 Member States), in support of the European Structural and Investment Funds (ESIF) and the RRF. Many Member States used their own dedicated anti-fraud IT tools, often in conjunction with EU tools, although those tools were rarely inter-operable.

In line with the Commission's recommendation, most Member States integrated these IT tools into their fight against fraud in order to enrich data and refine red flags, risk indicators and scores.

FIGURE 2 – IT TOOLS USED BY MEMBER STATES

IT System	Member State																											
	AT	BE	BG	CY	CZ	DE	DK	EE	ES	FI	FR	GR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	
EU																												
MS																												

YES, EU level	
YES, MS level	
NO	

Overall, Member States' assessment was that digitalisation boosted fraud prevention and detection and simplified administrative procedures. Countries such as Finland, which relied on non-EU tools, reported that the potential burden of adjusting domestic data protection laws to accommodate the use of Arachne, for example, was preventing them from doing so.

As regards the strengthening of risk analysis, 14 Member States considered that they had implemented this recommendation in full, reiterated their proactive approach to combatting fraud against the EU budget and presented recent initiatives. On the revenue side, Member States highlighted the Financial Risks Criteria Decision²⁷, supporting national- and EU-level IT tools such as the CRMS and AFIS, which helped tax and customs authorities to mine and enrich data from a variety of sources and to exchange data among Member States and with the EU institutions. On the expenditure side, Member States highlighted certain context-specific fraud risk management systems developed by EU fund managing authorities, as well as top-level coordination²⁸, the use of IT tools such as Arachne, and dedicated training.

Member States that indicated partial implementation (12) reported similar measures, but either for revenue or for expenditure.

²⁶ For a complete overview and detailed description of the follow-up actions summarised in this section, see 'Implementation of the 2021 recommendations by the Member States' accompanying this report.

²⁷ C(2018)3293 final.

²⁸ Bulgaria, Cyprus, Malta and Slovakia.

4. Combatting irregularities, fraud, corruption and conflict of interests detrimental to the EU budget

4.1. General overview

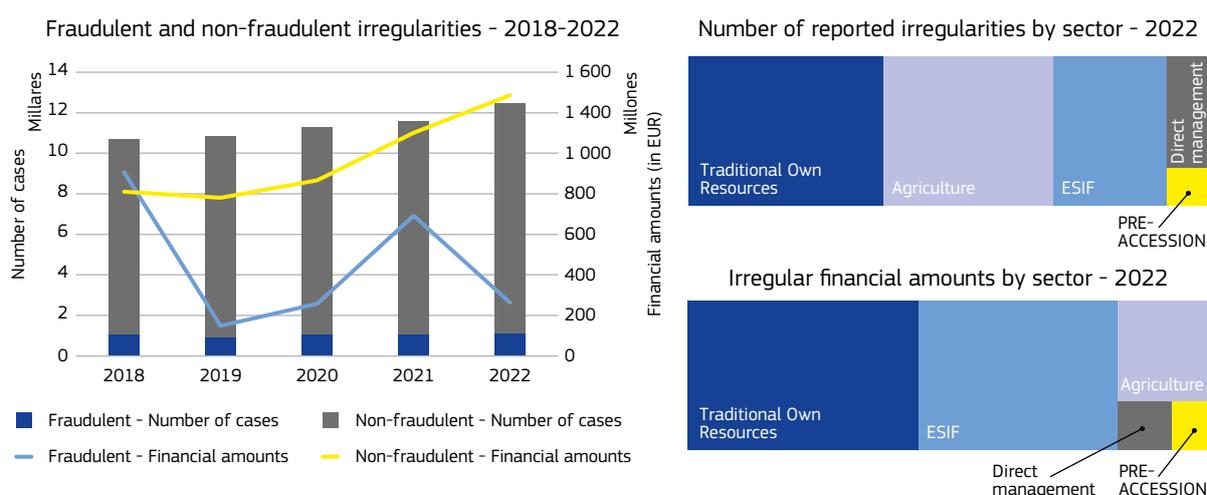
From an operational point of view, protecting the EU’s financial interests from fraud, irregularities and other illicit activities is entrusted to national authorities, to OLAF and to the EPPO.

This section contains data on detected irregularities and fraud reported by Member States, with the exception of those related to direct expenditure²⁹. Information on OLAF and EPPO investigations is also provided³⁰.

A total of 12 455 irregularities, amounting to EUR 1.77 billion, were reported in 2022. There has been a slight increase in reported irregularities compared to 2021 (+7%), while the related amounts have decreased (-13%).

The number of fraudulent irregularities reported was 1 139 in 2022 (+2% in comparison to 2021), which has remained roughly stable over the last five years. The financial amounts linked to those cases have varied more, due to a limited number of individual cases with high financial impact, and decreasing in 2022 to EUR 300 million (-62% in comparison to 2021)³¹. The number and financial impact of non-fraudulent irregularities peaked in 2022 with a constant increasing trend over the five years, with 11 316 irregularities (+8% in comparison with 2021) involving EUR 1.47 billion (+17%).

FIGURE 3 – REPORTED IRREGULARITIES AND RELATED FINANCIAL AMOUNTS – 2018-2022; IRREGULARITIES AND RELATED FINANCIAL AMOUNTS BY BUDGETARY AREA – 2022



29 These data are extracted from the Commission’s accounting system ABAC.

30 See sections 4.1.1 and 4.1.2 respectively, whose information is extracted from their own reports. OLAF’s report for 2022 is available [here](#). The EPPO’s annual report for 2022 is available [here](#).

31 This amount significantly corrects the one published in the 2021 PIF Report (of EUR 1.83 billion) following some reporting mistakes linked to the incorrect use of national currencies rather than EUR.

4.1.1. Investigations by OLAF

In 2022 OLAF concluded investigations into 256 cases, issuing 275 recommendations, of which 153 financial, for a total recommended amount for recovery of EUR 426.8 million and EUR 197.9 million prevented from being unduly spent. Over the same period 192 new investigations were opened, of which 30 (16%) were related to own resources and illicit trade, 73 (38%) to shared management, 16 (8%) to indirect management, and 44 (23%) to direct management. 29 (15%) investigations were opened in relation to internal matters.

OLAF investigated allegations and instances of collusion, manipulation of procurement procedures, conflicts of interest, inflated invoices, evasion of customs duties, smuggling and counterfeiting.

4.1.2. Investigations by the EPP0

In 2022, the EPP0 opened 865 investigations corresponding to damages estimated at EUR 9.9 billion³². At the end of 2022, the EPP0 had 1 117 ongoing investigations involving an estimated damage of EUR 14.1 billion, of which almost half (EUR 6.7 billion) was linked to 185 VAT-related investigations³³. 692 investigations concerned cases of expenditure fraud.

Among the typologies identified in these active investigations, 679 offences relate to non-procurement expenditure fraud, 224 to procurement expenditure fraud, 87 to corruption, 48 to misappropriation, 116 to money-laundering, 236 to non-VAT revenue fraud and 427 to VAT revenue fraud.

4.2. Revenue – Traditional own resources³⁴

In 2022, the number of **fraudulent and non-fraudulent irregularities** (4 661) relating to Traditional Own Resources (TOR) was 7.6% higher than the average number of irregularities reported over the last five years. The number of fraudulent irregularities fell by 6.8% and non-fraudulent irregularities rose by 9.4% compared to the 5-year average for 2018-2022. The total **amount** of TOR estimated and established by the Member States increased by 47% to EUR 783 million³⁵.

While **smuggling** remains one of the main modus operandi in fraudulent cases, most cases reported in 2022 relate to **incorrect value** and **incorrect classification**/misdescription of goods. **Textiles and footwear** were the goods most affected, not only in terms of the number of cases, but particularly in value. **China** remained the most significant country of origin of goods affected by irregularities.

14 Member States reported 116 cases of **smuggled cigarettes**, with the estimated amount of TOR involved totalling around EUR 38 million. Compared to 2021, 10 Member States³⁶ continued to report smuggling cases, while four Member States reported them for the first time in 2022³⁷. This might indicate a potential shift of fraud or of cigarette smuggling routes to other Member States.

Release for free circulation remains the customs procedure most affected by fraudulent and non-fraudulent irregularities (3 799 cases with an overall amount of EUR 688 million). Compared to 2021, Germany reported a big increase in non-fraudulent cases related to 'release for free circulation' in 2022, while some of its neighbouring Member States reported an increase in 'transit' (e.g. Czechia and the Netherlands) combined with a decrease in 'release for free circulation' (the Netherlands).

³² The estimated total damage is calculated on the basis of the values taken into account while investigations are still ongoing. The data reported in this section is included in the EPP0 annual report 2022.

³³ VAT fraud is not taken into consideration in this report.

³⁴ 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 2022' accompanying this report, section 2.

³⁵ In 2022, the total amount was significantly affected by four big cases of non-fraudulent irregularities which were reported in Belgium (EUR 305 million).

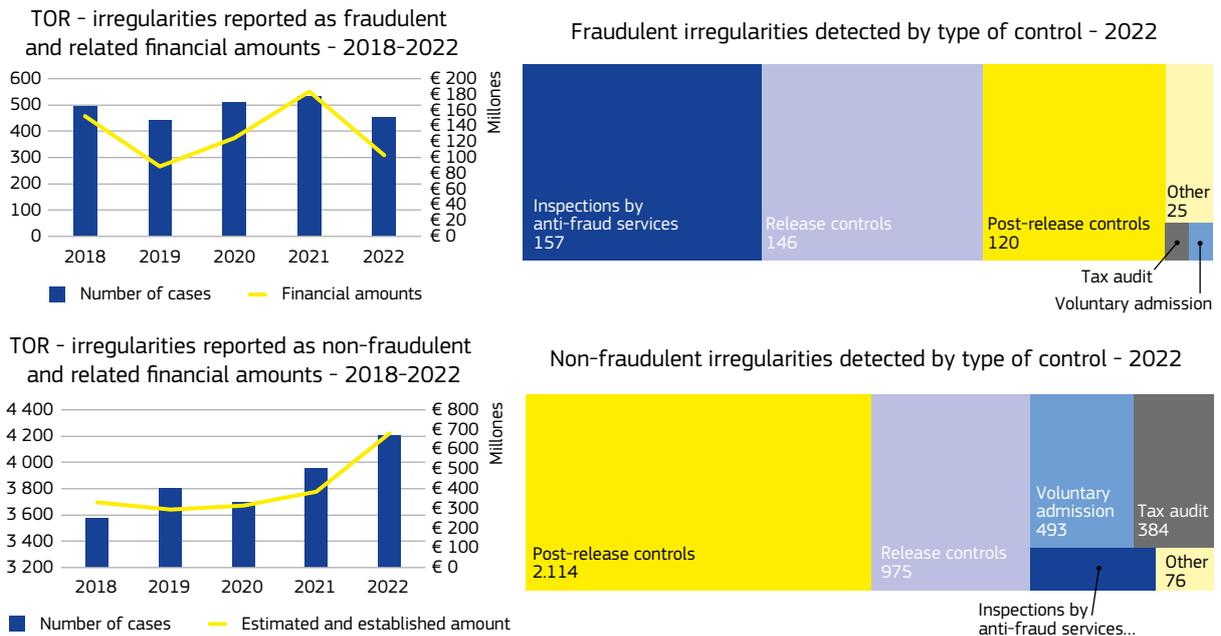
³⁶ Belgium, Bulgaria, Germany, Estonia, Greece, France, Latvia, Lithuania, Poland and Romania.

³⁷ Spain, Croatia, Austria and Portugal.

Inspections by national **anti-fraud services** together with customs release controls played a crucial role in detecting fraudulent cases in 2022. Non-fraudulent instances were primarily detected by **post-release controls**, although other methods of detection such as release controls and tax audits were also on the rise.

In 2022, the Commission services focused its on-the-spot **inspections in the Member States** on the control strategy for e-commerce and low-value consignments and the control strategy for anti-dumping and countervailing duties. Furthermore, the Commission’s desk audits in 2022 were oriented towards three different topics: COVID-19-related goods subject to duty relief, Binding Origin Information (BOI) decisions and open B-account cases.

FIGURE 4 – IRREGULARITIES DETECTED AND REPORTED IN TOR AND DETECTION BY TYPE OF CONTROL



SNAPSHOT 2 - JOINT CUSTOMS OPERATIONS

Joint Customs Operations (JCOs) are targeted actions of a limited duration aimed at combatting fraud and the smuggling of sensitive goods in specific areas at risk and/or on identified trade routes. In 2022, OLAF co-organised or supported 10 JCOs covering a broad spectrum of targets, including tobacco smuggling, undervalued goods and cash entering or leaving the EU³⁸.

4.3. Expenditure

4.3.1. Agriculture³⁹

During the period 2018-2022, fraudulent irregularities reported in IMS for **rural development** increased, mainly due to rising detections during the programming period 2014-2020. However, the number of these fraudulent irregularities was lower than

38 See OLAF Annual Report 2022, https://ec.europa.eu/olaf-report/2022/investigative-activities/protecting-eu-revenue/conducting-joint-customs-operations_en.html

39 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 2022' accompanying this report, section 3.

expected. This should be monitored in order to ensure a focus on fraud detection. Although less noticeable, non-fraudulent irregularities showed a similar trend. In 2022, fraudulent irregularities under **support to agriculture** increased in comparison with 2021, mainly due to reporting related to direct payments by two Member States. This increase was partly due to the reporting of many small interconnected irregularities. The irregular financial amounts involved in non-fraudulent irregularities fluctuated strongly, mainly due to the reporting in some years of cases involving exceptional amounts, for **market measures**.

Detection rates for rural development were noticeably 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, particularly fraudulent, was concentrated in a few Member States.

During the period 2018-2022, fraudulent irregularities often concerned the **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.

FIGURE 5 – PAYMENTS AND REPORTED IRREGULARITIES IN CAP BY TYPE OF EXPENDITURE⁴⁰

Payments by type of expenditure - 2022

Type of expenditure	Year 2022 Payments EUR million
Direct payments	37 978
Intervention in agricultural markets	2 881
Rural development	14 928
Total CAP	55 788

FDR and IDR by type of expenditure - 2018-2022

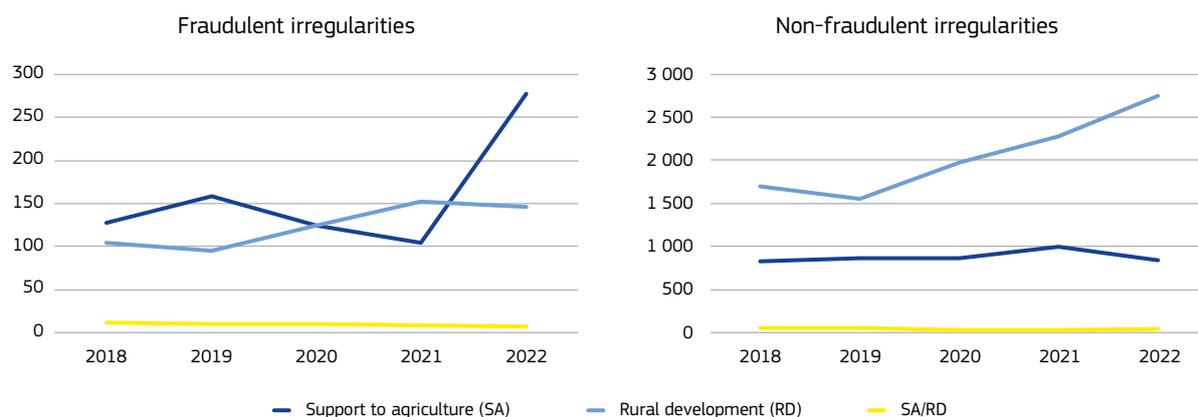
FDR	Type of expenditure	IDR
0.02%	Direct payments	0.06%
0.37%	Intervention in agricultural markets	2.22%
0.12%	Rural development	0.64%
0.06%	Total CAP	0.31%

Detected types of irregularities by type of expenditure - 2018-2022

Modus operandi	Direct payments to farmers	Market measures	Rural development
	detected in % of cases		
Request/Beneficiary	22%	0%	9%
Documentary proof	21%	50%	27%
Request	20%	0%	14%
Product, species and/or land/Request/beneficiary	17%	0%	0%
Request/Product, species and/or land	12%	13%	0%
Beneficiary	4%	0%	14%
Other	2%	13%	7%
Product, species and/or land	1%	13%	0%
Documentary proof/(Non-)action	0%	0%	5%
(Non-)action	0%	13%	12%
(Non-)action/Product, species and/or land	0%	0%	1%
Documentary proof/Request	0%	0%	0%
Product, species and/or land/Beneficiary	0%	0%	0%
Ethics & Integrity	0%	0%	0%

⁴⁰ 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.

Reported irregularities 2018-22 by type of support



SNAPSHOT 3 - RISKS AND VIOLATIONS IN THE COMMON AGRICULTURAL POLICY (CAP)

Risks and violations depend on the type of measure. For example, applicants for direct payments may request aid for plots of land they do not have the right to use, on the basis of false lease agreements, or they may artificially create the conditions for receiving financial support. Agricultural practices, including those beneficial for the climate and the environment, may warrant more attention with a view to identifying intentional infringements. The same may apply to payment schemes based on the number and type of animals. Violations related to market measures may concern, for example, the withdrawal of agricultural products from the market or the cost, actual implementation or use of investments by producer organisations, such as works for storage sites or the purchase of machinery or equipment. Several complex cases related to the promotion of agricultural products were investigated by OLAF.

In rural development, beneficiaries may, for example, use false invoices, declarations of equipment as new when it is in fact second-hand, manipulated bids in the context of procurement and false information on compliance with conditions for receiving aid. Violations may concern the information the applicant provides in order to get the project selected, to receive advance payment or to meet the criteria for access to a support scheme. The beneficiary may infringe the rules on procurement, request reimbursement for inflated costs or even for non-existent transactions, or ask for reimbursement of costs already funded in another context. The beneficiary may fail to follow the business plan, to use the investment for the intended purpose or to use it at all. Area- and animal-related spending may warrant more attention with a view to identifying intentional infringements.

4.3.2. Cohesion policy⁴¹

Fraudulent irregularities related to the programming period 2007-2013, as reported in IMS, peaked in 2015, gradually decreased in the following years, and in 2018 were overtaken by those related to the programming period 2014-2020. These dynamics are in line with known trends and patterns linked to the multi-annual implementation cycles. Since 2017, reporting of non-fraudulent irregularities related to the programming period 2014-2020 has been increasing, but less than expected. The number and financial amounts of the non-fraudulent irregularities reported during the first nine years of the programming period 2007-2013 were much higher than those reported during the programming period 2014-2020. This concerns all funds and most of the Member States⁴².

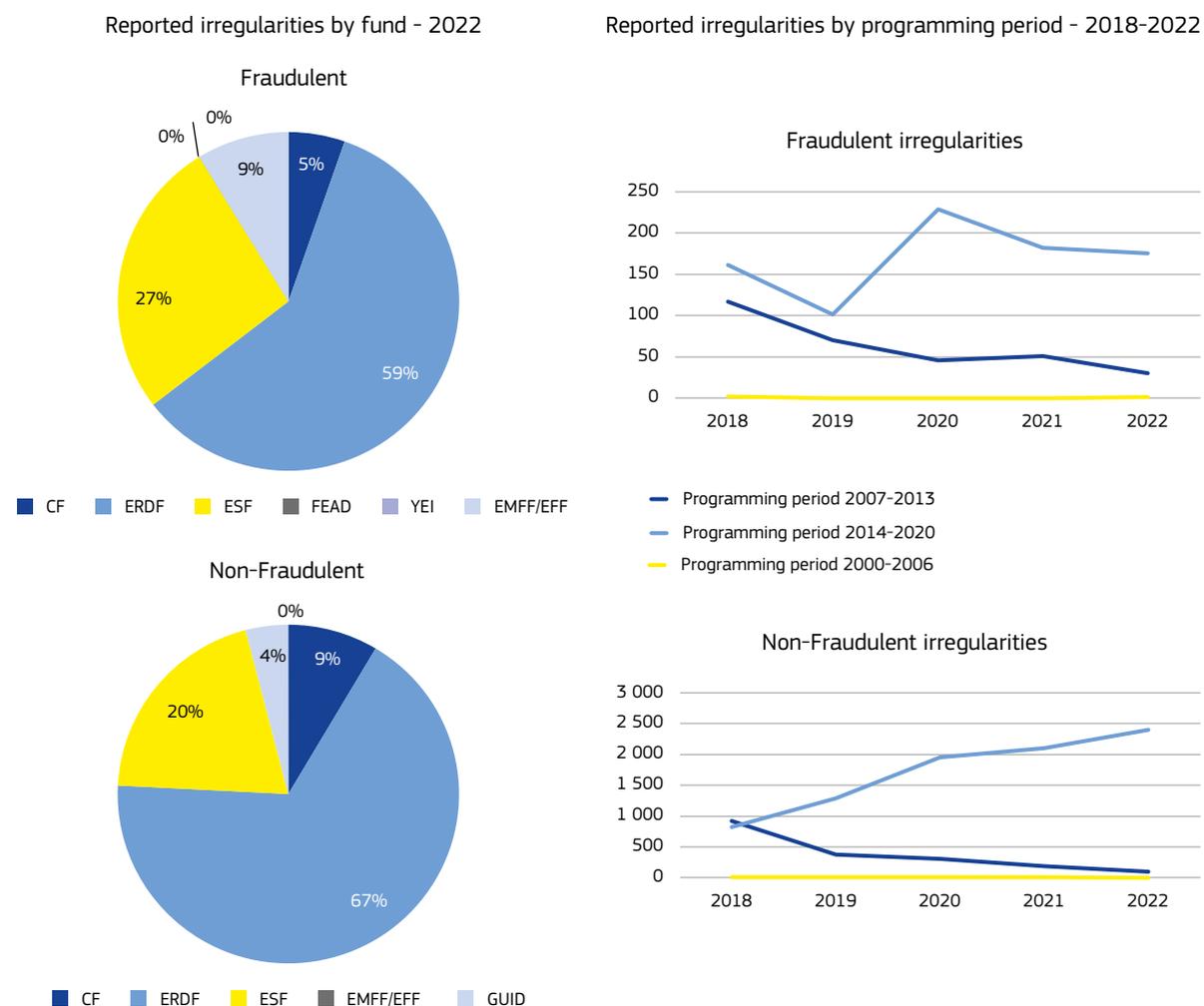
As regards fraud, the most frequent type of violation concerned supporting documents. High financial amounts were involved in fraudulent irregularities where there were infringements of contract provisions/rules, which often consisted of incomplete or non-implementation of the funded action. Infringements of public procurement rules were the most reported non-fraudulent irregularities. They rarely resulted in a suspicion of fraud. This suggests

⁴¹ For a detailed analysis of irregularities reported by the Member States in relation to the cohesion policy, see 'Statistical evaluation of irregularities reported for own resources, natural resources, cohesion policy, pre-accession assistance and direct expenditure in 2022' accompanying this report, section 4.

⁴² An in-depth analysis of this trend was published in the [2021 PIF Report](#), snapshot 17, page 38.

that either fraud detection, investigation and prosecution or the administrative capability of contracting authorities should be improved. Most fraudulent violations concerning ethics and integrity were related to conflicts of interest. Ethics and integrity is the category of infringement in which fraud is most frequent. Corruption was rarely reported.

FIGURE 6 – REPORTED IRREGULARITIES BY PROGRAMMING PERIOD, FUND, AND TYPOLOGY. IDR AND FDR BY PROGRAMMING PERIOD⁴³



43 For the definition of IDR and FDR see footnote 40.

Types of irregularities detected during the programming period 2014-2020 as % of total (*)

Detected in fraudulent irregularities (%)	Categories of irregularities	Detected in non-fraudulent irregularities (%)
40.4%	Incorrect, missing, false or falsified supporting documents	13.0%
20.1%	Infringement of contract provisions/rules	28.6%
14.3%	Infringement of public procurement rules	36.8%
12.0%	Ethics and integrity	1.0%
8.9%	Eligibility / Legitimacy of expenditure/measure	7.4%
6.1%	Infringements concerning the request	1.8%
5.2%	Violations/breaches by the operator	3.0%
4.3%	Incorrect, absent, falsified accounts	4.5%
3.6%	Product, species and/or land	1.9%
1.6%	Multiple financing	0.2%
0.6%	Bankruptcy	0.7%
0.4%	State aid	1.3%
0.1%	Movement	0.1%
12.9%	Other	10.9%
1.7%	blank	2.3%

(*) The sum will not correspond to 100%, because one irregularity can refer to more than one category

FRD and IDR by Programming Period

FDR % of payments	Programming period	IDR % of payments
0.48%	Programming Period 2014-2020	0.61%
0.42%	Programming Period 2007-2013	2.52%

SNAPSHOT 4 - AREAS AT RISK IN THE COHESION POLICY

As regards fraud, risks seem to be higher in relation to: (i) transport and environmental protection, because of the high financial amounts involved in irregularities; (ii) research, technological development and innovation (RTD&I) and employment, because of the frequency of fraudulent irregularities. In terms of fraud relating to the green transition, analysis suggests higher risks for investments in: (i) energy efficiency; (ii) provision of drinking water; (iii) waste management. Concerning fraud relating to transport and networks, analysis suggests higher risks for investments in: (i) roads that are not part of TEN (Trans-European Network), because of the number of irregularities, probably linked to the higher number of projects which reach the regional or local level; (ii) railways and TEN roads, because of the high financial amounts involved. As for fraud relating to social inclusion, analysis suggests higher risks for investments in active inclusion and in healthcare infrastructure.

4.3.3. Other budgetary areas⁴⁴

The **Instrument for Pre-Accession** (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 during the period 2018-2022 in relation to pre-accession mainly concerned funds distributed under the 2007-2013 Instrument for Pre-accession

⁴⁴ 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 2022' accompanying this report, sections 5 and 6.

Assistance I (IPA I) and the 2014-2020 IPA II. In 2022 the number of reported irregularities and related amounts peaked. However, reported fraudulent irregularities were at their lowest of the last five years. Reported irregularities, both fraudulent and non-fraudulent, mainly concern the rural development component and cross-border cooperation.

Irregularities, both fraudulent and non-fraudulent, related to expenditure disbursed under **direct management** remained fairly stable over the period 2018-2022. More than 80% of the irregularities identified as potentially fraudulent were detected following OLAF's investigations.

4.4. Organised crime, corruption and conflicts of interest

Information concerning **organised crime** activity against the financial interests of the EU is available in the EPPO annual report, which indicates 122 investigated offences concerning PIF-focused criminal organisations in its active investigations by the end of 2022.

In relation to **corruption** cases, the EPPO reported 87 investigated offences at the end of 2022. Over the years 2018-2022, 30 cases have been reported via IMS by 10 countries, five relating to agriculture, 22 to cohesion and three to pre-accession. Their damage is estimated at about EUR 50 million.

Over the same period, 375 cases related to **conflicts of interest** were reported via IMS (86% referred to cohesion, 9% to agriculture and 5% to pre-accession) involving almost EUR 117 million. The analysis of such irregularities reveals that reported conflicts of interests mainly point at relations between recipients of the funds and their contractors and sub-contractors, based on specific infringements of national rules. Only 7% of the cases refer to conflict of interest during the stage of awarding/evaluation of projects, thus involving members of evaluation committees. Though about two-thirds of these cases were detected through standard controls and verifications, the remaining third were detected through sources external to the management and control systems, such as 'tips from informants', 'OLAF investigations or information from OLAF', 'investigations by national police' and 'articles in the press'.

5. Conclusions and recommendations

The Commission Anti-Fraud Strategy places emphasis on data collection and analysis and on developing knowledge in order to better target anti-fraud efforts. Further digitalisation is essential in order to increase the accessibility and use of data and thus to ensure more effective and efficient fraud prevention and detection. The strategy also stresses the importance of anti-fraud governance, and of having the correct processes and structures in place to ensure cooperation and coordination among all relevant actors. The experience acquired by the Commission and the Member States over recent years confirms the need to continue in this direction and to tackle fraud in a holistic and coordinated manner.

5.1. Understanding fraud in order to fight it more efficiently

Thorough and careful analysis of data can enhance all stages of the anti-fraud cycle. In particular, it can boost prevention and detection through strategic and operational recommendations to help anti-fraud actors to target fraudsters more effectively. The soundness of that analysis depends on the availability and quality of the relevant data.

The EU legal framework provides an adequate framework for exchanging the relevant information in relation to both revenue and expenditure.

On the expenditure side, the reporting of fraud and irregularities via IMS is the means by which that data is collected, and the Commission is committed to further improving the system and supporting the Member States in reviewing and updating the guidance on the reporting of irregularities.

On the revenue side, the risks related to certain types of goods remain high. The Member States report fraud and irregularities involving traditional own resources via the OWNRES application. A timely and proactive approach in identifying and addressing existing risks as well as new fraud trends proves to be indispensable for the effective protection of the EU's financial interests.

In many Member States, the percentage of irregularities that are still classified as suspected fraud many years after initial reporting is extremely high, even in relation to cases indicated as closed. This may suggest either that the judicial authorities do not follow up those suspicions properly, e.g. due to insufficient resources, or that there are no proper communication channels from judicial to reporting authorities. This may be due to persistent suspicions of paying agencies and managing authorities, while criminal proceedings were not launched, were prevented by the statute of limitations or did not result in sufficient evidence of fraud.

RECOMMENDATION 1 – IMPROVING DETECTION, REPORTING AND FOLLOW-UP OF SUSPECTED FRAUD

Detection and reporting of suspected fraud can still be significantly improved, as can their follow-up. Significant differences between Member States can still be seen. In the Member States with low incidence of fraud, the competent authorities should invest in fraud risk analysis in order to assess the degree to which low detection is the result of low levels of actual fraud affecting their operations or the result of systemic weaknesses in detection or reporting systems.

If any weakness in detection is identified, Member States should focus on detecting signals of fraud and, where irregularities are found, carefully addressing the question of intentionality.

If the identified issues point to reporting practices (e.g. delaying classification as suspected fraud) Member States should review them also taking into account the need for a better information flow to and from judicial authorities.

5.2. Innovating in the fight against fraud: the case for digitalisation

Despite having been the object of several recommendations in the past, the focus on the digitalisation of the fight against fraud is more relevant than ever. The opportunities offered by new technologies should be exploited to the full, in order to counter fraudsters who appear to be more organised and tech-savvy than ever.

RECOMMENDATION 2 – DIGITALISATION OF THE FIGHT AGAINST FRAUD HIGH ON MEMBER STATES' AGENDA

Digitalisation of the fight against fraud needs to be at the heart of anti-fraud strategies. It represents both a resource and a threat, as fraudsters are also increasingly using and exploiting new technologies in order to commit their crimes. Member States should ensure that the digitalisation of the fight against fraud is part of their NAFS. That approach should define strategies to: (i) identify existing and future threats arising from new technologies; (ii) develop the necessary IT architecture (inventorying existing tools, developing new ones, ensuring appropriate interoperability between them); and (iii) identify and address existing gaps, also in terms of the skills needed.

5.3. Strengthening Anti-fraud governance

The Commission has constantly pressed the case for the widespread adoption of national anti-fraud strategies to protect the EU's financial interests. Those strategies can ensure that the various national actors involved take a common approach and can facilitate cooperation with the EU level. Because of the important role played by OLAF and the EPPO in combatting cross-border fraud in particular, the increasingly complex anti-fraud landscape and the sophistication of fraudsters, cooperation and coordination across organisational boundaries is more important than ever.

RECOMMENDATION 3 – REINFORCING ANTI-FRAUD GOVERNANCE IN THE MEMBER STATES

National anti-fraud networks have been developing in several Member States, with the national AFCOS playing a key role. The Commission supports and encourages this process, which should be extended to all actors concerned, involving the relevant law enforcement and judicial authorities at national and European level. Member States should also ensure that the national structures coordinating this process are properly staffed.

Anti-fraud networks provide the ideal structure for the development and updating of NAFS.

The Commission reiterates its recommendation that the Member States which have not yet adopted a NAFS should do so.

Annexes

to the

Report from the Commission to the
Council and the European Parliament

**34th Annual Report on the
protection of the European Union's
financial interests and the fight
against fraud**

2022

Annex 1 – Irregularities reported as fraudulent in 2022

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. Therefore, the figures should not be interpreted as indicating the level of fraud in the Member States territories. Annex for the PIF Report does not include third countries (pre-accession), the UK and direct expenditure.

Member States	Agriculture		Internal policies		Cohesion policy and Fisheries		Pre accession (2)		TOTAL EXPENDITURE		REVENUE	
	N	EUR	N	EUR	N	EUR	N	EUR	N	EUR	N	EUR
Belgique/België	0	0	2	120,149	0	0	2	120,149	109	49,701,316	0	0
Bulgaria	4	525,808	6	170,143	6	170,143	10	695,951	7	2,584,329	0	0
Ceská republika	7	824,794	38	31,072,523	38	31,072,523	45	31,897,317	0	0	0	0
Danmark	22	1,481,220	3	84,794	3	84,794	25	1,566,014	3	114,100	0	0
Deutschland	10	465,298	1	134,191	19	2,050,788	30	2,650,277	44	4,487,969	0	0
Eesti	20	1,001,058	7	121,916	7	121,916	27	1,122,954	3	267,805	0	0
Éire/Ireland	0	0	0	0	0	0	0	0	0	0	0	0
Ellada	0	0	1	41,400	1	41,400	1	41,400	37	8,031,125	0	0
España	48	2,054,539	0	0	0	0	48	2,054,539	25	2,864,020	0	0
France	171	2,832,900	2	172,093	2	172,093	173	3,004,993	82	13,080,597	0	0
Hrvatska	4	986,825	2	17,042,171	2	17,042,171	6	18,028,996	11	3,521,016	0	0
Italia	20	2,963,942	5	100,000	5	100,000	25	3,063,942	28	6,821,252	0	0
Kypros	0	0	1	237,600	1	237,600	1	237,600	2	112,602	0	0
Latvija	7	292,388	22	16,068,629	22	16,068,629	29	16,361,017	3	98,255	0	0
Lietuva	19	693,698	0	0	0	0	19	693,698	33	2,812,294	0	0
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0
Magyarország	1	90,564	12	6,571,436	12	6,571,436	13	6,662,000	4	196,164	0	0
Malta	1	90,000	0	0	0	0	1	90,000	0	0	0	0
Nederland	4	28,854	1	11,946	1	11,946	5	40,800	2	295,846	0	0
Österreich	0	0	0	0	0	0	0	0	4	75,391	0	0
Polska	22	1,276,712	23	24,914,962	23	24,914,962	45	26,191,674	39	4,434,043	0	0
Portugal	1	8,341	1	139,230	1	139,230	2	147,571	11	1,379,031	0	0
Romania	67	3,499,420	32	18,352,629	32	18,352,629	99	21,852,049	5	2,089,725	0	0
Slovenija	0	0	1	252,535	1	252,535	1	252,535	0	0	0	0
Slovensko	4	1,719,933	24	51,032,030	24	51,032,030	28	52,751,963	1	36,241	0	0
Suomi/Finland	0	0	0	0	0	0	0	0	1	86,187	0	0
Sverige	1	18,711	6	733,723	6	733,723	7	752,434	0	0	0	0
TOTAL EU27	433	20,854,985	3	254,340	206	169,170,548	642	190,279,873	454	103,089,308	0	0

Annex 2 – Irregularities reported as non-fraudulent in 2022

Annex for PIF does not include third countries (pre-accession), the UK and direct expenditure.

Member States	Agriculture		Internal policies		Cohesion policy and Fisheries		Pre accession (2)		TOTAL EXPENDITURE		REVENUE	
	N	EUR	N	EUR	N	EUR	N	EUR	N	EUR	N	EUR
Belgique/België	19	609,288	10	363,624			29	972,912	316	322,835,993		
Bulgaria	145	9,750,841	214	60,552,996	3	86,058	362	70,389,895	4	126,057		
Ceská republika	51	1,073,893	2	35,802	341	33,102,645	394	34,212,340	84	7,716,096		
Danmark	11	336,966	20	1,098,905			31	1,435,871	97	3,721,384		
Deutschland	73	2,226,199	14	423,983	100	7611,972	187	10,262,154	1,632	124,721,953		
Eesti	16	475,775	1	73,458	108	10,359,311	126	10,927,191	1	46,447		
Éire/Ireland	0	0	8	800,692			8	800,692	22	2,445,636		
Ellada	514	6,856,344	5	996,996	69	35,479,762	588	43,333,102	8	780,678		
España	520	17,515,350	48	4,120,167			568	21,635,517	506	40,284,161		
France	272	11,359,030	1	748,000	36	6,277,643	309	18,384,673	299	23,370,885		
Hrvatska	47	1,745,279	25	2,983,351			72	4,728,630	13	339,533		
Italia	287	23,347,410	106	23,646,340			393	46,993,750	68	14,881,111		
Kypros	0	0	2	23,812	3	713,770	5	737,582	3	48,060		
Latvija	17	512,013	17	9,274,211			34	9,786,224	36	3,763,519		
Lietuva	116	3,034,344	86	7,991,164			202	11,025,508	21	790,395		
Luxembourg	1	19,220	0	0			1	19,220	0	0		
Magyarország	244	7,093,885	1	457,203	191	21,827,840	436	29,378,928	19	6,853,666		
Malta	6	188,272	1	24,819			7	213,091	2	44,438		
Nederland	10	162,714	12	317,009			22	479,723	599	78,193,447		
Österreich	3	66,683	42	3,061,065			45	3,127,748	72	3,608,845		
Poljska	382	41,874,380	2	745,395	687	114,716,994	1,071	157,336,769	95	28,394,532		
Portugal	238	10,133,621	41	3,167,869			279	13,301,490	20	994,777		
Romania	550	38,375,880	3	58,132	173	28,906,768	727	67,364,135	36	1,928,576		
Slovenija	5	149,124	14	2,148,640			19	2,297,764	18	465,159		
Slovensko	56	8,588,189	128	128,011,167			184	136,599,356	5	399,501		
Suomi/Finland	33	1,280,862	1	14,919	11	360,819	45	1,656,600	31	3,113,581		
Sverige	11	297,965	13	477,547			24	775,512	200	9,961,640		
TOTAL EU27	3,627	187,073,527	32	3,577,700	2,504	507,597,090	5	128,060	6,168	698,176,377	4,207	679,830,069

(1) Based on data in the Irregularity Management System (IMS) as of 6/3/2023.

(2) Data in this column includes also 1 irregularity (EE) related to the European neighbourhood Instrument.

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