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**COMMISSION STAFF WORKING DOCUMENT**

**Statistical Evaluation of Irregularities reported for 2011  
Own Resources, Natural Resources, Cohesion Policy, Pre-Accession and Direct  
Expenditure**

*Accompanying the document*

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

**Protection of the European Union's financial interests - Fight against fraud  
Annual Report 2011**

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## COMMISSION STAFF WORKING DOCUMENT

### Statistical Evaluation of Irregularities reported for 2011 Own Resources, Natural Resources, Cohesion Policy, Pre-Accession and Direct Expenditure

#### *Accompanying the document*

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

#### Protection of the European Union's financial interests - Fight against fraud Annual Report 2011

#### LIST OF ABBREVIATIONS

ABAC	Accrual Based Accounting
AFIS	Anti-Fraud Information System
CN	Combined Nomenclature
COCOLAF	Advisory Committee for the Coordination of Fraud Prevention
CSWD	Commission Staff Working Document
DG AGRI	Directorate General for Agriculture and Rural Development
DG EMPL	Directorate General for Employment, Social Affairs and Equal Opportunities
DG MARE	Directorate General for Maritime Affairs and Fisheries
DG REGIO	Directorate General for Regional Policy
DG TAXUD	Directorate General for Taxation and Customs Union
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
EFF	European Fishery Fund
EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EU-10	The 10 Member States joining the EU in 2004
EU-15	The 15 Member States before the enlargement of 2004
EU-2	The 2 Member States joining the EU in 2007
EU-25	The 25 Member States before the enlargement of 2007
EU-27	The 27 Member States of the European Union
EUR	Euro
EURATOM	European Atomic Energy Community

FAL	Fraud Amount Level
FFL	Fraud Frequency Level
FIFG	Financial Instrument for Fishery Guidance
FinR	Financial Regulation
FrR	Fraud Rate
FY	Financial Year
GNI	Gross National Income
IMS	Irregularity Management System
IPA	Instrument for Pre-Accession
IrR	Irregularity Rate
OLAF	European Anti-Fraud Office
OWNRES	Own Resources
PAA	Pre-Accession Assistance
PIF	Protection of Financial Interests (European Convention on the)
PIF Report	Annual Report on the Protection of the EU financial interests
TFEU	Treaty on the Functioning of the European Union
TOR	Traditional Own Resources
VAT	Value Added Tax
WOMIS	Write-Off Management and Information System



# PART I – INTRODUCTION

## 1. INTRODUCTION

### 1.1. Scope of the document

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

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

For this reason, this document should be regarded more as an analysis of the achievements of Member States rather than of their failures.

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

### 1.2. Structure of the document

The present document is divided in three parts.

The first introductory part is composed of two chapters which contain, respectively: the structure and scope of the document and a short description of the European Budget and its different “management” modes.

The second is dedicated to the analysis of irregularities reported in the area of the Traditional Own Resources (Revenues).

The third is composed of 5 chapters dedicated, respectively, to Agricultural expenditure, European Fisheries Fund, Structural measures, Pre-accession Assistance and Direct expenditure.

## 2. THE EUROPEAN UNION BUDGET (ANNEXES 1-2)

Taxpayers' money is used by the European Union (EU) to fund activities that all Member States and parliaments have agreed upon in the Treaties. The overall budget for 2010 is about EUR 141.5 billion and it represents around 1% of the Union's wealth.

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<sup>1</sup> This document cannot be considered as an official position of the Commission.

## 2.1. Revenues

The EU has its 'own resources' to finance its expenditure. Legally, these resources belong to the Union. Member States collect them on its behalf and transfer them to its budget. Own resources are of three kinds:

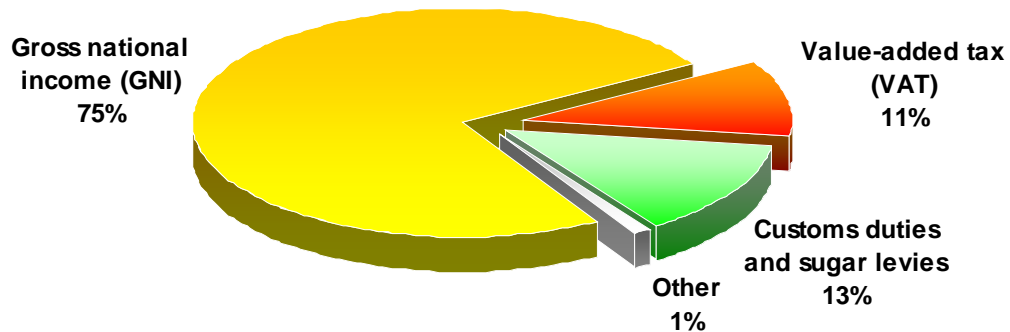
- **Traditional own resources** (TOR) — these consist of customs duties that are charged on imports of products coming from a non-EU state. In addition a small part of the revenue comes from sugar levies collected from EU sugar producers.
- The resource based on **value added tax** (VAT) is a uniform percentage rate that is applied to each Member State's harmonised VAT revenue.
- The resource based on **gross national income** (GNI) is a uniform percentage rate applied to the GNI of each Member State.

The budget also receives other revenue, such as taxes paid by EU staff on their salaries, contributions from third countries to certain EU programmes and fines on companies that breach competition or other laws.

Revenue flows into the budget in a way which is roughly proportionate to the wealth of the Member States. The United Kingdom, Germany, the Netherlands, Austria and Sweden, however, benefit from some adjustments when calculating their contributions.

The total EU revenue for 2011 amounts to about EUR 126.5 billion. Annex 1 provides a summary of financing by type of own resource and by Member State; Chart 2-1 shows how the four elements indicated above contribute to the EU budget.

**Chart Error! No text of specified style in document.-1: Source of financial resource to the European Budget**



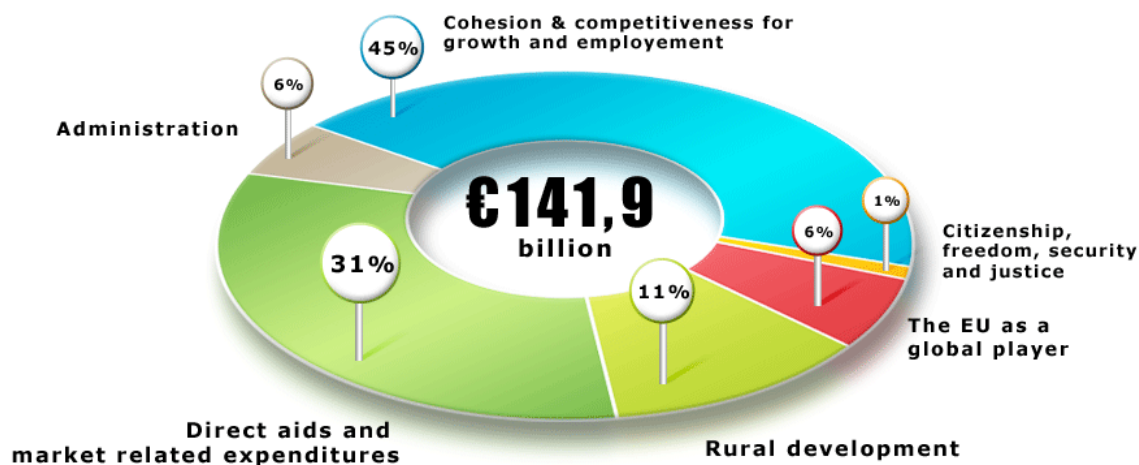
## 2.2. Expenditure

The EU Budget for 2011 includes 5 headings of expenditure:

- **Sustainable Growth** represents the largest share of the EU budget, which will go to research, innovation, employment and regional development programmes;
- **Natural Resources** cover the second largest portion of the expenditure supporting the agricultural expenditure and direct aids, rural development, fisheries and environment; it is divided between ‘**Modernising farming** and producing high-quality food’ and ‘**Rural development**’;
- **Citizenship, Freedom, Security and Justice** supports initiatives aiming at strengthening active citizenship or addressing issues like terrorism, crime and immigration;
- The **EU as a Global Player** sets the resources for the Common Foreign and Security Policy, the EU Neighbourhood Policy, Pre-Accession Assistance, Humanitarian Aid and Development Cooperation;
- The **administrative expenditure** includes the running costs for the European Institutions.

Chart 2-2 shows the distribution of the EU financial resources among the six different headings in commitment appropriations, while Annex 2 provides a more detailed overview of the 2011 budget (in commitment and payment appropriations).

**Chart Error! No text of specified style in document.-2: Distribution of the expenditure financial resource by Budget Heading**



The total payment appropriations for 2011 amount to EUR 126.5 billion.

### 2.3. Management of the Budget

According to article 317 of the TFUE, the Commission shall implement the budget. Council Regulation (EC, Euratom) No 1605/2002<sup>2</sup> of 25 June 2002 on the Financial Regulation (FinR)<sup>3</sup> applicable to the general budget of the EU indicates that the Commission implements the budget:

- (1) on a centralised basis: implementation tasks are performed either directly by its departments or indirectly by executive agencies created by the Commission, bodies set up by the EU - provided that this is compatible with the tasks set out in the basic act - and, subject to certain conditions, national public-sector bodies or bodies governed by private law with a public-service mission;
- (2) on a shared or decentralised basis: implementation tasks are delegated to the Member States (shared management) or third countries (decentralised management); the Commission applies clearance-of-accounts procedures or financial correction mechanisms enabling it to assume final responsibility for the implementation of the budget;
- (3) by joint management with international organisations: certain implementation tasks are entrusted to international organisations.

<sup>2</sup> Official Journal L 248 of 16.09.2002.

<sup>3</sup> Amended by Council Regulation (EC, Euratom) No 1995/2006 of 13 December 2006 (OJ L 390 of 30.12.2006) and by Regulation (EC) No 1525/2007 of 17 December 2007 (OJ L 343 of 27.12.2007).

## PART II - REVENUES

### 3. TRADITIONAL OWN RESOURCES (ANNEXES 3-16)

#### 3.1. Management of Traditional Own Resources (TOR)

##### 3.1.1. *Monitoring of establishment and recovery of TOR*

In order to get the right picture of Member States' TOR recovery activity, it is important to keep in mind that 98% of established TOR is subsequently recovered without any particular problem. These amounts are entered in the A-account and made available to the EU budget. This covers most of the 'normal' import flows where release for free circulation gives rise to a customs debt. The remaining exceptional items are entered in the B-account. This should be borne in mind, when evaluating Member States' recovery activity.

In return for their collection task, and to support sound and efficient management of public finances, Member States may keep 25% of the amounts recovered. In its capacity as Authorising Officer responsible for executing the EU budget, the Commission (DG Budget as delegated Authorising Officer) monitors Member State activity concerning establishing and recovering TOR.

The following three methods are used:

- (1) Overall monitoring of recovery of TOR via the write-off procedure as provided for in Article 17(2) of Regulation No 1150/2000;
- (2) Regular inspection in Member States of the establishment and recovery of TOR and B-account entries as provided for in Article 18 of Regulation No 1150/2000;
- (3) Specific monitoring (in close cooperation with European Anti-Fraud Office (OLAF), the Directorate-General for Taxation and Customs Union (TAXUD) and the Directorate-General for Agriculture and Rural Development (AGRI)) of Member States' follow-up of recovery in individual cases, which have a significant financial impact and which may involve Mutual Administrative Assistance.

These three methods allow the Commission to monitor Member States' performance without interfering too much in their day-to-day operations.

##### 3.1.2. *Procedure for managing Member States' reports for write-off*

Member States must take all requisite measures to ensure that established amounts of TOR are made available to the Commission. This requirement, mentioned in Article 17(1) of Regulation No 1150/2000, also implies that a Member State is only released from its obligation to make available TOR if it can prove that the debt is irrecoverable either:

- (a) for reasons of *force majeure*; or
- (b) for other reasons, which cannot be attributed to that Member State.

There are two ways to conclude that amounts of TOR have become irrecoverable. The first is by a decision of a Member State *declaring* that they cannot be recovered — this declaration may be made at any time. However, TOR must be *deemed* irrecoverable by a Member State at the latest five years from the date on which the debt was established, or in the event of an administrative or judicial appeal, the final decision was given, or the last part-payment to the debt was made, whichever is the later. If the amount of the written-off debt is less than EUR 50 000, Member States do not have to communicate the case to the Commission, unless the Commission makes a specific request. However, if the irrecoverable amount of TOR exceeds EUR 50 000, the write-off must be reported to the Commission which has to decide whether the necessary conditions are fulfilled in order to release the Member State from the obligation to make the TOR available.

Member States submit their requests to be released from the obligation to make the TOR available directly via an IT application called WOMIS<sup>4</sup>. In 2011 a WOMIS version 2.0 was released.

In 2011 218 write-off reports amounting to EUR 61.5 million were communicated via WOMIS to the Commission by 17 Member States. The table below shows those cases have been processed by the Commission in 2011 with the following results:

*Table OR1: Write-off reports treated in 2011*

MS	Cases <sup>5</sup>		Total amount		Acceptance		Refusal		Additional information request	
	N	EUR	N	EUR	N	EUR	N	EUR	N	EUR
AT	22	7.518.020	11	2.819.216	2	232.478	9	4.466.325		
BE	16	6.008.748			1	120.840	10	5.079.355		
CZ	4	306.216	4	306.216						
DE	91	15.605.657	31	6.287.550	6	866.125	46	7.704.085		
DK	1	196.860					1	196.860		
ES	16	4.844.534	5	1.563.508	7	1.452.123	4	1.828.903		
FI	3	295.411					1	111.641		
FR	11	5.014.018	6	601.312	5	4.412.707				
UK	8	8.429.677	5	1.221.983	1	6.999.492	1	66.750		
HU	3	658.034	3	658.034						
IT	12	2.562.676	2	181.374	9	2.255.704	1	125.598		
LT	2	165.825	1	64.634			1	101.191		
LV	7	911.958	3	320.782	2	323.868	2	267.308		
NL	1	1.114.350					1	1.114.350		
PT	17	6.595.785	2	118.044	11	5.103.092	4	1.374.649		
SE	1	360.003					1	360.003		
SK	3	916.044					3	916.044		
<b>Total</b>	<b>218</b>	<b>61.503.816</b>	<b>73</b>	<b>14.142.653</b>	<b>44</b>	<b>21.766.429</b>	<b>85</b>	<b>23.713.062</b>		

<sup>4</sup> WOMIS: Write-Off Management and Information System.

<sup>5</sup> Thereof, 16 cases were non-admissible as write-off cases: 5 cases from Belgium (EUR 808 553), 8 cases from Germany (EUR 747 897), 2 cases from Finland (EUR 183 770) and 1 case from the UK (EUR 141 453).

In addition, 245 cases which had been communicated before 2011 to the Commission have been processed in 2011 with the results showed in Table OR2.

*Table OR2: Results of cases communicated before 2011 processed in 2011*

MS	Cases <sup>6</sup>		Acceptance		Refusal		Additional information request	Additional information request
	N	EUR	N	EUR	N	EUR	N	EUR
BE	8	1.443.109	5	770.820	3	672.290		
DE	144	83.972.636	85	62.938.798	20	2.486.292	36	16.772.522
DK	2	782.594			2	782.594		
ES	45	15.185.139	8	5.110.026	17	3.330.898	20	6.744.215
FI	3	346.823	3	346.823				
FR	4	5.401.098	3	5.166.948			1	234.150
IT	20	20.593.145			20	20.593.145		
LV	1	109.969	1	109.969				
NL	17	24.320.060	17	24.320.060				
UK	1	181.222	1	181.222				
<b>Total</b>	<b>245</b>	<b>152.335.795</b>	<b>123</b>	<b>98.944.666</b>	<b>62</b>	<b>27.865.219</b>	<b>57</b>	<b>23.750.887</b>

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

### 3.1.3. Particular cases of Member State failure to recover TOR

If TOR are not established because of an administrative error by a Member State, the Commission applies the principle of financial liability<sup>7</sup>. In 2011 Member States have been held financially liable for over €26 million and new cases are being given appropriate follow-up.

The main objective of these procedures is to encourage individual Member States to improve their administrative performance and to address weaknesses leading to a loss of TOR. Payments for these cases are made available via the A-account and they reduce in effect the contribution of the Member States via the GNI resource in proportion to their contribution to the EU budget.

## 3.2. General trends

The number of cases communicated to OWNRES for 2011 is currently 15% lower in comparison with 2010 (from 5 544 to 4 696). The amount of TOR involved is 27% lower (from EUR 439 million to EUR 321 million)<sup>8</sup>. All data and comparisons in this report are drawn up from queries made in OWNRES on 12 March 2012 (cut-off date). A comparison between data from this year's report to data from the previous

<sup>6</sup> Thereof, 3 cases have been considered as non-admissible from Germany involving EUR 1 775 024.

<sup>7</sup> Case C-392/02 of 15 November 2005. These cases are identified on the basis of Articles 220(2)(b) (administrative errors which could not reasonably have been detected by the person liable for payment) and 221(3) (time-barring resulting from Customs' inactivity) ) and 239 (special situation) of the Community Customs Code, Articles 869 and 889 of Regulation No 2454/93..

<sup>8</sup> See annex 3 (table) and annex 4 (chart).

year report where the cut-off data was on 4 March 2011 shows that the differences between 2011 and 2010 are smaller: The number of cases in 2010 was at that time 4 744 while the number of cases for 2011 is 4 696. This is a decrease of 1%. The amount of TOR is 18% lower (from EUR 393 million in 2010 to €EUR 321 million in 2011).

The number of communications from the *ten new Member States* showed continued growth since their accession in 2004 until 2007. From 2007 to 2009 the communicated cases remained stable. In 2010 and 2011 the communicated cases declined, although the amount of TOR increased.

The number of communications from Bulgaria and Romania peaked in 2010 at 152 cases. However, in 2011 the number of communications fell to 83 cases for both countries.

The OWNRES database now contains 68 510 cases in total (1989-2011) and shows an increase of 9% during 2011. Significant changes in the *number* of registrations in 2011 compared with 2010 can be seen for Latvia (+ 89%), Finland (+ 72%), Denmark (+ 52%), Cyprus (- 64%), Austria (- 54%), Slovenia (- 52%), Malta (- 50%) and Romania (- 48%). Significant changes of *amounts* can be seen in Lithuania (+ 714%), Finland (+ 184%), Poland (+ 179%), Belgium (-76%), Denmark (-85 %), Czech Republic (- 69%) and Slovakia (-69 %)<sup>9</sup>.

With the exception of the year 2010, the number of *belatedly discharged transit operations* decreased continually in the previous years.<sup>10</sup> In the case of transit, practice shows that 60-90% of the initially established debts are ultimately cancelled, because of proof of regular discharge after all.

### 3.2.1. *Types of irregularity and fraud*

A breakdown of frauds and irregularities by *customs procedure* and by *mechanism type* confirms that most cases of irregularity or fraud relate to the procedure of *release for free circulation* (80% of established amounts<sup>11</sup>). False declarations (incorrect classification, incorrect value, incorrect country of origin and incorrect use of preferential arrangements) and formal shortcomings (failure to fulfil obligations or commitments) are the mechanisms most frequently mentioned, but also smuggling is highly placed.

The goods (defined by the first two numbers of the CN code<sup>12</sup>) the most affected by fraud and irregularities in 2011, as in previous years, are TVs/monitors etc. (CN 85) and Tobacco / cigarettes (CN 24). Furthermore, Articles of Iron and Steel (CN 73)

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<sup>9</sup> Significant changes in amounts involved generally relate to one or a few (very) big cases, e.g. Lithuania: case totalling to €15 million involving Tobacco products.

<sup>10</sup> In 2007 the number of cases of belatedly discharged transit was 1 399, being 22% of the total number of cases registered and 16% of the total amount initially established. In 2008 there were 1 147 cases (18% of cases and 13% of the amount), in 2009 there were 758 (14% of cases and 12% of the amount). In 2010 the figures are respectively 974 (18% of cases and 16% of the amount initially established). In 2011 there were 693 cases (15% of cases and amount).

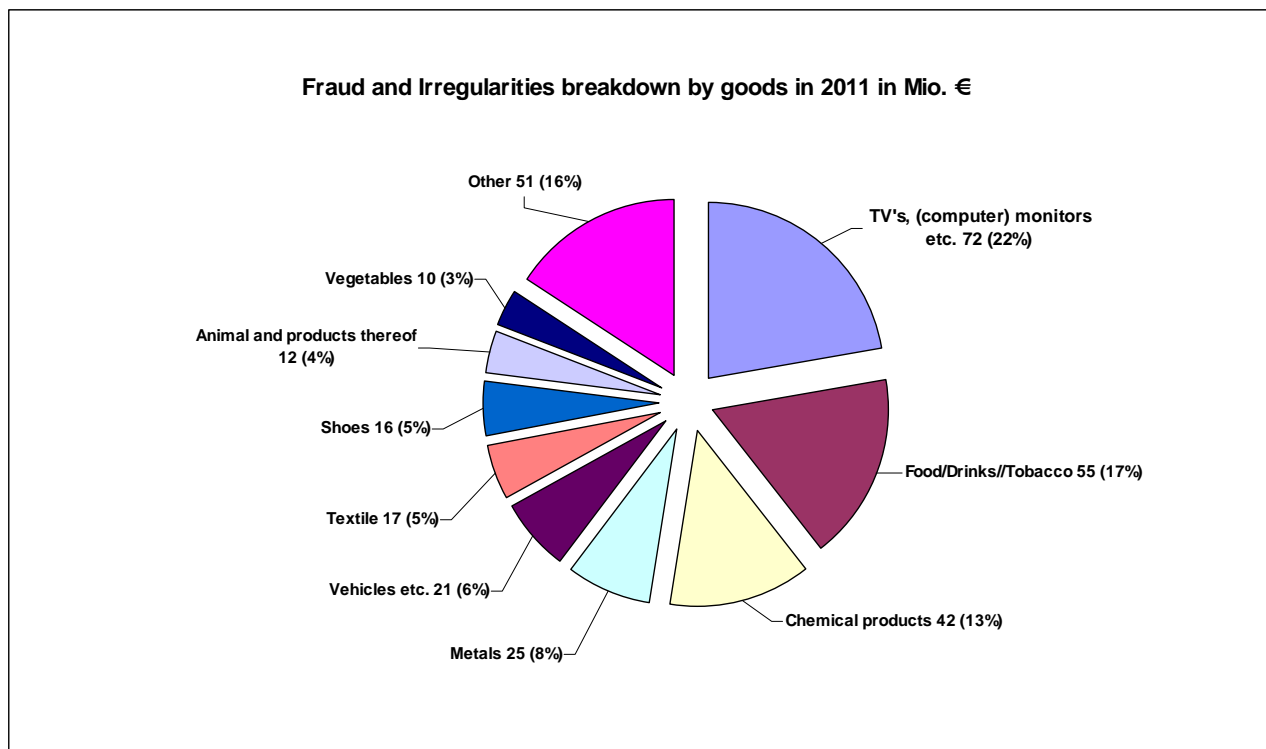
<sup>11</sup> See annex 5.

<sup>12</sup> Combined nomenclature or CN — nomenclature of the Common Customs Tariff.



and Oil (CN 15) increased in importance when compared to 2010. Sugar (CN 17) decreased in importance and was not listed anymore in 2011 in the TOP 10 Chapter Heading list.<sup>13</sup>

Chart ORI: Fraud and irregularities breakdown by good in 2009 (in million EUR)<sup>14</sup>



Evaluation of the *origin* of goods subject to fraud and irregularity<sup>15</sup> reveals that, just as in 2010, goods originating from China and the USA remain very much affected. The number of cases originating from Indonesia, Taiwan and Malaysia has increased. Zimbabwe is listed as top 4 country of origin which results from one big case involving EUR 15 million detected in Lithuania. Ecuador has decreased in importance as country of origin in comparison with the last year.

### 3.2.2. TOR and cigarettes

In 2011 there were 145 cases registered of seized and confiscated cigarettes (CN code 24 02 20 90) involving estimated TOR of around EUR 26 million. In 2010 the number of registered cases concerning seized and confiscated goods was 212, totalling around EUR 25 million. Greece has reported the highest amount of seized and confiscated cigarettes (EUR 10,6 million). No cases have been indicated by Austria, Germany, Denmark, Spain, Luxembourg, Portugal, Cyprus, the Czech Republic, Estonia, Malta and Romania<sup>16</sup>.

<sup>13</sup> See annexes 6 and 7.

<sup>14</sup> The product description in the chart is a generic description of the goods involved. See Annexes 4 and 5 for detailed analysis.

<sup>15</sup> See annex 8.

<sup>16</sup> See annex 9.

### 3.2.3. *Data main sectors TOR*

See Annexes 3-10.

## 3.3. **Detection of fraud and irregularity**<sup>17</sup>

Of all the cases registered in OWNRES in 2011 15% (723 out of 4 696 registered cases) are categorised as fraud, which is less than in 2010<sup>18</sup>. However, like in previous years, the differences between Member States are relatively large. In 2011 most of the Member States categorised between 10-50% of all cases as fraud. However, four Member States categorised zero cases as fraud.<sup>19</sup> Seven Member States categorised between 1% and 10% of the cases as fraud.<sup>20</sup> Five Member States registered more than 50%<sup>21</sup> of the cases as fraud. These figures demonstrate that the distinction in OWNRES between fraud and irregularity might not be fully comparable between different Member States. In their reports Member States make this distinction usually on subjective grounds and before any court judgment is given. Such subjective grounds vary between national administrations depending on their national practises and legislation. It should also be noted that for open cases such a classification is not static in OWNRES but can be changed by the Member State at any time in the course of the national process. According to OWNRES the moment of discovery is an indicator for classifying a case as fraud, since primary inspections more often result in classifying cases as fraud than post-clearance inspections.

### 3.3.1. *Member States' control systems – Method of detection expressed in cases*

The methods of detection of irregularities or fraud cases registered vary between Member States. There are several possible explanations for these differences, for instance the customs control strategies applied, the administrative structure in the Member State, the way of classifying a method, the reporting authorities involved or the relative presence or absence of type of customs procedures.

A range of detection methods can reveal irregularity or fraud. Judging from the 2011 data, most *cases* have been revealed by *national post-clearance inspections* and *primary national inspections* (either physical inspections or inspections of documents — the latter category featuring most frequently). Post-clearance inspections feature in 46% of the cases discovered, whereas primary national inspections cover 24%. All in all, the vast majority of cases (70%) were detected in 2011 by means of either primary national inspections or post-clearance inspections.

It is clear that the shift from primary to post-clearance inspections, which could already be seen in previous years, continued in 2011. The relative importance of inspections by anti-fraud services was stable with 8% in 2010 and also in 2011. Since the final results of such inspections take more time than regular inspections, a (slight) increase in the percentage for 2011 may be expected in future registrations.

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<sup>17</sup> For the definition of irregularity and fraud, see the CSWD "Methodology".

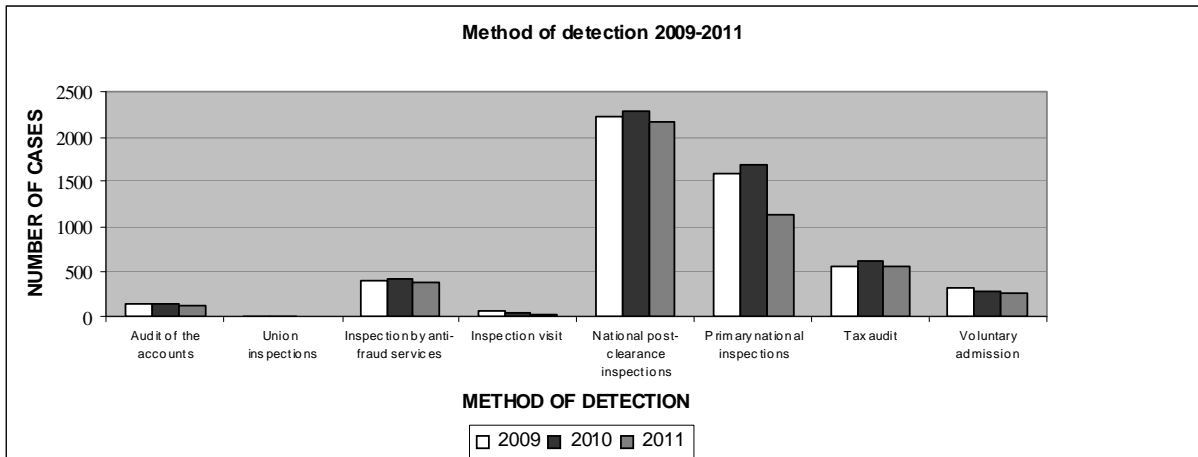
<sup>18</sup> See annexes 10 and 11.

<sup>19</sup> Cyprus, Estonia, Latvia and Slovakia. Luxembourg did not communicate any OWNRES case.

<sup>20</sup> Germany (6%), France (7%), Netherlands (2%), Sweden (4%), UK (3%), Czech Republic (2%) and Hungary (2%).

<sup>21</sup> Spain (64%), Greece (96%), Slovenia (52%), Bulgaria (80%) and Malta (100%).

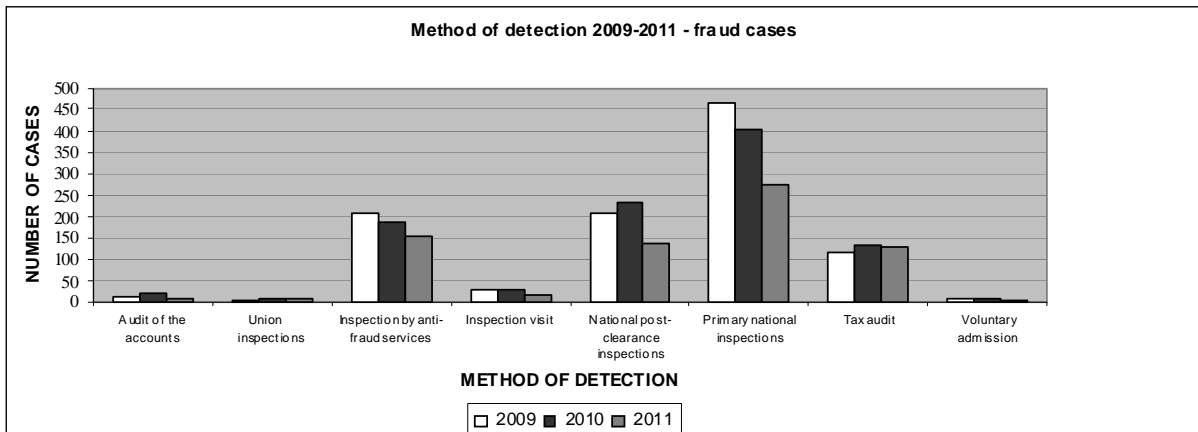
CHART OR 2: Method of detection 2009-2011



### 3.3.1.1. Method of detection of fraud cases

In 2011, most fraud cases (38%) were revealed during a primary national inspection (either physical inspections or inspections of documents). Other methods of frequently featured methods of detection for fraud discovery were inspections by anti-fraud services (21%), national post-clearance inspections (19%) followed by tax audits (17%).

CHART OR 3: Method of detection of fraud cases 2009-2011



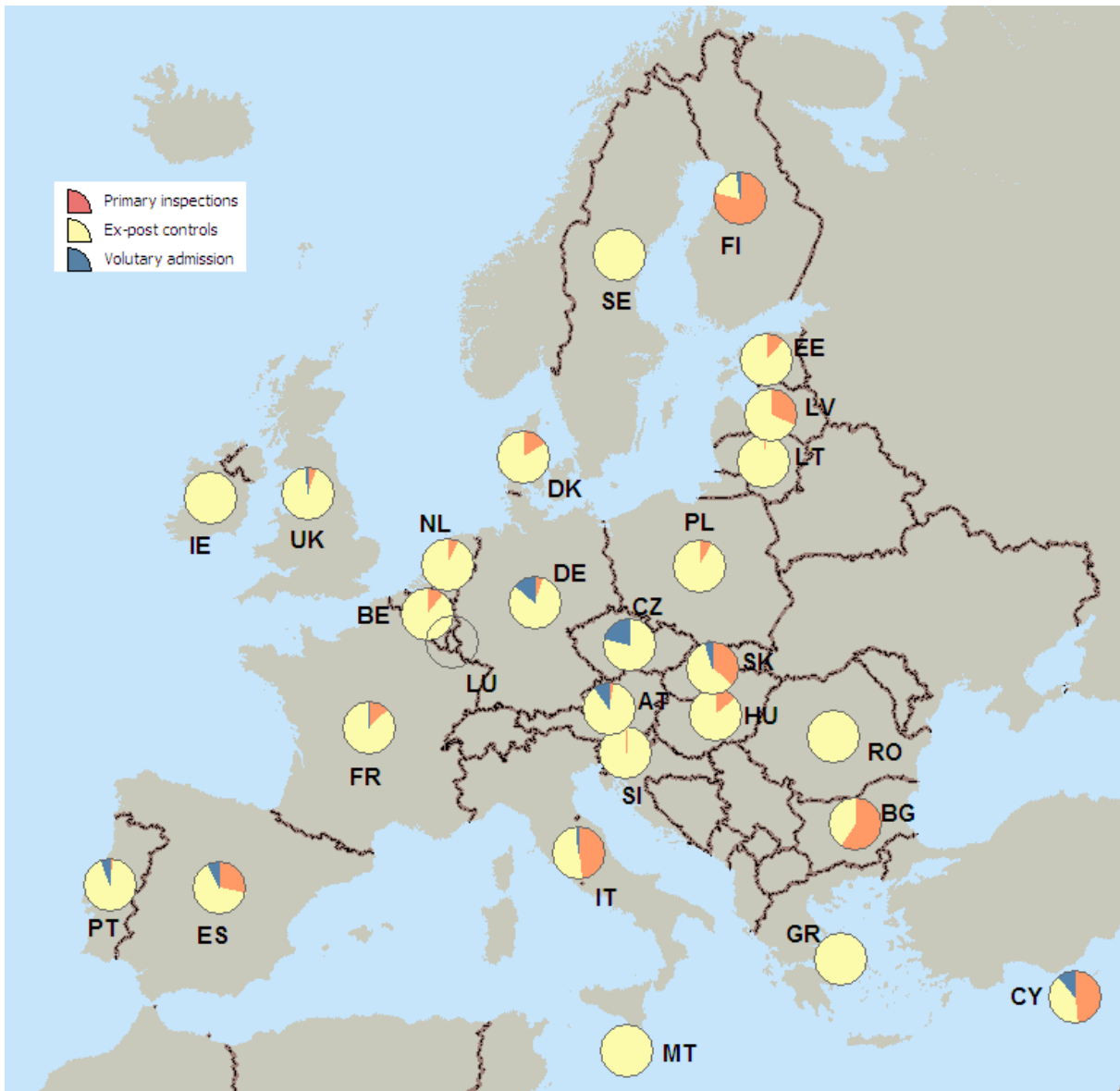
### 3.3.2. Member States' control systems – Method of detection expressed in monetary terms

The map below illustrates by which methods OWNRES cases - in established amounts - have been discovered by the Member States<sup>22</sup> in 2011. For reasons of presentation the following methods are included in the term "ex-post controls": audit of the accounts, Union inspections, inspections by anti-fraud services, inspection visits, national post-clearance audits and tax audits. In EUR – 27 around 14% of all cases – in established amounts – have been discovered by primary inspections,

<sup>22</sup> For details see annex 12. Luxemburg did not register any OWNRES case in 2011.

whereas 81% of all cases – in amounts – have been detected via "ex-post controls". In the following four Member States more than 40 % of all cases – in amounts – have been detected by primary inspections: Finland (79%), Italy (48%), Cyprus (48%) and Bulgaria (59%). More than 90% of all cases – in amounts – have been detected by "ex-post controls" in Greece (99%), Ireland (100%), Netherlands (93%), Portugal (92%), Sweden (100%), United Kingdom (93%), Lithuania (97%), Malta (100%), Poland (92%), Slovenia (99%) and Romania (99%). In three Member States more than 10 % of all cases – in amounts- have been detected by voluntary admission.<sup>23</sup>

MAP OR 1: Visualising the method of detection<sup>24</sup>



<sup>23</sup> Germany (14%), Cyprus (11%) and the Czech Republic (21%).  
<sup>24</sup> See Annex 12.

### 3.3.2.1. Method of detection expressed in monetary terms - for fraud cases

Of all fraud cases registered in OWNRES in 2011, around 20% of all fraud cases – *in established amounts* – have been discovered by primary inspections, whereas 79% of all cases – *in amounts* – have been detected via "ex-post controls". In the following four Member States more than 50% of all fraud cases – *in established amounts* – have been detected by primary inspections: Finland, the United Kingdom, the Netherlands, and Poland. For 18 Member States, more than 50% of all fraud cases – *in amounts* – have been detected by "ex-post controls". Three Member States reported fraud cases which were admitted voluntarily.<sup>25</sup>

### 3.3.3. *Customs procedures affected to fraud and irregularity in 2011- in amounts*

In 2011, the majority of established amounts in OWNRES (80%) in EU-27 are related to the customs procedure "release for free circulation".<sup>26</sup> 7% of all established amounts of OWNRES cases in 2011 involve the transit procedures whereas it was only 3% in 2010. Furthermore, 6% of all established amount of OWNRES relate to the customs warehousing and 5% to the inward processing. Between the Member States there are however significant differences. In Lithuania 93% of all established amounts of OWNRES cases relate to the transit procedure, whereas 3 % relate to the release for free circulation. Moreover, customs warehousing was much affected, in amounts, in Finland (54%) and Belgium (38%). Finally, 3% of all established amounts in EUR-27 fall under the category "Other". This category combines, among others, the following procedures or treatments: Processing under customs control, temporary admission, outward processing and standard exchange system, exportation, free zone or free warehousing, re-exportation, destruction and abandonment to the Exchequer. In Malta 100% of the established amounts concerned the "destruction", in Greece 56% of the established amounts are related to "re-exportation" and in Romania 69% relate to the "processing under customs control".

#### 3.3.3.1. Customs procedures affected to fraud in 2011- in amounts

In 2011, the majority of established amounts (71%) for fraud cases in EU-27 are related to the customs procedure "release for free circulation". 20% of all established amounts of OWNRES fraud cases in 2011 involve the transit procedures<sup>27</sup>. 5% of all established amounts where fraud was at stake affect the customs warehouse procedure. Fraud cases related to customs warehousing procedure concerned especially Finland, Germany and Romania. Fraud in inward processing procedure was only detected in Spain.

### 3.3.4. *Percentage of established or estimated amounts in OWNRES to collected TOR*

As indicated before the biggest part of all amounts of TOR established are recovered without any particular problem and made available to the Commission via the A-account. For 2011 around EUR 22.4 billion TOR (gross) have been collected by the Member States and thereafter made available to the EU budget after deduction of

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<sup>25</sup> Germany, Spain and Italy.

<sup>26</sup> See annex 13.

<sup>27</sup> One big case was detected in Lithuania.

25% collection costs. These amounts relate mainly to 'normal' import flows where goods are declared for a customs procedure (e.g. release for free circulation) giving rise to a customs debt. In comparison, according to the OWNRES communications, around EUR 388 million have been *established and estimated* by the Member States in connection to detected cases of fraud and irregularities where the amount at stake exceeds EUR 10 000. For EU-27 the established and estimated amounts reported in OWNRES represent 1.73% of the collected TOR (gross) of 2011.<sup>28</sup> This proportion has decreased in comparison to the previous year where a percentage of 2.00% was calculated. A percentage of 1.73% reflects that out of each EUR 100 of TOR (gross) collected an amount of irregularity or fraud is registered in OWNRES of EUR 1.73. Within the Member States there are differences. In 10 Member States the percentage is equal or above the average of 1.73%. The highest percentage can be seen in Lithuania with 27.79%. In 9 Member States the percentage is below 1%. In 14 Member States the percentage is between 1% and 3%. Luxembourg did not report any OWNRES cases in 2011. For EUR-15 the established and estimated amounts reported in OWNRES represent 1.65% of the collected TOR, whereas in EUR-12 the established and estimated amounts reported in OWNRES represent 2.84% of the collected TOR. The percentage can significantly vary from one year to another. For example, Austria had a proportion of 4.37% in 2010, whereas the proportion dropped to 1.39% in 2011. Furthermore, the percentage in Denmark declined from 5.89 % in 2010 (above the average) to 0.92 % in 2011 which is below the average. The biggest increase can be seen in Lithuania from 3.88% in 2010 to 27.79% in 2011. The 7 Member States<sup>29</sup> which collected most TOR show, in comparison to the previous year, a relatively stable proportion between established and estimated OWNRES amounts to collected TOR. With the exception of Italy and Spain the difference to the previous year is less than 0.5 percentage points in those Member States.

Especially in Member States with a smaller share of TOR collection, individual bigger fraud cases detected in a certain year may affect importantly the annual percentage. Several factors influence this percentage, e.g. the type of traffic and trade, the level of compliance of the economic operators, and, the location of a Member State. Under these variable factors the percentage is also affected on the way how the Member State's customs control strategy is set up to target risky imports and to detect TOR related fraud and irregularity.

In recent years the Commission has in its TOR inspections put a special emphasis on Member States' customs control strategies and is monitoring closely Member States' action in relation to the observations made during its inspections<sup>30</sup>.

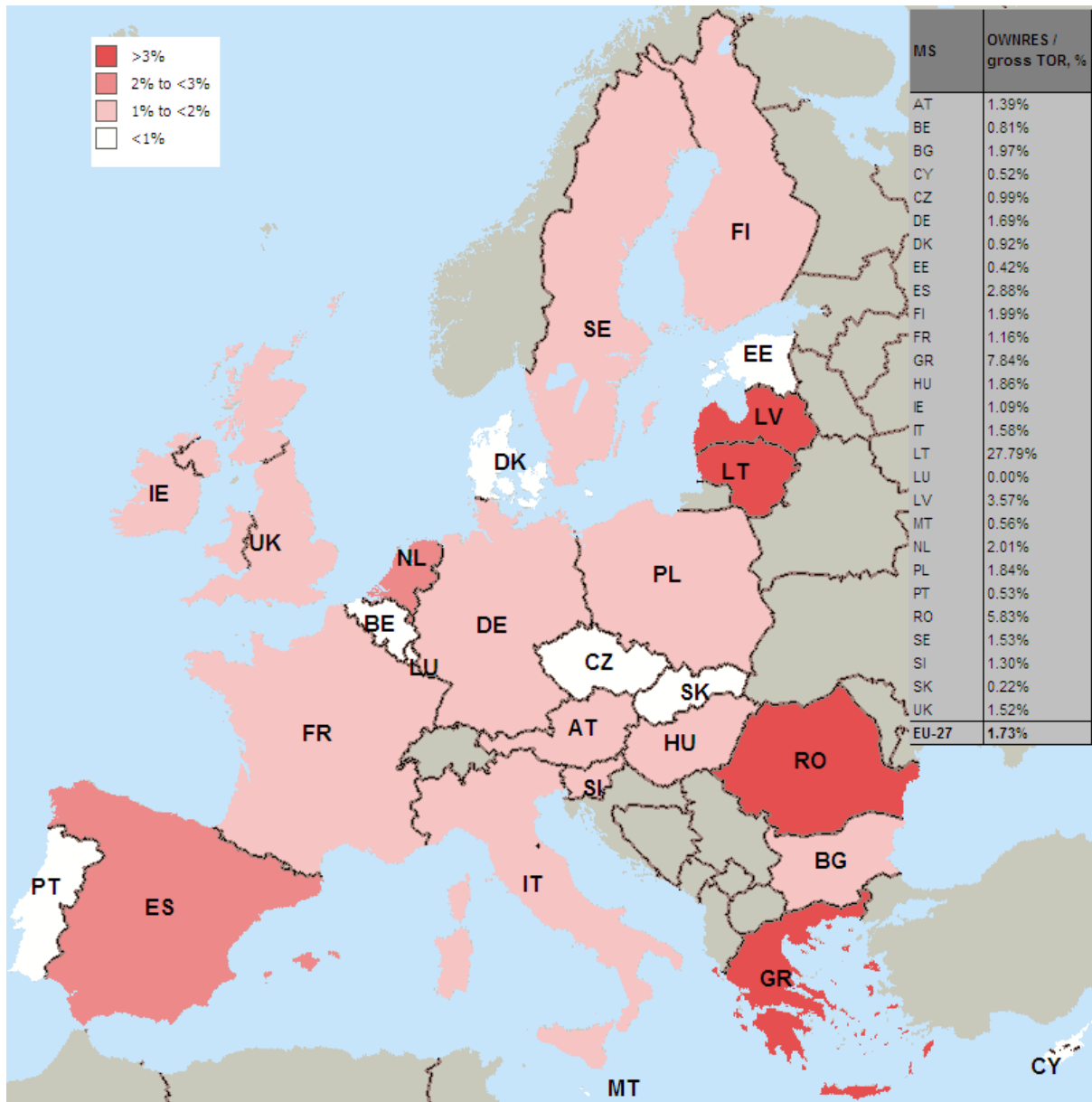
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<sup>28</sup> See annex 14.

<sup>29</sup> Member States which collected most TOR: Germany, United Kingdom, Netherlands, Italy, Belgium, France and Spain

<sup>30</sup> A thematic report on Member States' customs control strategy synthesizing the results on the inspections carried out in 2009 and 2010 in all Member States was presented in the Advisory Committee of Own Resources of July 2011.

MAP OR 2: visualising the percentage of established or estimated amounts in OWNRES to collected TOR



### 3.4. Recovery and Follow-up

#### 3.4.1. Recovery rate

Member States have to recover all established amounts including those they register in OWNRES. For a variety of reasons an established amount may not be completely recovered, despite Member States' efforts. The proportion varies from Member State to Member State.

Amounts established may change because of additional information or judicial procedures when, for instance, revision shows that there was no customs debt after all or the value or origin of the goods is different than initially thought.

OWNRES shows that in average 43% of the initially established amount was corrected (cancelled) since 1989. For closed cases related to transit this may reach up to 90%. As a consequence, Belgium and the Netherlands show more corrections than average, because establishments related to transit occur more frequently. This is due to the ports of Antwerp and Rotterdam.

Differences in recovery results arise from factors such as the type of fraud or irregularity or the type of debtor involved. The recovery rate for all years (1989-2011) is 50%<sup>31</sup>.

The overall recovery rate for 2010 recorded in the last year's report was 46%, although it has since then climbed to 51%. At present the recovery rate for 2011 is 52%<sup>32</sup>. In other words, of every EUR 10 000 of duties established in 2011 in OWNRES, approximately EUR 5 200 has already been paid. Because recovery is ongoing, the recovery rate is constantly changing.

There are big differences of the recovery rate within the Member States. The highest recovery rates are in Estonia (100%), Slovakia (90%), Denmark (81%) and Germany (81%).

#### 3.4.2. *Recovered amounts*

Irregularity and fraud cases which have been detected in 2011 show an established amount of EUR 321 million. Thereof EUR 155 million were recovered for cases of irregularities and EUR 10 million for cases of fraud in EU-27. In total EUR 166 million were recovered by all Member States for the cases which were detected in 2011. In absolute numbers Germany recovered most with EUR 62 million followed by the United Kingdom with EUR 32 million in 2011. The lowest recovery rates were in Greece (2%) and Lithuania (4%). In addition, the Member States continued their recovery actions related to detected cases of previous years. EU-27 recovered EUR 305 million in 2011 which related to detected cases between 1989 and 2011.

#### 3.4.3. *Administrative stage - from 1998 to 2011*

68 510 cases have been communicated in OWNRES from all Member States. Thereof 9 528 cases are still open. 58 982 cases have been closed, which means that certain financial stage has been reached. 87% of the cases were closed in an administrative procedure.<sup>33</sup> The term "administrative procedure" includes the following administrative stages: Administrative investigation, administrative procedure (debt established), administrative appeal or review. 8% of the cases concluded with a remission procedure, write-off procedure for non-recoverable debts or the non-establishment due to an administrative error. Of all cases 5% are closed with a judicial procedure. Until a final decision of a court is given, the OWNRES case remains open. From 1989 to 2011 OWNRES cases were relatively often subject to judicial procedures in the following countries: Estonia (29% of all closed

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<sup>31</sup> This calculation is based on 68 510 cases, an established amount of EUR 5 billion (after corrections) and a recovered amount of EUR 2.5 billion.

<sup>32</sup> See annex 15.

<sup>33</sup> See annex 16.



OWNRES cases), in Latvia (27%), Italy (25%) and in Greece (20%). In Finland, Ireland, Luxembourg and Cyprus zero cases were closed in a judicial procedure.

### 3.5. Conclusions

In its capacity as Authorising Officer, the Commission (DG Budget is the delegated Authorising Officer) monitors the establishment and recovery of TOR by Member States in various ways. The monitoring is carried out in partnership with different Commission departments, including OLAF.

- (1) Because of the particular interest the Budgetary Authority has in recovery, reliable information regarding the number of cases of irregularity and fraud and their development must be entered in OWNRES. Member States have a special responsibility to ensure that appropriate statistical information on irregularity and fraud is provided to the Commission. The distinction in OWNRES between fraud and irregularity might not be fully comparable between different Member States. Only court decisions make it certain whether a case is one of irregularity or fraud, whereas within OWNRES this distinction is usually based on a prognostication made by Member States' administrations. The figures in OWNRES showing marked differences in the proportions of cases denoted as frauds or irregularities between Member States point this out clearly. OWNRES can only be used for global analysis and monitoring.
- (2) The goods involved in irregularities and frauds demanding Member States' attention are very diverse. TVs keep their relevance in 2011 and are like in previous years the most important goods involved in registered cases of irregularity or fraud. Tobacco, cigarettes and oil gained significance. The origin of the goods concerned is likewise varied, although some countries remain continuously at the top of the rankings (such as China and the USA). Some Asian countries (Taiwan, Malaysia and Indonesia) and Zimbabwe were of more importance in 2011.
- (3) The established amounts of TOR at stake in irregularity and fraud are, according to OWNRES, EUR 321 million in 2011. Based on experience from previous years, it is likely that this figure for 2011 will change in future years due to new establishments and/ or corrections of establishment.
- (4) The methods of detection vary between Member States, however, in 2011 post-clearance inspections and primary controls (during the clearance) are creating 70 % of all OWNRES cases. Thereof, the shift from primary (24%) to post-clearance inspections (46%) continued in 2011. According to OWNRES the moment of discovery is an indicator for classifying a case as fraud, since primary inspections more often result in classifying cases as fraud than post-clearance inspections. However, during 'ex-post' controls fraud cases with relatively high amounts are detected.
- (5) The customs procedure release for free circulation was like in the previous years the most affected to fraud and irregularities. 80% of all amounts reported in OWNRES have been detected under the release for free circulation. However, there are differences between the Member States. In some Member

States most cases have been detected during the transit procedure, customs warehousing, inward processing, free zone or destruction (of cigarettes).

- (6) For EU-27 the established and estimated amounts in OWNRES represent 1.73% of the collected TOR for 2011. The percentage varies between the Member States and between the years.
- (7) The Commission encourages Member States to continue their activities in the field of recovery and to provide required statistical information. The Budgetary Authority is entitled to have available the best possible information when monitoring TOR and recovery issues.

## **PART III - EXPENDITURE**

### **4. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES (AGRICULTURE AND FISHERIES)**

#### **4.1. Agricultural expenditure (Annexes 17-22)**

The Common Agricultural Policy (CAP) has been one of the most important common policies over the years, as a large part<sup>34</sup> of the European Union's (EU) budget is spent in the agricultural sector.

The CAP-objectives for the coming years is an agriculture that is competitive on world markets, which respects very strict standards on environment, food safety, and animal welfare, within a framework of a sustainable and dynamic rural economy.

The agricultural expenditure is financed by 2 funds:

- EAGF
- EAFRD

The European Agricultural Guarantee Fund (EAGF) finances direct payments to farmers and measures to regulate agricultural markets such as intervention and export refunds, while the European Agricultural Fund for Rural Development (EAFRD) co-finances the rural development programmes of Member States.

The EU-budget for the year 2011 was about EUR 126.5 billion. Approximately EUR 55.5 billion was spent in the agricultural sector, of which EAGF and EAFRD expenditure account for respectively EUR 43.3 billion and EUR 12.2 billion. Annex 17 provides a detailed overview of the agricultural expenditure concerning the financial years 2004-2011.

The basic rules for the financial management of the Common Agricultural Policy (CAP) can be found in Council Regulation (EC) No 1290/2005.

The Commission retains overall responsibility for the management of EAGF and EAFRD but does not make payments to the beneficiaries. Member States make the payments to the beneficiaries. This takes place under the principle of shared management. Member States are not only responsible for making payments to the beneficiaries. Member States are also obliged to prevent and deal with irregularities and to recover amounts unduly paid. Granting subsidies, setting up audit strategies, performing audits, reporting irregularities and recovery of unduly paid amounts go hand in hand.

Commission Regulation (EC) No 1848/2006 obliges Member States to report irregularities. Member States submit their irregularity reports via IMS Module 1848. Module 1848 was introduced in 2008 and was directly used by all Member States. It

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<sup>34</sup> Approximately 44% of the total 2011-budget was spent in the agricultural sector.

is a web based application that can be accessed via internet. Access via internet led to an enormous increase of the number of users of Module 1848. The total number of users increased from less than 50 in 2008 to more than 1,000 in 2011.

The data provided by Member States via Module 1848 is used for performing risk analysis as described in article 10 of Regulation No 1848/2006<sup>35</sup> and to inform the Advisory Committee for the Coordination of Fraud Prevention (COCOLAF) as described in article 9 of Regulation No 1848/2006<sup>36</sup>.

The agricultural section of this report contains three parts: reporting year 2011, reporting years 2004-2011 and financial years 2004-2006. The first part contains an overview of new cases reported during 2011, Member States compliance with the reporting obligations and the recovery of unduly paid amounts. In the second part are the trends and developments in the agricultural sector described on basis of the cases reported during the years 2004-2011. The third part contains definitive figures, based on the analysis of the financial years 2004-2006 which years, from an irregularity reporting point of view, are considered to be finalised.

Four preliminary remarks need to be made concerning the outcomes of the analysis:

- (1) A higher number of cases reported does not necessarily mean that more irregularities are committed or that a Member State is more vulnerable for irregularities. A more developed audit strategy, tailor made audits, higher number of performed audits, better trained or instructed auditors and so forth will normally lead to a higher number of detected irregularities. In other words, it is possible that Member States with a higher irregularity rate perform far better than Member States with a lower irregularity rate;
- (2) Audit plans and programmes are still running for the period 2007-2011. This means that cases of irregularities still can be detected and reported, which could have a direct impact on the figures. The figures concerning the financial years 2007-2011, therefore, need to be seen as a half-time-result<sup>37</sup>.
- (3) Not all irregularities have to be reported. Member States must only inform OLAF of irregularities involving more than EUR 10 000. It is also good to bear in mind that 87% of the number of payments, representing 21% of the total expenditure, concern amounts below EUR 10 000 which implies that for these payments normally no irregularities will be reported<sup>38</sup>.

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<sup>35</sup> Art. 10 Reg. 1848/2006: Without prejudice to Article 11, the Commission may use any information of a general or operational nature communicated by Member States in accordance with this Regulation to perform risk analyses, using information technology support, and may, on the basis of the information obtained, produce reports and develop systems serving to identify risks more effectively.

<sup>36</sup> Art. 9 Reg. 1848/2006: The Commission shall every year inform the COCOLAF, of the order of magnitude of the sums involved in the irregularities which have been discovered and of the various categories of irregularity, broken down by type and with a statement of the number of irregularities in each category.

<sup>37</sup> Checks on aid applications are being performed pre-payment. However, irregularities can also be detected ex-post and, in that case, recovery procedures can be launched for at least four years after the irregularity was committed (art. 3 Reg. 2988/95).

<sup>38</sup> In the context of the clearance mechanism (see also point 4.3.3.) Member States are reporting all irregular payments to be recovered to DG AGRI, without any de minimis threshold.

- (4) Analyses are based on data provided by Member States and are nothing more as descriptive analysis as they illustrate the main features of a collection of data in quantitative terms.

## 4.2. Reporting Year 2011

### 4.2.1. Reporting Year 2011: cases reported

Table NR1 provides an overview per Member State of the number of cases of irregularities reported, the amounts affected and Member States' classification of the irregularities into "suspected fraud" or "established fraud"<sup>39</sup>.

Table NR1: cases reported during Financial Year 2011

MS	REPORTING YEAR 2011 <sup>1)2) 3)</sup>					
	irregularities		irregularities reported as fraudulent			
	cases	amounts in €	of which suspected fraud		of which established fraud	
			cases	amounts in €	cases	amounts in €
AT	22	297 830				
BE	16	1 308 449	1	0		
BG	178	6 277 214	24	3 103 610	13	381 475
CY	22	402 669				
CZ	62	2 138 724	3	3 589		
DE	64	5 679 056	4	258 506		
DK	9	190 188				
EE	15	405 974	2	222 590		
EL	41	865 364	8	218 663		
ES	267	11 621 716	1	31 997	1	826 513
FI	6	195 395				
FR	110	71 628 864	3	65 411 436		
HU	239	17 482 936	4	114 114		
IE	54	1 515 744	1	12 917		
IT	590	26 328 492	15	1 920 578	1	36 961
LT	68	1 629 924	2	223 006		
LU						
LV	9	345 753	2	178 939		
MT	10	579 775				
NL	70	3 026 479	1	10 000		
PL	136	8 424 400	18	914 623	2	32 619
PT	226	8 609 574	1	78 000		
RO	112	6 275 291	25	2 480 664		
SE	13	823 916	1	16 155		
SI	8	216 223	4	136 163	1	28 890
SK	15	1 408 718	1	582 526		
UK	33	793 578				
<b>total</b>	<b>2 395</b>	<b>178 472 244</b>	<b>121</b>	<b>75 918 078</b>	<b>18</b>	<b>1 306 458</b>

<sup>1)</sup> IMS-Module-1848-download 2012/01/18

<sup>2)</sup> Financial Year 2011: 16 October 2010 - 15 October 2011

<sup>3)</sup> Cases of irregularities reported during 2011 concern expenditures of the financial years 1995-2011

Member States reported 2 395 new cases of irregularities with a total amount affected of about EUR 178 million. These cases concern expenditures for the financial years 1995-2011. Italy reported the highest number of cases (590) as France reported the highest amounts affected (EUR 71.6 million).

France reported 2 suspected fraud cases with a total amount affected of more than EUR 65 million, which had a huge impact on the total amount affected by suspected fraud cases<sup>40</sup>.

<sup>39)</sup>

Established fraud means that it has been proven in Court that it was fraud while suspected fraud implies that a penal court still has to rule or that investigations are still on going.

The number of cases that have been reported as fraudulent (suspected fraud or established fraud) is 139 (121 + 18), which is 6% of the total number of cases reported. The amount affected is 43% of the total amounts affected. The "fraud cases" are mainly reported by young Member States, especially Bulgaria (37), Poland (20) and Romania (25). Italy reported 16 fraud cases.

#### 4.2.2. Reporting Year 2011: reporting discipline

The main purpose of submitting irregularity reports is to enable the Commission to perform risk analyses. For that purpose, OLAF needs to receive reliable, consistent and complete data and as early as possible (timely!).

Table NR2 provides an overview of the compliance rate per reporting obligation. Member States are ranked in order of their overall 2011 compliance rate, which can be found in the fifth column from the right hand side.

Table NR2: compliance per Member State

MS	cases	timely reporting	personal data who 3(1)l	measure affected what 3(1)a	date committed when 3(1)l,k	practices employed how 3(1)e,f	financial impact why 3(1)m,n	sanctions 5	COMPLIANCE					
									compliance rate					
									2011	2010	2009	2008	2007	
LU										83%			83%	
MT	10	100%	100%	100%	100%	100%	100%	100%	100%	100%		85%	100%	
CZ	62	94%	100%	100%	100%	100%	100%	100%	100%	99%	97%	98%	94%	90%
SK	15	93%	100%	100%	100%	100%	100%	100%	100%	99%	99%	90%	74%	83%
EL	41	90%	100%	100%	100%	100%	100%	100%	100%	98%	96%	93%	86%	73%
SI	8	88%	100%	94%	100%	100%	100%	100%	100%	97%	84%		100%	96%
BG	178	80%	100%	100%	100%	100%	100%	100%	100%	96%	97%	89%	99%	94%
RO	112	77%	99%	100%	100%	100%	100%	100%	99%	96%	97%	94%		
LT	68	93%	100%	84%	100%	99%	100%	99%	96%	97%	99%	87%	81%	
FR	110	75%	100%	100%	100%	100%	100%	100%	100%	96%	98%	93%	96%	90%
BE	16	88%	100%	94%	100%	100%	91%	88%	95%	98%	93%	96%	74%	
EE	15	73%	100%	100%	100%	98%	100%	100%	95%	99%	99%	95%	81%	
PT	226	61%	100%	100%	100%	100%	100%	100%	93%	90%	99%	97%	72%	
ES	267	68%	100%	90%	100%	100%	100%	100%	93%	91%	98%	96%	49%	
IT	590	66%	99%	97%	100%	96%	98%	100%	93%	94%	93%	92%	77%	
DE	64	72%	100%	84%	98%	98%	99%	84%	92%	83%	93%	79%	39%	
IE	54	80%	83%	83%	100%	99%	100%	100%	91%	91%	97%	98%	64%	
LV	9	100%	89%	94%	72%	100%	89%	89%	91%	89%	100%	100%	85%	
HU	239	38%	100%	100%	100%	100%	100%	100%	90%	87%	93%	81%	85%	
CY	22	36%	100%	100%	100%	100%	100%	100%	89%	98%	92%		97%	
AT	22	68%	100%	98%	100%	83%	84%	95%	89%	90%	81%	84%	85%	
SE	13	85%	77%	77%	100%	95%	96%	69%	88%	96%	91%	84%	83%	
UK	33	33%	100%	91%	100%	100%	100%	85%	87%	71%	79%	94%	88%	
PL	136	55%	58%	97%	100%	100%	100%	99%	85%	80%	85%	97%	83%	
DK	9	22%	100%	100%	94%	93%	100%	78%	85%	77%	94%	92%	85%	
NL	70	41%	100%	83%	100%	80%	96%	80%	83%	68%	87%	86%	63%	
FI	6	50%	67%	42%	100%	89%	100%	100%	75%	59%	70%	78%	67%	
<b>total</b>	<b>2 395</b>	<b>66%</b>	<b>97%</b>	<b>96%</b>	<b>100%</b>	<b>98%</b>	<b>99%</b>	<b>98%</b>	<b>93%</b>	<b>90%</b>	<b>95%</b>	<b>92%</b>	<b>78%</b>	

legal basis: art. 3(1)a-p and art. 5 Reg. 1848/2006  
IMS Module 1848 download: 18 January 2012

The compliance rate has been determined on basis of the reporting obligations as stipulated in article 3, paragraph 1, letters a - p of Reg. 1848/2006. The focus is on those obligations that are crucial for strategic analysis and can be summarised with the typical questions that are used in every (fraud) investigation: who, what, when, where, why and how.

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Judicial authorities performed searches on the premises of involved persons in 2003, first in Belgium, and later on in other Member States including France. France reported these cases first in 2011 due to the secrecy of the penal procedure, which was levied at that date. This reporting resulted in a distorted image for the 2011 statistics especially due to the high financial impact.

In 2011, the overall compliance rate<sup>41</sup> increased from 90% to 93%. Most Member States stabilized or improved their compliance rate during 2011. Finland made a big step forward in 2011 by increasing its compliance rate from 59% to 75%. For Finland as well as Poland count that the reporting of personal data should still get more attention. Timely reporting is still an issue for a large number of Member States but especially for Denmark, United Kingdom, Cyprus, Hungary and the Netherlands.

#### 4.2.3. Reporting Year 2011: financial follow up of irregularity cases<sup>42</sup>

Article 32 of Council Regulation (EC) No 1290/2005 provides for an automatic clearance mechanism for unsuccessful recoveries of unduly paid amounts. If a Member State fails to recover an unduly paid amount from the beneficiary within four years of the primary administrative or judicial finding (or, in the case of proceedings before national courts, within eight years), 50% of the non-recovered amount is charged to the budget of the Member State concerned within the framework of the annual financial clearance of the EAGF and EAFRD accounts. Even after the application of this mechanism, Member States are obliged to pursue their recovery procedures and to credit 50% of the amounts effectively recovered to the EU budget. If they fail to do so with the necessary diligence, the Commission may decide to charge the entire outstanding amounts to the Member State concerned. Moreover, since 2008, Member States are required to off-set any outstanding debts against future payments to the debtor (compulsory compensation).

Table NR3: Financial information on recovery cases (amounts in EUR)

MS	EAGF, EAFRD and TRDI		outstanding	
	during 2011 recovered	irrecoverable	FY2011	in % of total
AT	11 285 382	71 460	4 330 160	0.36%
BE	5 699 038	13 963 929	61 470 095	5.09%
BG	140 528	0	266 302	0.02%
CY	697 857	0	481 036	0.04%
CZ	3 069 107	138 911	1 024 429	0.08%
DE	13 758 470	577 906	25 300 574	2.10%
DK	2 887 429	42 339	16 826 564	1.39%
EE	978 058	1 653	861 622	0.07%
EL	1 581 528	0	60 488 438	5.01%
ES	22 740 847	12 786 294	106 516 420	8.83%
FI	1 340 113	2 029	1 287 766	0.11%
FR	15 055 008	1 146 550	247 825 752	20.53%
HU	5 860 679	1 631 884	25 057 996	2.08%
IE	6 156 330	2 097 309	9 017 802	0.75%
IT	43 791 573	11 554 353	515 111 813	42.68%
LT	1 188 131	35 155	1 358 318	0.11%
LU	64 811	18	88 443	0.01%
LV	656 280	1 793	1 554 470	0.13%
MT	260 548	5	700 771	0.06%
NL	1 715 488	3 565 713	10 906 285	0.90%
PL	8 640 428	146 057	18 157 708	1.50%
PT	7 339 487	627 474	64 018 666	5.30%
RO	4 577 719	0	7 745 255	0.64%
SE	2 071 222	12 245	2 323 565	0.19%
SI	1 786 636	1 517	11 556 866	0.96%
SK	290 212	940 833	8 124 382	0.67%
UK	9 040 251	78 336	4 548 334	0.38%
<b>Total</b>	<b>172 673 160</b>	<b>49 423 763</b>	<b>1 206 949 828</b>	<b>100.00%</b>

Undue payments that are the result of administrative errors committed by the national authorities have to be deducted from the annual accounts of the paying agencies concerned and, thus, excluded from EU financing.

In the year 2011, the 50/50 mechanism was applied by the financial clearance decision for the financial year 2010 on all pending non-recovered cases dating from

<sup>41</sup> The compliance rate is based on a quantitative analysis of data provided by Member States. A Member State is being considered as compliant as soon as information has been provided. The quality of the information is not taken into account.

<sup>42</sup> The text, analysis and tables of this paragraph are provided by DG AGRI.

2006 or 2002 (cases that were four or eight years old respectively). EUR 27.8 million was charged to the Member States in this way and EUR 29.2 million was borne by the EU budget for reasons of irrecoverability (out of the EUR 50.7 million declared irrecoverable by the Member States, EUR 21.5 million had already been cleared under the 50/50 and, therefore, the loss is shared between the EU and the Member States). A further EUR 0.6 million has been charged to the Member States in early 2012 by subsequent decisions that cleared the accounts for financial year 2010 of those paying agencies that were disjoined in April 2011.

During financial year 2011 Member States recovered from the beneficiaries EUR 172.7 million and the outstanding amount still to be recovered from the beneficiaries at the end of that financial year was EUR 1 206.9 million. Table NR3 on the right hand side provides an overview of the recovered, irrecoverable and outstanding amounts at the level of beneficiaries at the end of financial year 2011.

The financial consequences of non recovery for cases dating from 2007 or 2003 was determined in accordance with the 50/50 rule mentioned above by charging approximately EUR 12.6 million to the Member States concerned . Moreover, EUR 25.7 million was borne by the EU budget for cases reported irrecoverable during financial year 2011.

NR4: Recoveries for cases detected since 2007 (amounts in EUR)

MS	EAGF			
	New cases since 2007	Adjustments	Recoveries	Recovery rate
AT	21 835 992.03	2 111 440.23	19 570 964.73	99%
BE	76 473 720.34	1 017 596.47	16 595 025.89	22%
BG	191 065.17	26 796.80	33 917.92	16%
CY	1 398 999.31	18 860.56	1 119 445.84	81%
CZ	2 171 528.03	156 100.95	1 953 821.25	97%
DE	57 210 847.86	3 012 410.09	47 667 745.33	79%
DK	29 474 396.32	7 338 730.75	19 562 518.92	53%
EE	2 216 803.72	1 050 127.64	1 102 195.69	94%
EL	27 784 531.17	2 714 337.30	4 914 505.70	20%
ES	186 486 261.88	20 951 509.64	94 899 495.44	57%
FI	5 832 791.65	101 321.23	5 255 748.80	89%
FR	142 503 409.47	100 309 856.30	53 559 279.53	22%
HU	15 138 779.47	7 581 573.71	8 081 283.93	36%
IE	20 004 384.43	2 131 039.07	15 058 758.31	84%
IT	180 869 317.04	61 005 850.53	85 848 816.94	35%
LT	5 301 117.11	2 422 265.21	2 695 581.25	94%
LU	737 536.61	447 478.48	219 019.30	76%
LV	905 391.88	17 395.37	776 494.18	87%
MT	902 261.93	970.38	312 012.05	35%
NL	20 733 038.89	1 729 371.95	18 379 636.42	97%
PL	6 948 515.46	1 315 731.85	6 577 642.08	80%
PT	57 642 665.92	8 147 218.66	20 850 547.81	42%
RO	6 153 170.95	1 214 006.50	3 670 569.80	50%
SE	9 698 954.40	805 361.59	7 635 985.26	86%
SI	14 151 640.41	50 717.90	3 421 065.23	24%
SK	1 970 588.74	848 369.89	336 809.90	30%
UK	34 596 239.82	7 423 535.97	22 761 849.34	84%
<b>Total</b>	<b>929 333 950.01</b>	<b>129 862 580.50</b>	<b>462 860 736.82</b>	<b>44%</b>

Due the application of the 50/50 mechanism since its introduction in 2006 important non-recovered sums have already been charged to the Member States for EAGF expenditure (EUR 458 million). Consequently, out of the EUR 1 206.9 million to be recovered from the final beneficiaries at the end of financial year 2011 the amount outstanding towards the EU budget is limited to EUR 943.5 million. As regards the recovery of undue payments financed by the EAFRD, it has to be noted that the 50/50 rule will only commence being applied after the closure of the rural development programmes.

The new clearance mechanism (50/50 rule) referred to above provides a strong incentive for Member States to recover undue payments from the beneficiaries as quickly as possible. As a result, by the end of financial year 2011, 44% of the new EAGF debts from 2007 and thereafter had already been recovered, which is a significant improvement compared to the past. See table NR4 on the right hand side.



During the years 2008-2011 the Commission was auditing the correct application of the new clearance mechanism through 18 on the spot controls in 13 Member States. In general, the Member States' authorities have adequate procedures in place to protect the financial interest of the European Union. Deficiencies found during these on the spot controls are being followed up in the context of conformity clearance procedures. The diligence of the Member States' authorities in the recovery of the most significant irregularity cases is assessed in the context of a further 19 conformity clearance procedures.

### **4.3. General trends**

This paragraph provides an overview of trends and developments concerning the reporting years 2004-2011.

First, an overview is given of the expenditures for the financial years 2004–2011, followed by the cases of irregularities reported during the same period. These cases of irregularities do not only relate to the expenditures concerning the financial years 2004-2011 but also to expenditures of the financial years 1990–2004. Cases of irregularities are normally detected and reported some years after the expenditure due to for instance audit plannes which spread audits over the years and due to the type of support measures<sup>43</sup>.

Important to reiterate is that a higher number of cases reported not necessarily means that more irregularities are committed. It is even possible that Member States with a higher irregularity rate perform better than Member States with a lower rate.

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<sup>43</sup> Irregularities can be detected many years after the granting of the support due to the conditions under which they are granted. The premium to compensate income losses (forestry) can concern a period of 20 years from the date of first afforestation;

#### 4.3.1. Reporting Years 2004-2011: expenditure

Chart NR5 provides an overview of the total expenditure for the reporting years 2004–2011. The amounts are indicated in EUR billion.

Chart NR5: expenditure 2004-2011

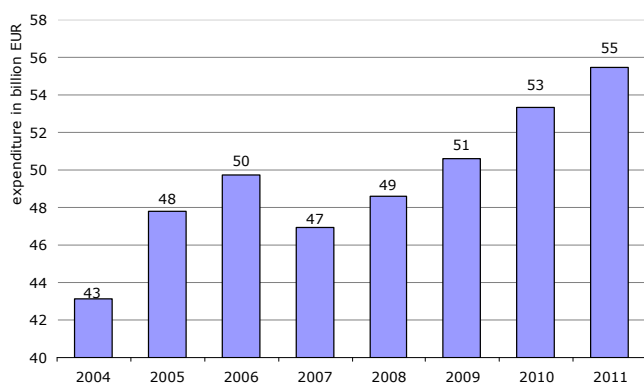


Chart NR5 shows that from 2007 onwards the expenditure increased with about EUR 2 billion per year. Annex 17 provides a more detailed overview per Member State. France is the Member State with the highest expenditure. It spent more than EUR 78 billion which is on average approximately 20% of the total

agricultural budget. Malta is the Member State with the lowest expenditure and spent approximately 65 million which is about 0.02% of the total agricultural expenditure.

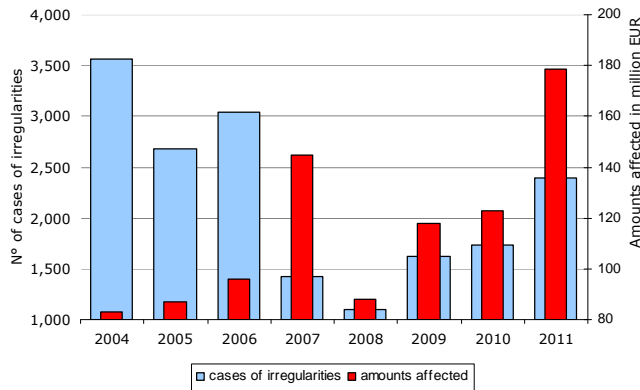
France, Spain, Germany and Italy together are responsible for almost 60% of the total agricultural expenditure. Spain and Germany had an expenditure of respectively EUR 52 billion and EUR 51 billion which is approximately 13% of the total expenditure. Nine Member States had an expenditure smaller than 1% of the total agricultural expenditure.

#### 4.3.2. Reporting Years 2004-2011: cases of irregularities

Member States reported 17,758 cases of irregularities during the reporting years 2004–2011. The total amount affected by these irregularities is EUR 918 million.

Chart NR6 provides per reporting year an overview of the number of cases of irregularities reported and the amounts affected.

Chart NR6: cases of irregularities and amounts affected (2004 – 2011)



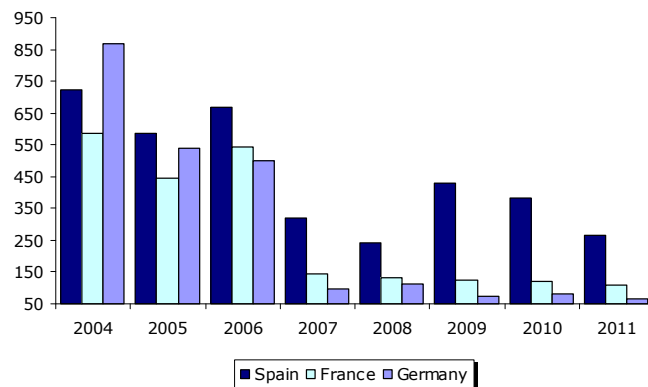
A strong downfall can be noticed in 2007 and 2008. This strong downfall can be explained by the CAP-reform "decoupled direct aids" and the introduction of a new and higher threshold under which no irregularities have to be reported<sup>44</sup>.

Chart NR6 also shows that the cases of irregularities and the amounts affected increased from 2009 onwards. This trend can be explained by a higher agricultural expenditure, the introduction of IMS in 2008, the strong growth of IMS-users over the last years and efforts made by Member States and Commission to increase the quality of irregularity reporting.

The peak of the amounts affected by irregularities in 2011 is caused by two French cases with a total amount affected of about EUR 65 million. Both cases concern one specific fraud which should already have been reported in the period 2001–2003. These two cases led to a distorted picture for the year 2011<sup>45</sup>. If these two cases would be left aside, the total amount affected would be approximately EUR 120 million which is in line with the years 2009 and 2010.

Remarkable is that the number of cases of irregularities reported by the top three spenders decreased. France, Germany and Spain report less and less cases. Chart NR7 visualises this downfall.

Chart NR7: cases reported by France, Spain and Germany



France, Germany and Spain were in 2004 still responsible for the reporting of more than 60% of the total number of cases. That percentage decreased over the years to less than 20% although their part in the total expenditure stayed more or less at the same level.

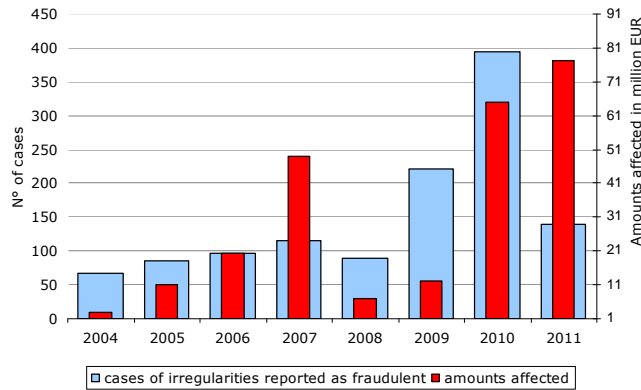
<sup>44</sup> The threshold under which no cases of irregularities have to be reported increased from EUR 4 000 to EUR 10 000.

<sup>45</sup> See footnote 41.

### 4.3.3. Reporting Years 2004-2011: cases of irregularities reported as fraudulent

Member States reported during the reporting years 2004–2011 in total 1,211 cases of suspected fraud. The total amount affected by these cases is EUR 244 million. Chart NR8 provides per reporting year an overview of the number of cases reported and amounts affected.

Chart NR8: irregularities reported as fraudulent



From 2004 till 2007 included the number of cases and amounts affected increased. In 2008 a downfall, due to CAP-reform and higher reporting threshold, and then again an increase of the number of cases and amounts affected till 2010.

In 2011, a downfall of the number of cases can be seen and an increase of the amounts affected. However, the increase of the amounts affected by irregularities reported as fraudulent is caused by the above already mentioned two French cases with a total amount affected of about EUR 65 million<sup>46</sup>. If these two cases would be left aside, the amount affected by cases of irregularities reported as fraudulent would also have decreased.

Remarkable is that especially the new Member States and Italy report fraudulent cases. Poland reported with 297 cases the highest number, followed by Italy with 279 cases. Other Member States with high number of cases reported as fraudulent are Bulgaria, Romania and Hungary with 162, 101 and 63 cases respectively. No such cases were reported by Luxembourg and Malta.

The top three spenders (France, Spain and Germany) reported 52, 49 and 20 cases respectively, which is about 10% of the total number. To recall, the total expenditure of the top three spenders is almost 50% of the total agricultural budget. On basis of their part in the expenditure, a higher number of irregularities reported as fraudulent could be expected.

The sectors most affected by irregularities reported as fraudulent are rural development, decoupled direct aids and other direct aids. These sectors were indicated in respectively 637, 363 and 113 cases, which is more than 90% of the total number of cases of irregularities reported as fraudulent. Annex 18 provides for all

NR9: fraudulent

MS	reported as fraudulent cases
PL	297
IT	279
BG	162
RO	101
HU	63
FR	52
ES	49
NL	34
PT	32
EL	24
UK	23
BE	20
DE	20
SI	12
LV	9
EE	8
AT	6
CZ	5
LT	5
CY	3
SE	3
DK	1
FI	1
IE	1
SK	1
LU	0
MT	0
<b>total</b>	<b>1 211</b>

<sup>46</sup>

See footnote 41

sectors an overview of the number of cases and the amounts affected.

The number of irregularities reported as fraudulent in which the sector rural development was mentioned is more than 50% of the total number of suspected fraud cases.

Most applied modus operandi in the sector rural development is overdeclaration of land. Table NR10 provides an overview.

*Table NR10: sector rural development - Modus Operandi top 7*

REPORTING YEARS 2004-2011		
cases of irregularities reported as fraudulent		
type of irreularity / modus operandi	cases	amounts in €
overdeclaration and/or declaration of fictitious product, species and/or land	262	7 378 265
documents false and/or falsified	140	11 325 973
action not implemented	64	2 582 983
product, species, project and/or activity not eligible for aid	55	6 666 627
fictitious use or processing	43	1 469 859
other irregularities concerning the operator/beneficiary	39	1 726 775
other irregularities (to be specified)	27	1 922 832

Member States indicated for 262 cases of irregularities reported as fraudulent that the applied modus operandi was overdeclaration of land. Striking is that 260 cases are reported by Bulgaria and Poland with respectively 67 and 193 cases. The other 2 cases were reported by France and Italy. This does not mean that overdeclaration does not take place in other Member States. Other Member States also reported cases of overdeclaration but did not reported their cases as fraudulent.

The reported cases concerning overdeclaration of land can be roughly subdivided into 4 categories:

1. simple overdeclaration caused by calculation or measuring errors;
2. intentional overdeclaration by overcalculating or overmeasuring;
3. overdeclaration by declaring land not suitable or eligible for support;
4. declaration of non-owned land.

ad 1. simple overdeclaration

This type is caused by a simple calculation or measuring error due to for instance the shape of the land. It concerns normally small differences. The beneficiary is not aware that too many square meters were declared. These cases are normally classified as "irregularity".

ad 2. intentional overdeclaration by overcalculating or overmeasuring

Overcalculation or overmeasuring was done intentionally by adding extra square meters to the total or by measuring for self-benefit in order to get a higher financial support. The beneficiary is aware of the fact that he is declaring more square meters. These cases are normally classified as "suspected fraud".

ad 3. overdeclaration by declaring land not suitable or eligible for support

Beneficiary includes in his declaration also land that is not suitable or eligible for support. The land is owned by the beneficiary but does not fulfil the conditions. Beneficiary is aware of the fact that not all declared land is suitable or eligible but has the attitude "let's try" or "let's see if they notice it". These cases are normally classified as "suspected fraud".

Example: beneficiary owns 100 hectares of land of which 25 hectares are eligible for aid. He declares a surface of 75 hectares.

ad 4. declaration of non-owned land

Beneficiary includes in his declaration also land that is owned and used by a third person. This could be land that is suitable or eligible for financial support but also land that is not suitable or eligible for financial support. The risk of double payment exists now also the legitimate owner could apply for financial support. These cases are normally classified as "suspected fraud".

Example: beneficiary receives financial support for agricultural activities in less favoured areas. The land was not owned by the beneficiary but leased. A lease contract was included in the documentation that was handed over when the financial support was requested. An audit learned that no lease contract existed between the owner of the land and beneficiary. The land was also still farmed by the owner.

Member States indicated in 449 cases concerning the sector rural development that the Modus Operandi was overdeclaration. As already mentioned above, 262 cases were committed intentionally thus reported as fraudulent. 28 of these cases have already been confirmed by Court' decisions. 187 cases were reported as non-fraudulent.

Table NR11 provides an overview how Member States classified cases of overdeclaration concerning the sector rural development.

Table NR11: classification of cases of overdeclaration

REPORTING YEARS 2004-2011				
classification overdeclaration cases				
MS	irregularity	suspected fraud	established fraud	total
AT	3			3
BG	83	49	18	150
DE	2			2
FI	2			2
FR	54	1		55
HU	1			1
IE	4			4
IT	7	1		8
LT	1			1
NL	4			4
PL	25	183	10	218
PT	1			1
<b>total</b>	<b>187</b>	<b>234</b>	<b>28</b>	<b>449</b>

The impression is that Member States do not interpret and classify cases of overdeclaration in the same way. The latter was reason to put the classification of cases of overdeclaration on the agenda of the meeting "irregularities and mutual assistance – agricultural products" of April 2012. Commission and Member States discussed on basis of a case study the classification in order to harmonize the

interpretation and classification of cases. Prior to the meeting, Member States were asked to interpret the facts and to analyse and to classify the case. Member States' interpretation of the facts led to different classifications. It proved that Member States do not interpret and classify cases in the same way. Especially the question if an irregularity has been committed intentionally or not led to different opinions and positions. The discussion will certainly get a follow up in order to harmonise the process of irregularity reporting.

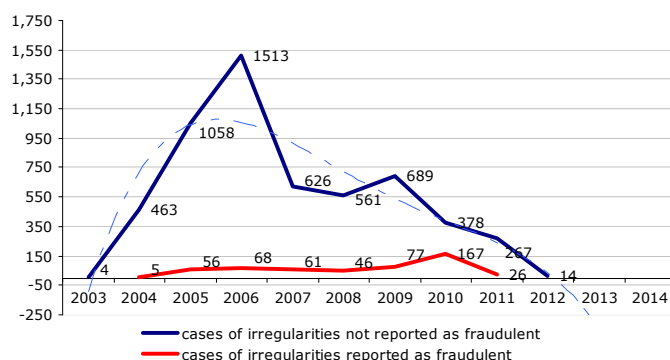
In addition has to be mentioned that Member States did not classify some of their cases as suspected fraud although penal sanctions were imposed or penal procedures were started. Member States explanations for not classifying such cases as suspected fraud vary between "simple mistake" and being afraid for consequences (in private!) in case of a wrong classification. In some Member States, civil servants can be held in person liable for their acts.

#### 4.4. Specific analysis

To present reliable rates and levels, a time frame should be used that can be considered as "finalised". The financial year 2011 cannot yet be used to calculate final rates as a large number of cases concerning the financial year 2011 will be reported in the coming years. Irregularities, fraudulent as well as non-fraudulent, are normally reported within a period of two and three years after a subsidy has been granted. This implies that also the financial years 2008-2010 cannot be considered as finalised. In addition, some cases are reported with some delay, which implies that cases concerning the financial year 2007 can also still be expected, therefore, the financial years 2007–2011 should be considered as still "on going".

The financial years 2004-2006 can be considered as finalised<sup>47</sup>. Member States had set up audit strategies and audit plans and performed audits on basis of these strategies and plans. Audit findings have become definitive and irregularities have been reported. In addition, the 50/50 mechanism was applied by the financial clearance decision for the financial year 2010 on all pending non-recovered cases dating from 2006 or 2002 (cases that were four or eight years old respectively)<sup>48</sup>.

Chart NR12: course of cases of irregularities



The course of the number of cases of irregularities reported, non-fraudulent as well as fraudulent, concerning the expenditures of the financial years 2004-2006 enforces the assumption that all or almost all cases have been reported for the financial years 2004-2006. Chart NR12 demonstrates the course of the

reported cases for the expenditures of the financial years 2004-2006. The thick blue line indicates the course of the reported cases of irregularities not reported as fraudulent concerning the financial years 2004-2006. In 2006, Member States reported 1 513 cases of irregularities concerning the expenditures of the financial years 2004–2006. The smooth light blue line is a trendline that indicates a downfall to zero in 2013. In other words, some cases can still be expected but the expectation is that these cases will not have a huge impact on the overall figures.

The red line indicates the number irregularities reported as fraudulent. The course of the red line follows the same pattern as the blue line (non-fraudulent cases of irregularities), only a bit later in time. The latter is caused by the fact that cases of irregularities reported as fraudulent are, in general, reported slightly later than other cases of irregularities. Apparently, Member States devote more care on cases of irregularities reported as fraudulent. Also for this type of cases counts that it can be

<sup>47</sup> In next years report, the financial year 2007 will be included in the analysis to determine the different rates and levels.

<sup>48</sup> Commission Decision 2011/272EU of 29 April 2011



expected that no more cases or almost no more cases will be reported for the financial years 2004-2006.

#### 4.4.1. Financial Years 2004-2006: cases of irregularities reported as fraudulent

This paragraph will focus on the fraud rates for the financial years 2004-2006. The rates will be provided per Member State and per financial year. To avoid an overload of information, tables with detailed information on expenditure, cases of irregularities reported as non-fraudulent, cases of irregularities reported as fraudulent and the irregularity and fraud rates per Member State and per financial year are provided in annexes 19-22 and served as basis for the analysis hereunder.

Table NR 13 provides per Member State an overview of the expenditures for the financial years 2004–2006, number of beneficiaries and the cases of irregularities reported as fraudulent. Member States are ranked on basis of their expenditure. France had the highest expenditure, thus, on top of the table.

Table NR13: number of beneficiaries and number of fraudulent cases

FINANCIAL YEARS 2004 - 2006							
MS	amounts in €	expenditure number of beneficiaries			number of cases of irregularities reported as fraudulent		
		FY2004	FY2005	FY2006	FY2004	FY2005	FY2006
FR	29 766 296 358	638 664	583 800	547 548	1	5	10
ES	19 674 141 141	950 116	964 642	964 191	7	3	3
DE	18 601 759 128	414 988	411 485	433 764		3	4
IT	16 603 217 858	1 703 609	1 494 041	1 622 352	145	96	44
UK	12 614 994 220	413 633	445 782	270 942		1	1
EL	8 620 672 822	959 169	890 616	926 345	1	12	8
IE	5 384 690 535	194 362	151 022	150 102			
NL	3 725 541 789	81 658	103 058	108 517	1	2	
AT	3 663 409 066	160 009	152 639	155 148		1	2
DK	3 594 418 609	86 285	82 445	89 963			
PL	3 465 673 196	21	1 410 136	1 037 919	2	136	127
BE	3 010 931 663	48 612	48 582	49 718		4	4
SE	2 747 558 608	71 206	73 391	143 205			
PT	2 726 736 763	271 150	268 115	274 608	3		2
FI	2 624 761 522	87 613	83 322	79 572			
HU	1 167 454 352	754	207 942	210 810			1
CZ	843 336 587	11	18 870	20 993		1	
LT	536 375 095	2	239 172	233 672			3
SK	447 901 595	2	12 425	13 992			
SI	262 985 005	8	65 646	61 715			
LV	232 067 058	3	70 141	81 611	4	1	1
EE	140 382 921	5	19 937	20 893			
LU	131 448 784	2 311	2 319	2 247			
CY	87 132 979	0	35 987	39 976	1	2	
MT	7 603 540	0	6 299	4 076			
BG	-	-	-	-			
RO	-	-	-	-			
<b>total</b>	<b>140 681 491 195</b>	<b>6 084 191</b>	<b>7 841 814</b>	<b>7 543 879</b>	<b>165</b>	<b>267</b>	<b>210</b>

The total expenditure for the financial years 2004-2006 was almost EUR 141 billion. The total amount affected by irregularities was more than EUR 253 million which implies an Irregularity Rate (IrR) of 0.18%.

Member States classified 642 cases (=165+267+210) as fraudulent out a total of 6,079 cases of irregularities concerning the expenditures of the financial years 2004-2006, which implies a Fraud Frequency Level (FFL) of 10.20%.

The total amount affected by fraudulent cases is almost EUR 60 million, which implies a Fraud Rate (FrR) of 0.04% and a Fraud Amount Level (FAL) of 22.35%.

The 642 cases of irregularities reported as fraudulent were reported by 16 Member States which implies that no suspicion of fraud occurred in 9 Member States. In other words, for 9 Member States counts that none of the irregularities was committed intentionally.

Striking are the sometimes huge differences between Member States. Italy and Poland had respectively 285 and 265 cases of irregularities reported as fraudulent while the top three spenders (France, Spain and Germany) together reported 36 cases.

In general counts that the number of cases of irregularities reported as fraudulent is low, in total as well as per Member State, especially when it is brought in relation with the number of beneficiaries. France granted in the period 2004-2006 subsidies to respectively 638 664, 583 600 and 547 548 beneficiaries.

France reported for the financial year 2004, on a total number of 638 664 beneficiaries, one case of suspected fraud, which implies a Fraud Frequency Level – Beneficiaries (FFL-B) of 0.0002%. The FFL-B is for the financial years 2005 and 2006 respectively 0.0009% and 0.0018%. These levels are so low that it could be considered as negligible. The latter does not only count for France but for all Member States.

In a positive approach this would mean that beneficiaries comply for almost 100% with the conditions set by the regulations and that there are almost no beneficiaries that commit fraud or, to say it in other words, that there are almost no beneficiaries that are aware or should be aware of the fact that they commit irregularities.

In order to be complete, table NR 14 provides an overview of the EU-25 rates and levels per year for the period 2004-2006. The last column contains the average for the whole period.

Table NR14: rates and levels<sup>49</sup>

RATES AND LEVELS				
	2004	2005	2006	average
IrR	0.28%	0.15%	0.11%	0.18%
FrR	0.08%	0.03%	0.02%	0.04%
FAL	26.61%	21.08%	19.36%	22.35%
FFL	6.57%	11.76%	12.27%	10.20%
FFL-B	0.00%	0.00%	0.00%	0.00%

The irregularity rate (IrR), fraud rate (FrR) and fraud amount level (FAL) are decreasing in the period 2004-2006. However, the fraud frequency level (FFL) is increasing. The latter is logic now the total number of cases of irregularities reported decreased and the cases of irregularities reported as fraudulent increased.

#### 4.5. Conclusions

- (1) Approximately 44% of the EU-budget was spent in the agricultural sector, of which EAGF and EAFRD account for respectively EUR 43.3 billion and EUR 12.2 billion.
- (2) IMS Module 1848 is used by all Member States and the number of users increased from approximately 50 in 2008 to more than 1 000 in 2011.
- (3) A higher number of cases of irregularities reported does not necessarily mean that more irregularities are committed or that a Member State is more vulnerable for irregularities. A more developed audit strategy, tailor made audits, higher number of performed audits will normally lead to a higher number of detected irregularities. Therefore, it is possible that Member States with a higher irregularity rate perform better, either in substance or in their reporting, than Member States with a lower irregularity rate.

##### 4.5.1. Reporting Year 2011

- (4) The EU-27-compliance-rate-2011 increased from 90% to 93%. Finland and Poland improved the compliance rate for thereporting of personal data to respectively 67% and 58%. Timely reporting is still a problem for a large number of Member States.
- (5) Member States reported 2 395 new cases with a total amount affected of about EUR 178 million. These cases concern expenditures for the years 1995-2011. Italy reported the highest number of cases (590) as France reported the highest amounts affected (EUR 72 million). 6 cases had a total amount affected of more than EUR 1 million. Luxembourg had no cases of irregularities to report.

<sup>49</sup>

IrR = amount affected by irregularities year n / expenditure year n

FrR = amount affected by cases of irregularities reported as fraudulent year n / total expenditure year n

FAL = amount affected by cases of irregularities reported as fraudulent year n / amount affected by irregularities year n

FFL = number of cases of irregularities reported as fraudulent year n / number of cases of irregularities year n

FFL-B = number of beneficiaries involved in cases of irregularities reported as fraudulent year n / number of beneficiaries year n

- (6) Member States reported 139 out of 2 395 cases as fraudulent, which is 6% of the total number of reported cases and 43% of the total amounts affected. These cases are mainly reported by Italy and young Member States as Bulgaria, Poland and Romania. 6 Member States did not report any of their cases as fraudulent.
- (7) The number of cases of irregularities and the amounts affected are not equally spread over and within Member States.
- (8) Member States recovered during the year 2011 about EUR 173 million and declared irrecoverable about EUR 49 million. The overall outstanding amount at the end of Year 2011 is about EUR 1.2 billion.
- (9) The new clearance mechanism (50/50 rule) provides a strong incentive for Member States to recover undue payments from the beneficiaries as quickly as possible. As a result, by the end of year 2010, 44% of the new EAGF debts from 2007 and thereafter had already been recovered, which is a significant improvement compared to the past.

#### 4.5.2. *Reporting Years 2004-2011*

- (10) The figures concerning the years 2004-2011 can be used to identify trends. These figures should be considered as half-time-result now still cases of irregularities will be reported for the years 2007-2011 and, to a smaller extent for the years 2004-2006. Definitive figures can only be determined of years that can be considered, from an irregularity reporting point of view, as "finalised".
- (11) The total expenditure for the years 2004-2011 was about EUR 396 billion. The highest expenditure was made by France (20%) and the lowest by Malta (< 0.1%). Member States reported for these years 17,758 cases of irregularities with a total amount affected of about EUR 918 million which implies a provisional irregularity rate of 0.23%.
- (12) Cases of irregularities reported as fraudulent are not equally spread over and within the 27 Member States. Poland and Italy are together responsible for almost 50% of the total number of these cases. Germany has with 20 cases a rather low number.
- (13) Sectors for which most cases of irregularities reported as fraudulent were notified are: rural development, decoupled direct aids and other direct aids. Most frequently used Modus Operandi is "overdeclaration of land".
- (14) Member States interpret the term "fraud" differently.

#### 4.5.3. *Financial Years 2004-2006*

- (15) The years 2004-2006 can be considered as finalised now audit plans have been executed, recovery procedures have been started and irregularities have been reported.
- (16) The total expenditure for the years 2004-2006 was about EUR 141 billion. Member States reported in total 6,079 cases with a total amount affected of about EUR 279 million, which implies an EU-25 irregularity rate of 0.18%.

- (17) Member States classified 642 of the 6,079 cases as fraudulent. 550 cases (86%) were reported by 2 Member States: Italy and Poland. The other 92 cases were reported by 14 Member States. 9 Member States did not classify any of their cases as suspected-fraud or established.
- (18) The irregularity and fraud rates are very low.
- (19) The number of beneficiaries that committed fraud is very low, almost negligible.

#### 4.6. Fisheries (Annex 23)

Council Regulation (EC) No 1198/2006 establishes the European Fisheries Fund (EFF) and defines the framework for EU support for the sustainable development of the fisheries sector, fisheries areas and inland fishing.

The European Fisheries Fund (EFF) shall contribute to realising the Common Fisheries Policy (CFP) objectives, which specifically consist of ensuring the conservation and sustainable use of marine resources. In order to achieve this, the Fund shall provide financial support aimed at:

- ensure the long-term future of fishing activities and the sustainable use of fishery resources;
- reduce pressure on stocks by matching EU fleet capacity to available;
- promote the sustainable development of inland fishing;
- help boost economically viable enterprises in the fisheries sector and make operating structures more competitive;
- foster the protection of the environment and the conservation of marine resources;
- encourage sustainable development and improve the quality of life in areas with an active fishing industry;
- promote equality between women and men active in the fisheries sector.

The EFF provides for five priorities: **measures to adapt the EU fishing fleet, aquaculture, inland fishing, processing and marketing, collective action, sustainable development of fishing areas and technical assistance.**

##### 4.6.1. Financial framework

The EFF has a budget of € 304 million for the period 2007-13. Over that period the Commission proposes to allocate on average €15 million per year to the Member States who have decided to benefit from EFF aid (all the Member States except for Luxembourg).

The amounts are divided between the Member States according to the size of their fisheries sector, the number of people working in the sector, the adjustments considered necessary for the fishing industry and continuity of the measures in hand.

Except for certain expenditure incurred by the Commission that is 100% covered by the EFF, the maximum contribution of the EFF is always calculated as a proportion of the total sum of all public expenditure. It varies according to the priority of the initiative and will be higher for the regions and Member States covered by the new "convergence" objective under the Structural Funds. The intensity of public aid authorised for each operation financed also varies according to the same parameters.

The Regulation sets the rules governing eligibility of expenditure, financial management, financial corrections, budgetary appropriations and reimbursement. It establishes a Committee of the European Fisheries Fund to assist the Commission in managing the EFF.

#### 4.6.2. *Management, monitoring and control*

Each Member State must appoint the following bodies before requests for payment can be submitted:

- a managing authority for the programme to select and monitor initiatives to be financed;
- a certification authority to verify that expenditure complies with EU rules;
- an audit authority to verify the proper functioning of the managing and certification authorities;
- a monitoring committee, which a representative of the Commission participates in for advisory purposes and which assesses progress in reaching the objectives of the operational programme.

#### 4.6.3. *Irregularities affecting the EFF reported in 2011*

Chapter VIII of Commission Regulation (EC) No 498/2007 of 26 March 2007<sup>50</sup> lays down detailed rules for the implementation of Regulation (EC) No 1198/2006 contains the relevant provisions for the reporting of irregularities to the Commission, establishing a set of rules that are very similar to those foreseen for the Structural Funds.

In 2011 Member States reported 48 irregularities, of which 2 were reported as fraudulent. These two cases were reported by Germany and Poland for a total financial volume of about EUR 30 000.

The violations linked to these two cases were categorised as ‘False or falsified supporting documents’ and ‘Expenditure not legitimate’.

The remaining 46 irregularities not reported as fraudulent involve EUR 1.6 million. Spain has reported the largest share of these irregularities (23, for EUR 1.2 million involved), followed by Poland (19 for about EUR 300 000 involved).

The most frequent type of reported irregularity was ‘Absence of declaration’ followed by ‘Not eligible expenditure’.

Annex 23 provides a complete overview by Member State.

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<sup>50</sup> OJ L120, 10.05.2007.

## 5. COHESION FOR GROWTH AND EMPLOYMENT (ANNEXES 24-28)

### 5.1. Introduction

Since 1986, the objective of cohesion policy has been to strengthen economic and social cohesion. The Lisbon Treaty and the EU's new high-level strategy (Europe 2020) introduce a third dimension: territorial cohesion.

This topic has been under discussion since the early 1990's, and with each new country that joins the EU, the need to pay attention to the evolution of the European territory becomes more acute.

The programmes financed under the policy for cohesion for growth and employment (Cohesion Policy) are implemented during several years known as programming periods.

For the current programming period 2007-2013, the cohesion policy focuses on three main objectives:

- **Convergence – solidarity among regions:** its aim is to <sup>51</sup>
- **Regional Competitiveness and Employment:** its <sup>52</sup>
- **European territorial cooperation (ETC):** its aim is to encourage **cooperation across borders** - be it between countries or regions – that would not happen without help from the cohesion policy. In financial terms, the sums concerned are negligible in comparison with the other two objectives, but many countries and regions would like to see that change in future. All regions are concerned.<sup>53</sup>

Three funds support the activities financed under the Cohesion Policy. Chart SF1 shows which fund supports which objective.

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<sup>51</sup>

<sup>52</sup>

<sup>53</sup>

Number of Europeans concerned: 500 million

Total amount: €8.7bn (2.5% of total budget)

Type of projects funded: shared management of natural resources, risk protection, improving transport links, creating networks of universities, research institutes etc.



Chart SF1: Objective, Structural Funds and instruments 2007-2013

Objectives	Structural Funds and instruments		
Convergence	ERDF	ESF	Cohesion Fund
Regional Competitiveness and Employment	ERDF	ESF	
European Territorial Cooperation	ERDF		

## 5.2. Irregularities reporting

The legal provisions setting the reporting obligation for the Cohesion Policy are contained in three different regulations. Regulation (EC) No 1681/94 which covers the four Structural Funds<sup>54</sup> for all programming periods until 2000-2006 included; Regulation (EC) No 1831/94 on the Cohesion Fund, with the exception of the period 2007-2013); and Regulation No 1828/2006, which covers the programming period 2007-2013. Annexes 25 to 28 provide details about the irregularities reported under the different regulations.

While Regulations Nos 1681/94 and 1831/94 are almost identical in content, rules have changed for the programming period 2007-2013, for which derogations have been widened and reporting requirements simplified, in particular in relation to the updates of the information concerning recovery.

In the following paragraphs, when referring to irregularities reported in 2011, it should be kept in mind that, conformly to the reporting obligations, Member States shall notify irregularities within two months following the end of each quarter. Therefore the “reporting period” goes, in fact, from 1<sup>st</sup> March 2011 until 29 February 2012.

## 5.3. Reporting Discipline

Thanks to the introduction of IMS, the timeliness, quality and completeness of reported information is satisfactory in general. Only France has not entirely completed its preparations (but started reporting through IMS nonetheless), but it is expected to do so in the course of 2012.

<sup>54</sup>

The four Structural Funds financing the Cohesion Policy in the programming period 2000-2006 are:

- The European Regional Development Fund (ERDF), supporting primarily productive investment, infrastructure and development of SMEs;
- The European Social Fund (ESF), supporting measures to promote employment (education systems, vocational training and recruitment aids);
- The Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF-Guidance), supporting measures for the adjustment of agricultural structures and rural development;
- The Financial Instrument for Fisheries Guidance (FIFG), supporting measures for the adjustment of the fisheries sector and the ‘accompanying measures’ of the common fishery policy.

Minor inconsistencies are still noticed in the classification of the irregularities, as it still happens that an irregularity, whose described *modus operandi* is ‘false or falsified supporting documents’ is not classified as ‘suspected fraud’ as it would be expected. However, these these inconsistencies involve less than 1% (29 on 3 880) of the reported irregularities.

Lastly, still a significant number of irregularities (about 38%), lacks the indication of the period in which the irregularity took place, while for the date of establishment of the irregularity important improvements have been made (less than 4% missing). Therefore all Member States are requested to pay more attention to the reporting of the period in which the irregularities took place.

#### **5.4. General trends**

Annex 24 shows the overall trend of the reported irregularities by year. In 2011 the number of notified irregularities (both reported as fraudulent or not) and the related financial amounts involved decreased in relation to 2010, by 45% and 21% respectively.

The main reasons for this significant decrease are linked, in particular, to the “neutralisation” of the “acceleration” to the reporting of irregularities following the introduction of the IMS; to a general improvement in the management and control systems; and to the cyclical effect of the closure of the programming period 2000-2006 (with increased control activities in the latest years of its implementation) and the consequent contraction as the programming cycle 2007-2013 is implemented in a progressive way.

Accordingly to these decreases, also the impact on the overall resources allocated to the Cohesion Policy in the 2011 budget has been decreasing from 3.15% to 2.43%.

However, it should be kept in mind that reported irregularities refer to programmes and projects that are of a multi-annual nature and they refer to four different programming periods. Furthermore, the budget for the year 2011, on which the impact of irregularities reported by the Member States has been calculated, is indicating the resources allocated to the fifth year of the programming period 2007-2013, while only a part of the reported irregularities is referred to it.

This implies that a correct estimation of the impact of irregularities (fraudulent and non-fraudulent) on the part of the European budget dedicated to the Cohesion policy is possible only through an analysis by programming period. Paragraph 5.5 deals with these types of analysis.

Similarly to previous years, also in 2011 the ERDF and the programmes related to the objective ‘Convergence (ex-objective 1 for the period 2000-2006) show the highest number of irregularities and related irregular amounts.

For the first time, irregularities related to the programming period 2007-2013 have been the most numerous, as showed in Table SF 1. Irregularities concerning the older programming periods are still notified, including four reported as fraudulent<sup>55</sup>

*Table SF1: irregularities reported in 2011 and irregularities reported as fraudulent by programming period*

Programming Period	Reported irregularities	Related amounts	of which, reported as fraudulent	related amounts (reported as fraudulent)	FFL	FAL
	N	€	N	€	%	%
1989-1993	3	1 145 269			0.0%	0.0%
1994-1999	67	9 242 136	4	368 150	6.0%	4.0%
2000-2006	1 381	438 663 554	96	31 615 942	7.0%	7.2%
2007-2013	2 429	770 585 672	176	172 499 246	7.2%	22.4%
<b>TOTAL</b>	<b>3 880</b>	<b>1 219 636 631</b>	<b>276</b>	<b>204 483 338</b>	<b>7.1%</b>	<b>16.8%</b>

The countries having reported the highest number of irregularities in 2011 were the Poland, Spain, Italy, Portugal, United Kingdom, Greece and the Czech Republic (all having reported more than 275 irregularities). The highest irregular amounts were reported by the Greece, Italy, Czech Republic, and Poland (all above EUR 100 million). Annexes 25, 26, and 28 detail the number of irregularities and related amounts reported by Member State under the different programming periods and funds.

Table SF1 also shows the Fraud Frequency Level (FFL) and the Fraud Amount Level (FAL), that is to say the percentage of the notified irregularities and of their related amounts which have been reported as fraudulent. These shares are quite stable across the years and show average values of 9.2% for the FFL and 13.3% for the FAL for the period 2001-2011<sup>56</sup>.

On the basis of this estimation, the FrR<sup>57</sup> of the Cohesion Policy is 0.46% of the 2011 budget for this policy area, with a significant decrease in relation to 2010, when it was 0.74%.

However, this projection on the EU budget does not imply that these amounts turn out into a loss. In fact, as indicated in Table SF2, 13% of the financial amounts involved have been prevented from being unduly spent and, furthermore, those which were spent are referred to behaviours potentially fraudulent which have been detected by national authorities and for which recovery procedures are ongoing.

## 5.5. Irregularities reported as fraudulent

In 2011 276 irregularities were reported as fraudulent by Member States<sup>58</sup>. Reported cases still refer to several programming periods, as showed in Table SF 1. The

<sup>55</sup> The four cases, concerning the programming period 1994-1999, were reported by Germany. two cases were classified as suspected and two as established fraud.

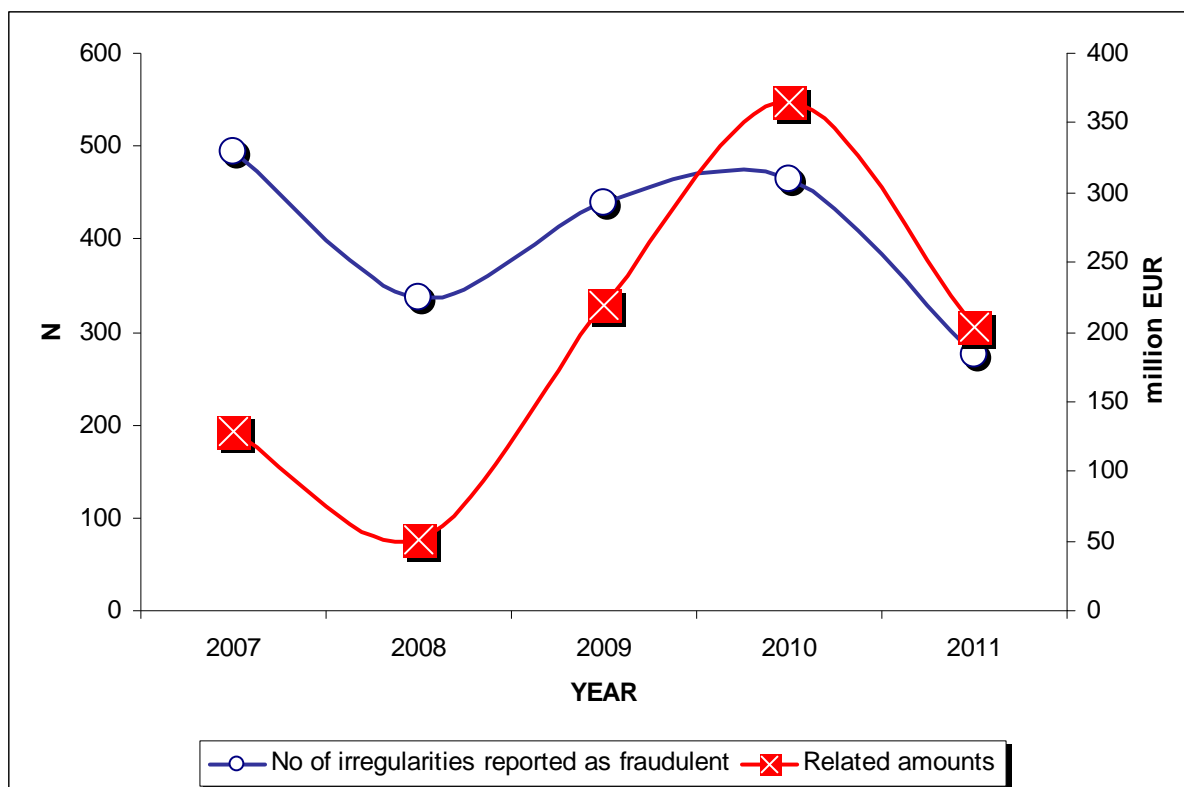
<sup>56</sup> In relation to 2010, the FFL value is fairly stable (7.2% against 6.6%), while the FAL is decreasing (18.7% against 23.3%).

<sup>57</sup> The definition of FrR is in the CSWD "Methodology for the statistical evaluation of irregularities reported in 2011".

<sup>58</sup> The Commission Staff Working Document "Methodology for the statistical evaluation of irregularities reported in 2011" specifies that, in relation to the Cohesion Policy, is considered "irregularity reported

number of irregularities reported as fraudulent and their related amounts are decreasing in relation to the previous year (by 41% and 44% respectively), as showed in Chart SF2, in line with the overall decrease already highlighted in paragraph 6.2.

Chart SF2: irregularities reported as fraudulent and related financial amounts – 2007-2011



The chart, depurated of its fluctuations, shows a decreasing trend of the number of irregularities reported as fraudulent, while their financial volume remains relatively high. This may point out to a general improvement of the anti-fraud controls put in place by Member States, able to target high risk sectors, involving higher amounts and, at the same time better preventing fraud. The time series is too short to provide a definitive conclusion in this sense, but it is a positive trend worth being analysed also in the next years.

Table SF 2 shows the financial amounts involved in the cases reported as fraudulent in 2011 in relation to the amounts effectively disbursed. The difference between the two amounts shows the fraud prevention capability of national systems.

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as fraudulent" an irregularity that has been classified as "suspected fraud" or "established fraud" by the reporting Member State or "considered as possibly fraudulent" by the Commission on the basis of the analysis provided in the irregularity report.

Table SF2: cases of suspected fraud reported in 2011, their financial value and its part being paid out and the prevention rate by Member State

Member States	No of irregularities reported as fraudulent	Fiancial amounts involved	Of which disbursed	Prevention Rate
	N	EUR	EUR	%
AT	8	1 100 593	592 387	46%
BG	9	749 919	384 128	49%
CZ	11	19 107 756	18 960 755	1%
DE	48	12 833 878	10 548 590	18%
EE	2	414 266	14 754	96%
ES	5	132 873	74 706	44%
FI	1	11 257	11 257	0%
GR	6	851 474	851 474	0%
HU	2	128 488	83 003	35%
IE	1	15 672	15 672	0%
IT	50	73 864 102	63 377 892	14%
LT	9	1 032 525	87 758	92%
LV	7	7 841 921	1 396 588	82%
NL	1	63 693	35 799	44%
PL	51	79 564 526	75 019 943	6%
PT	21	959 709	585 495	39%
RO	6	1 193 059	1 154 537	3%
SE	1	30 015	30 015	0%
SI	6	1 884 581	1 884 581	0%
SK	8	1 610 649	1 610 649	0%
UK	23	1 092 383	974 243	11%
<b>TOTAL</b>	<b>276</b>	<b>204 483 338</b>	<b>177 694 227</b>	<b>13%</b>

Poland, Germany and Italy were the countries having notified the highest number of irregularities reported as fraudulent, while Estonia, Lithuania, and Latvia are those which showed the highest fraud prevention rate, with more than 80% of the involved amounts prevented from being spent. However these rates are significantly affected by the low number of irregularities reported as fraudulent by these countries and the low related amounts.

#### 5.5.1. Types of fraud by Fund

Table SF 3 indicates the distribution of the suspected and established fraud cases by Fund. It should be kept in mind that, as the cases refer to several programming periods, all concerned funds are showed.

Table SF3: cases of suspected fraud reported in 2011, their financial value and its part being paid out and the prevention rate by Fund

Fund	No of irregularities reported as fraudulent	Fiancial amounts involved	Of which disbursed	Prevention Rate
	N	EUR	EUR	%
<b>ERDF</b>	154	107 467 866	83 058 124	23%
<b>Cohesion Fund</b>	10	90 026 518	88 935 105	1%
<b>ESF</b>	97	5 675 180	4 491 407	21%
<b>EAGGF - Guida</b>	14	1 285 908	1 181 725	8%
<b>FIFG</b>	1	27 865	27 865	0%
<b>TOTAL</b>	<b>276</b>	<b>204 483 338</b>	<b>177 694 227</b>	<b>13%</b>

ERDF shows the highest number of cases and related financial volume, but also the highest prevention rate; the ESF also presents quite a high number of cases, but the related amounts are much lower, in line with the value of the projects supported by this type of fund. On the other side, the Cohesion Fund presents the opposite situation, with a low number of irregularities reported as fraudulent but high amounts involved.

The main violations concern the use of false or falsified declarations, supporting documents or certificates (present in almost 47% of all cases), ineligible or not legitimate expenditure (20% of the cases), ineligibility to receive the financial support (23% of the cases) or an incomplete or non adequate execution of the projects (18%)<sup>59</sup>. Violations of the procurement rules in connection with fraudulent cases are reported in almost 9% of the cases, followed by irregularities (falsifications or other) in relation to the keeping of the accounts (7%).

From the point of view of the amounts involved, the violations related to the eligibility or the legitimacy of expenditure concerns about 42% of the whole amounts involved (and 50% of those paid out), followed by violations linked to procurement rules (33%); the use of false or falsified documents, certificates or declarations interests about 39% of the amounts (and 30% of those paid out).

Corruption has been reported in three (3) cases, mainly in connection with violation of public procurement rules, for a total amount of EUR 700 000 involved but the whole sum is indicated as being prevented.

#### 5.5.1.1. ERDF

Irregularities reported as fraudulent in relation to the ERDF mostly follow the pattern indicated above. The three mentioned cases of possible corruption are related to this fund.

<sup>59</sup> It is important to keep in mind that more than one violation can occur at the same time, and therefore the summing up of the percentages presented under this paragraph will exceed 100%.

### 5.5.1.2. ESF

The most recurring violation in relation to ESF financed project is the use of false or falsified supporting documents (41 cases on 96 – 43%). Other violations concern the keeping of accounts the eligibility/legitimacy of the expenditure.

### 5.5.1.3. Other funds

For the Cohesion Fund, there is not an emerging pattern, but the seven reported cases refer to different typologies of violations committed, ranging from infringements linked to public procurement rules, projects not completed, expenditure unjustified or not legitimate, missing documents or use of false or falsified documents.

For the EAGGF – Guidance (programming period 2000-2006) the most recurrent violation is the use of false or falsified documents (in 4 of the 8 cases reported as fraudulent), followed by the falsification of accounts (2 on 8).

For the FIFG (programming period 2000-2006) the only case reported as fraudulent concerns the use of false or falsified expenditure.

### 5.5.2. Irregularities not reported as fraudulent – Year 2011

In 2011 Member States reported 3 601 irregularities as non-fraudulent, involving some EUR 1.02 billion of irregular financial amounts. The impact of these irregularities on the annual commitment appropriations is about 2%, decreasing in relation to 2010 (2.4%). However, as showed in Table SF4 these reported irregularities concern 4 different programming periods, with the highest number related to the 2007-2013 programming cycle.

Table SF4: irregularities not reported as fraudulent by programming period – year 2011

Programming Period	No of irregularities not reported as fraudulent	Related amounts	Average amount
	N	EUR	EUR
1989-1993	3	1 145 269	381 756
1994-1999	63	8 873 986	140 857
2000-2006	1 285	407 047 612	316 769
2007-2013	2 253	598 086 426	265 462
<b>TOTAL</b>	<b>3 604</b>	<b>1 015 153 293</b>	<b>281 674</b>

Table SF5 shows the distribution of these irregularities not reported as fraudulent by Fund. As irregularities are referred to several programming periods, all funds involved have been included.

Table SF5: irregularities not reported as fraudulent by Fund – year 2011

Member State	No of irregularities not reported as fraudulent	Related amounts	Average amount
	N	EUR	EUR
ERDF	2 334	683 819 340	292 982
Cohesion Fund	185	155 468 567	840 371
ESF	853	96 837 935	113 526
EAGGF - Guidance	194	70 982 634	365 890
FIFG	38	8 044 817	211 706
<b>TOTAL</b>	<b>3 604</b>	<b>1 015 153 293</b>	<b>281 674</b>

Table SF6 shows the distribution of these irregularities not reported as fraudulent by Member State. Countries that benefit from the Cohesion Fund will, in principle, show a higher average amount value.

Table SF6: irregularities not reported as fraudulent by Member State – year 2011

Member State	No of irregularities not reported as fraudulent	Related amounts	Average amount
	N	EUR	EUR
AT	35	15 061 008	430 315
BE	60	3 995 703	66 595
BG	42	4 165 168	99 171
CY	1	23 562	23 562
CZ	259	145 267 550	560 879
DE	245	30 034 975	122 592
DK	6	156 598	26 100
EE	44	2 903 779	65 995
ES	376	93 071 811	247 531
FI	17	426 688	25 099
FR	50	13 036 609	260 732
GR	307	309 017 757	1 006 572
HU	40	3 382 604	84 565
IE	33	2 320 321	70 313
IT	339	119 623 250	352 871
LT	129	53 283 109	413 047
LU	4	65 626	16 406
LV	34	5 078 470	149 367
MT	3	92 826	30 942
NL	49	1 989 674	40 606
PL	674	85 443 723	126 771
PT	367	60 443 649	164 697
RO	53	5 851 081	110 398
SE	6	1 203 594	200 599
SI	28	5 544 408	198 015
SK	117	22 741 549	194 372
UK	286	30 928 203	108 141
<b>TOTAL</b>	<b>3 601</b>	<b>1 015 074 429</b>	<b>281 887</b>

The most recurrent types of infringements linked to the irregularities not reported as fraudulent are consistent with previous years' patterns and are mainly related to infringements of rules concerned with public procurement (36% of the total number



of irregularities not reported as fraudulent and 47% of the related amounts) and to the eligibility of expenditures (29% by number and 18% by amounts).

## 5.6. Analysis of the 2000-2006 Programming Period– cumulative data

A specific and detailed analysis of the programming period 2000-2006 has already been performed in the Commission Staff Working documents (CSWD) on statistical evaluation of irregularities accompanying the Annual Reports for the years 2009 and 2010. Therefore, in the present document only some summary tables will be included, to update the main figures and indicators analysed in past years.

Similarly to the approach followed then, in order to improve the comparability among the different Member States, the irregularities referred to the Cohesion Fund are not included in relation to the programming period 2000-2006, as an extensive analysis as been performed in the CSWD accompanying the PIF Report 2010.

The analysis is adapted to follow the approach of the present document, distinguishing between irregularities reported as fraudulent and irregularities not reported as fraudulent.

### 5.6.1. Irregularities reported as fraudulent - programming period 2000-2006

#### 5.6.1.1. General overview

Table SF7 summarises the main figures and indicators related to the irregularities reported as fraudulent in relation to the different funds.

*Table SF7: Programming Period 2000-2006 – overall situation and main indicators by Objective*

FUND	Irregularities reported as fraudulent	Related amounts	Payments	FrR
	N	EUR	EUR	%
ERDF	854	349 977 340	125 049 191 740	0.28%
ESF	1 012	140 527 078	64 737 976 203	0.22%
EAGGF - Guidance	437	42 342 480	21 856 553 391	0.19%
FIFG	30	5 854 192	3 640 556 038	0.16%
<b>TOTAL</b>	<b>2 333</b>	<b>538 701 090</b>	<b>215 284 277 371</b>	<b>0.25%</b>

Data showed in Table SF5 differs only slightly in relation to the same table published in last CSWD accompanying in the 2010 PIF Report, indicating that a certain “stability” of the information has been reached in relation to the programming period 2000-2006 and that the main conclusions highlighted therein maintain their validity. They are summarised below.

- Programmes to support regions falling within the scope of the Objective 1 are those presenting the highest fraud rate, followed by those related to the Objective 3. The irregularities reported as fraudulent impact on 0.25% of the overall payments for the programming period 2000-2006.

- Concerning the Funds, ESF is the fund affected by the highest number of irregularities reported as fraudulent, while the ERDF shows the highest fraud rate with 0.28% of the total payments.
- Concerning the situation by Member State, Italy remains the country with the highest number of irregularities reported as fraudulent and the highest financial volume related to them, followed by Germany, Poland, the United Kingdom and Portugal. An extremely low number of fraudulent irregularities (in relation to the payments received from the structural funds) has been detected and reported by Greece and France in particular; other Member States having communicated no or few irregularities reported as fraudulent are: Belgium, Denmark, Ireland, Malta, the Netherlands and Sweden, as showed in Table SF8.

Map SF1 displays the FrR by Member State, highlighting the high values, in particular, of Italy, Poland, Latvia and Luxembourg. The high FrR of these Member States should be interpreted in a positive way, rather than negative.

Good anti-fraud systems show, inevitably, bad figures. By good anti-fraud system it is meant a system that does not only detect fraud, putting in place adequate means and resources; but also duly reports it according to the existing rules. These countries which show some good results in terms of fraud detection should probably invest more resources from the fraud prevention perspective.

Map SFI: FrR by Member State

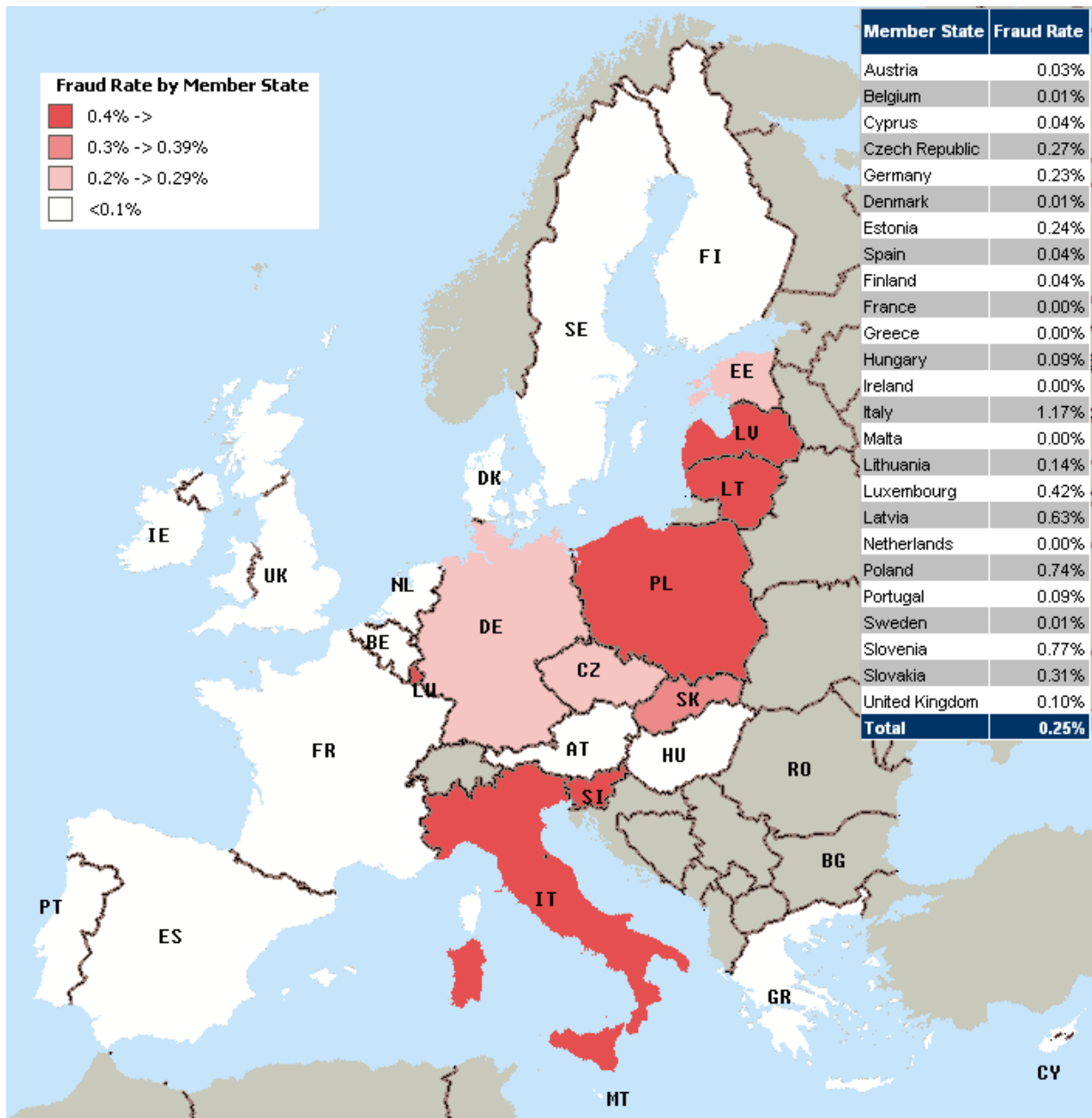


Table SF8: Irregularities reported as fraudulent and *Fraud Rate by Member State – Programming Period 2000-2006*

MEMBER STATE	Irregularities reported as fraudulent	Related amounts	Payments	FrR
	N	EUR	EUR	%
AT	11	468 401	1 550 554 131	0.03%
BE	4	273 720	1 871 635 876	0.01%
CY	3	18 986	53 387 077	0.04%
CZ	13	4 075 268	1 528 775 313	0.27%
DE	362	67 685 174	29 107 317 009	0.23%
DK	1	43 039	663 761 841	0.01%
EE	24	838 341	354 919 758	0.24%
ES	157	15 541 570	44 142 202 316	0.04%
FI	9	823 880	1 953 304 518	0.04%
FR	9	219 887	15 170 266 135	0.00%
GR	9	801 196	22 241 552 874	0.00%
HU	20	1 729 920	1 967 362 514	0.09%
IE	2	0	3 062 543 922	0.00%
IT	1 082	341 482 939	29 141 999 651	1.17%
MT	0		63 160 700	0.00%
LT	10	1 215 822	865 075 694	0.14%
LU	8	292 071	69 990 446	0.42%
LV	19	3 925 020	624 352 076	0.63%
NL	3	104 858	2 455 445 454	0.00%
PL	240	60 049 082	8 111 293 581	0.74%
PT	152	18 827 529	19 914 950 338	0.09%
SE	8	238 274	1 944 863 010	0.01%
SI	7	1 805 075	235 942 553	0.77%
SK	18	3 336 634	1 087 524 473	0.31%
UK	162	14 904 405	15 455 673 722	0.10%
<b>TOTAL</b>	<b>2 333</b>	<b>538 701 090</b>	<b>215 284 277 371</b>	<b>0.25%</b>

#### 5.6.1.2. Irregularities reported as fraudulent –established fraud

The prosecution and adequate sanctioning of fraudsters is one of the cornerstones of good anti-fraud systems, without which no deterrence can be exercised against those who are guilty of such crime.

In relation to the programming period 2000-2006, Member States communicated the establishment of fraud in 203 cases (41 more than last year).

Table SF9 shows the number of cases of established fraud per Member State and per fund.

Table SF9: N° of irregularities reported as established fraud by Member State and Fund – Programming Period 2000-2006

Member State	FUND			No of cases of established fraud	Amounts involved
	ERDF	ESF	EAGGF - Guidance		
	N	N	N	N	EUR
BE	1			1	123 750
CY		1		1	273
DE	22	96	1	119	7 681 597
EE	1	2		3	312 630
ES	1	1		2	63 561
FR	1			1	111 904
HU		1		1	24 775
IT	5	11	2	18	4 195 943
PL	9	6	27	42	1 129 553
PT	1			1	40 339
SK		2		2	55 085
UK	1	10	1	12	3 597 704
<b>TOTAL</b>	<b>42</b>	<b>130</b>	<b>31</b>	<b>203</b>	<b>17 337 114</b>

The highest number of cases of established fraud concerns the ESF; Germany has been the State the most successful in completing the related procedures (119 decision, from 100 in 2010), followed by Poland (42 from 35), Italy (18 from 14) and the United Kingdom (12 from 7). Information concerning new cases of established fraud was received from Belgium, Estonia, Portugal and Slovakia.

In the greatest majority of cases, the use of falsified supporting documents was the *modus operandi* adopted for committing fraud.

The average amount affected by established fraud cases is about EUR 200 000 for the cases related to ERDF, about EUR 42 000 for ESF and EUR 110 000 for EAGGF – Guidance.

#### 5.6.2. Irregularities not reported as fraudulent – programming period 2000-2006

For the whole period 2000-2006, 24 236 irregularities were reported as non-fraudulent, involving an overall amount of about EUR 3.8 billion, for an impact of 1.8% of the total payments (Irregularity Rate).

Table SF10 shows the irregularities reported as non-fraudulent, their related amounts and the impact on the payments by Fund.

Table SF10: Irregularities not reported as fraudulent and Irregularity Rate by Fund – Programming Period 2000-2006

FUND	Irregularities not reported as fraudulent	Related amounts	Payments	Net-IrR
	N	€	€	%
ERDF	12 414	2 847 433 990	125 049 191 740	2.3%
ESF	8 150	605 331 208	64 737 976 203	0.9%
EAGGF - Guidance	3 139	274 661 383	21 856 553 391	1.3%
FIGG	418	56 589 493	3 640 556 038	1.6%
<b>TOTAL</b>	<b>24 121</b>	<b>3 784 016 074</b>	<b>215 284 277 371</b>	<b>1.8%</b>

Also in the case of irregularities not reported as fraudulent the situation is rather stable in relation to the data published in the CSWD accompanying the PIF Report 2010, which can be summarised as follows:

- ERDF is the fund presenting the highest number of irregularities reported as non-fraudulent, related amounts and irregularity rate (2.3%).
- Objective 2 programmes have the highest irregularity rate (2.7%), followed by the Interreg programmes (2.1%); the Objective 1 programmes present an irregularity rate that equals the average (1.8%).
- The following Member States have an irregularity rate significantly higher than the average: Luxembourg (5.6%), Slovakia (5.3%), the Netherlands (4.6%), Slovenia (4.2%), Czech Republic (3.7%), Austria and the United Kingdom (3.3%).
- The following Member States have an irregularity rate significantly lower than the average: France (0.3%), Finland (0.5%), Denmark and Sweden (0.8%).

## **5.7. Analysis of the 2007-2013 programming period - cumulative data**

An important difference between the 2007-2013 and the 2000-2006 programming periods is the number of funds involved. In the previous programming cycle, five European Funds were providing the resources from the EU budget (ERDF, ESF, EAGGF – Guidance, FIFG and the Cohesion Fund), while for the current period only three are involved (ERDF, ESF and Cohesion Fund).

Also in terms of data available through the reporting of irregularities, some differences are present. In particular, for the current period the focus is much more on the irregularities reported as fraudulent than for those not reported as fraudulent. In the first case, Member States are requested to submit also the potential fraud cases prevented, while in the second case only reporting is obligatory only in relation to irregularities for which expenditure has taken place and it has been certified to the European Commission.

For this reason, in relation to the irregularities reported as fraudulent a new indicator is introduced in the analysis, *i.e.* the fraud prevention rate, which is calculated on the basis of the amounts which would have been disbursed had the irregularity not been detected.

### *5.7.1. Irregularities reported as fraudulent – 2007-2013 programming period*

Table SF11 shows the irregularities reported as fraudulent by Fund.

*Table SF11: Irregularities reported as fraudulent and Fraud Rate by Fund – Programming Period 2007-2013*

FUND	Irregularities reported as fraudulent	Related amounts	of which disbursed	Payments	FrR	Prevention Rate
	N	EUR	EUR	EUR	%	%
<b>ERDF</b>	172	489 793 709	162 896 641	57 241 087 081	0.86%	67%
<b>Cohesion Fund</b>	12	83 547 851	73 233 451	16 479 121 292	0.51%	12%
<b>ESF</b>	123	9 351 832	5 469 694	22 610 145 343	0.04%	42%
<b>TOTAL</b>	<b>307</b>	<b>582 693 392</b>	<b>241 599 786</b>	<b>96 330 353 716</b>	<b>0.60%</b>	<b>59%</b>

The ERDF shows the highest Fraud Rate (0.71%) but, at the same time, it is also the fund for which the preventive action by Member States has given the highest results (67%). The overall fraud rate is the double than for the 2000-2006 period, but also the overall prevention rate is significant (59%), showing positive results in the fight against fraud obtained through the investigative actions conducted by Member States.

From the perspective of irregularities reported as fraudulent by Objective, the Convergence programmes show a fraud rate that is significantly higher than the others but, at the same time, an important prevention rate (59%) as showed in Table SF12.

*Table SF12: Irregularities reported as fraudulent and Fraud Rate by Objective – Programming Period 2007-2013*

OBJECTIVE	Irregularities reported as fraudulent	Related amounts	of which disbursed	Payments	FrR	Prevention Rate
	N	EUR	EUR	EUR	%	%
<b>Convergence</b>	224	574 282 816	236 844 930	65 303 372 288	0.88%	59%
<b>Competitiveness</b>	36	3 667 913	1 546 767	15 145 453 949	0.02%	58%
<b>Multiregional</b>	16	3 539 323	2 672 977	14 168 665 631	0.02%	24%
<b>ETC</b>	31	1 203 340	535 111	1 712 861 848	0.07%	56%
<b>TOTAL</b>	<b>307</b>	<b>582 693 392</b>	<b>241 599 786</b>	<b>96 330 353 716</b>	<b>0.60%</b>	<b>59%</b>

Table SF13 presents the same information by Member State.

Table SF13: Irregularities reported as fraudulent and Fraud Rate by Member State – Programming Period 2007-2013

MEMBER STATE	Irregularities reported as fraudulent	Related amounts	of which disbursed	Payments	FrR	Prevention Rate
	N	EUR	EUR	EUR	%	%
AT	6	1 083 057	574 851	443 081 477	0.24%	47%
BE	1	42 937	42 937	721 651 315	0.01%	0%
BG	31	4 621 162	1 751 838	952 705 851	0.49%	62%
CY				182 763 402	0.00%	
CZ	17	407 690 578	107 154 603	4 572 119 788	8.92%	74%
DE	76	7 429 702	4 466 207	9 744 280 479	0.08%	40%
DK				156 864 015	0.00%	
EE	3	443 731	14 754	1 314 075 530	0.03%	97%
ES	2	58 166		12 326 283 793	0.00%	100%
FI	2	18 823	14 273	632 494 608	0.00%	24%
FR				3 714 581 914	0.00%	
GR	5	726 248	726 248	6 359 984 576	0.01%	0%
HU	4	109 438	48 407	6 243 214 808	0.00%	56%
IE	2	15 672	15 672	386 355 113	0.00%	0%
IT	16	70 360 944	61 308 439	4 945 534 039	1.42%	13%
LT	10	1 034 842	87 758	2 547 242 194	0.04%	92%
LU				16 703 344	0.00%	
LV	7	7 870 273	1 229 108	1 210 463 188	0.65%	84%
MT				171 887 965	0.00%	
NL	3	212 193	36 299	506 119 956	0.04%	83%
PL	72	70 211 894	57 688 771	20 581 550 202	0.34%	18%
PT	2	173 862	59 839	7 789 151 309	0.00%	66%
RO	6	1 193 059	1 154 537	1 362 479 220	0.09%	3%
SE	5	1 344 675	216 036	633 135 893	0.21%	84%
SI	5	1 691 072	1 691 072	1 234 147 942	0.14%	0%
SK	10	5 846 471	2 846 096	2 279 125 828	0.26%	51%
UK	22	514 594	472 040	3 589 494 119	0.01%	8%
<b>TOTAL*</b>	<b>307</b>	<b>582 693 392</b>	<b>241 599 786</b>	<b>96 330 353 716</b>	<b>0.60%</b>	<b>59%</b>

\* Total payments do not equal the sum of all Member States' values, as also payments or the ETC programmes are included

Some countries have not yet submitted any irregularity reported as fraudulent and namely: Cyprus, Denmark, France, Luxembourg, Malta.

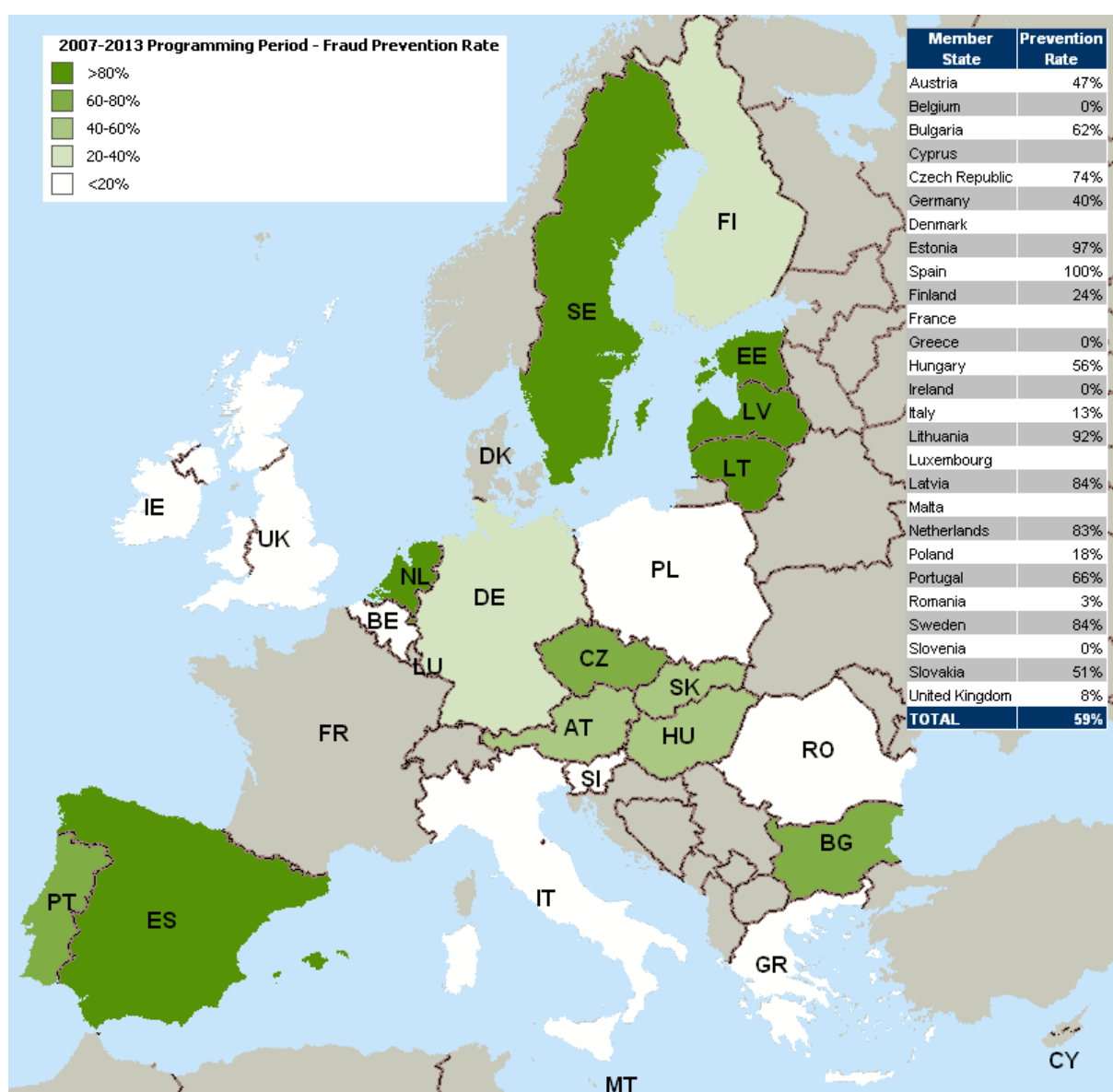
The high fraud rate of the Czech Republic is mainly due to a single case which involves an extremely high amount. Even without that case, however, the fraud rate would remain the highest in the EU. This situation is anyhow balanced by the high prevention rate, meaning that only a part of the involved amounts are effectively disbursed and need to be recovered.

Some Member States show very high fraud prevention rates, and in particular Spain, Estonia, Lithuania, Latvia, Sweden, the Netherlands, and the Czech Republic. With the exception of the latter, however, the number of reported cases is still too low to draw definitive conclusions in this respect.

Data concerning the fraud prevention rate are visualised on Map SF2.



Map SF2: Prevention rate by Member State



5.7.2. Irregularities reported as non-fraudulent – programming period 2007-2013

Table SF14 shows the irregularities not reported as fraudulent by Member State, presenting also, for terms of comparison, the received payments and the resulting net-irregularity rate.<sup>60</sup>

<sup>60</sup> The net-irregularity rate takes into account exclusively the irregularities not reported as fraudulent.

Table SF14: Irregularities not reported as fraudulent and Irregularity Rate by Member State – Programming Period 2007-2013

MEMBER STATE	Irregularities not reported as fraudulent	Related amounts	Payments	Net-IrR
	N	EUR	EUR	%
AT	29	2 640 350	443 081 477	0.60%
BE	66	4 162 660	721 651 315	0.58%
BG	109	13 406 096	952 705 851	1.41%
CY	1	23 562	182 763 402	0.01%
CZ	342	159 010 524	4 572 119 788	3.48%
DE	175	18 032 358	9 744 280 479	0.19%
DK	4	126 867	156 864 015	0.08%
EE	70	5 334 142	1 314 075 530	0.41%
ES	147	35 953 236	12 326 283 793	0.29%
FI	20	570 766	632 494 608	0.09%
FR	46	12 491 690	3 714 581 914	0.34%
GR	278	140 188 992	6 359 984 576	2.20%
HU	84	28 669 041	6 243 214 808	0.46%
IE	88	2 471 942	386 355 113	0.64%
IT	94	43 813 692	4 945 534 039	0.89%
LT	145	62 093 542	2 547 242 194	2.44%
LU	7	234 086	16 703 344	1.40%
LV	52	5 565 912	1 210 463 188	0.46%
MT	3	92 826	171 887 965	0.05%
NL	47	1 647 936	506 119 956	0.33%
PL	918	121 602 973	20 581 550 202	0.59%
PT	95	28 974 117	7 789 151 309	0.37%
RO	73	7 200 484	1 362 479 220	0.53%
SE	14	1 573 479	633 135 893	0.25%
SI	53	9 593 407	1 234 147 942	0.78%
SK	118	27 092 036	2 279 125 828	1.19%
UK	503	53 418 404	3 589 494 119	1.49%
<b>TOTAL*</b>	<b>3 581</b>	<b>785 985 121</b>	<b>96 330 353 716</b>	<b>0.82%</b>

\* Total payments do not equal the sum of all Member States' values, as also payments of the ETC programmes are included

For most Member States the irregularity rate is higher than for the previous programming period, though the overall result is lower. This confirms that the introduction of IMS, the simplification of the rules for irregularity reporting and the efforts made by the Commission and national services in the Member States is paying off, as the situation looks more homogeneous than in the previous programming period.

Differently from the previous period and consistently with the analysis of the irregularities reported as fraudulent for the 2007-2013 cycle, the highest rates are related to the programmes within the Convergence objective.

### 5.7.3. Recovery

For the 2007-2013 programming period, Member States are obliged to provide the Commission with clear and structured data on the amounts withdrawn from co-financing before the national recovery is finalised and the amounts effectively

recovered from beneficiaries at national level. This information is showed in annex 27.

## **5.8. Conclusions**

### *5.8.1. Analysis of irregularities reported in 2011*

- (1) The completeness and accuracy of irregularity reporting keep on improving and the introduction of IMS is playing an important role both on the quality and quantity of the reported irregularities. The Commission is grateful to all Member States having successfully implemented the system for their continuous efforts to improve the quality of their reports and encourages France to complete their preparation for a full exploitation of the system. The improvements are particularly evident in relation to the reporting of irregularities for the programming period 2007-2013.
- (2) In 2011, Member States have detected and reported 3 880 irregularities, involving an overall amount of EUR 1.22 billion. Reported irregularities and related financial amounts have been significantly decreasing in comparison with 2010 (45% by number of cases and 21% in financial volume). The main reasons for this decrease is the “neutralization” of the cyclical increase due to the closure of the programming period 2000-2006 and of the implementation of the new reporting system IMS, which has produced an acceleration in reporting in 2010, absorbed in 2011.
- (3) Similarly to the overall trend, also irregularities reported as fraudulent and their related amounts have significantly decreased in 2011 in relation to 2010, respectively by 41% and 44%.
- (4) ERDF and ESF remain the funds with the highest number of irregularities reported as fraudulent. Poland, Germany and Italy have submitted the highest number of irregularities reported as fraudulent.
- (5) The main violations concern the use of false or falsified documents (supporting documents, certificates, declarations). This is the most used instrument to either to try and inflate the costs of the project or to prove a (non-existing) right to obtain the financial support. Violation of public procurement rules is also an important infringement reported in relation to fraudulent cases. Corruption has been detected in three cases.

### *5.8.2. Programming Period 2000-2006*

- (6) All main conclusions established in the CSWD accompanying the 2010 PIF Report maintain their validity.
- (7) Italy, Poland, Latvia and Luxembourg present the highest Fraud Rates among Member States. A higher number of irregularities reported as fraudulent does not necessarily mean that more irregularities or fraud are committed or that a Member State is more vulnerable to them. A more developed audit or anti-fraud strategy, tailor made audits, higher number of performed audits or investigations will normally lead to a higher number of detected irregularities

and fraud. Therefore, it is possible that Member States with a higher irregularity or fraud rate perform better than Member States with a lower irregularity or fraud rate.

- (8) An extremely low number of fraudulent irregularities (in relation to the payments received from the structural funds) has been detected and reported by Greece and France in particular; other Member States having communicated no or few irregularities reported as fraudulent are: Belgium, Denmark, Ireland, Malta, the Netherlands and Sweden. A low fraud rate concerns also Spain. These results could indicate either a lower fraud detection capability or the fact that a part of detected fraud may remain unreported.
- (9) Germany is the most successful Member State in completing procedures for the establishment of fraud in relation to the programming period 2000-2006, followed by Poland and Italy.

### 5.8.3. *Programming Period 2007-2013*

- (10) In comparison with the previous period the amounts related to irregularities reported as fraudulent are higher. However a significant fraud prevention rate is also emerging from the analysis of data. This may suggest that anti-fraud controls are more targeted and focused on high risk areas. This trend needs, anyhow, to be strengthened by future data.
- (11) Most Member States show very high fraud prevention rates, and in particular Spain, Estonia, Lithuania, Latvia, Sweden, the Netherlands, and the Czech Republic. With the exception of the latter, however, the number of reported cases is still too low to draw definitive conclusions in this respect.
- (12) Programmes most affected by irregularities are those implemented under the Convergence objective.
- (13) Some countries have not yet submitted any irregularity reported as fraudulent and namely: Cyprus, Denmark, France, Luxembourg, Malta.

## 6. PRE-ACCESSION FUNDS (ANNEXES 29-30)

The descriptive statistical analysis presented hereinafter relates to the developments in the area of enlargement and assistance provided to enhance administrative capacities during the pre-accession period for candidate countries and to assist in the fulfilment of the Copenhagen criteria for EU membership.

The forthcoming analysis is limited to the programmes implemented under decentralised management subject to irregularity reporting obligation established by Financing Agreements and other relevant EU legislation. It mainly covers the programming period 2000-2006, though some information is also referred to the financial perspectives 2007-2013.

Agenda 2000<sup>61</sup> set up two financial mechanisms, ISPA<sup>62</sup> and SAPARD<sup>63</sup>, to complement the actions of the PHARE<sup>64</sup> programme, which has been the EU aid programme for the EU-12<sup>65</sup> since 1990. The 10 Member States that joined the EU in 2004 received a Transition Facility in 2004-2006. Bulgaria and Romania received a Transition Facility in 2007 which is regarded as post-accession assistance.

Croatia benefits from several types of pre-accession assistance like Community Assistance for Reconstruction, Development and Stabilisation (CARDS) (2001-2004), PHARE and ISPA (2005-2006) as well as SAPARD (2006). It is the only country subject to reporting CARDS<sup>66</sup> irregularities since 2006<sup>67</sup>.

Turkey has been receiving pre-accession assistance since 2002<sup>68</sup>. The financial support provided falls under two periods: 2002-2006 - Turkish Pre-accession assistance (TPA) with a total allocation of EUR 1 249 million and 164 projects and 2007-2013 – Instrument for Pre-accession Assistance (five components) with a total allocation of EUR 4 873 million.

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<sup>61</sup> On 26 March 1999, at the Berlin European Council, the Heads of Government or States concluded a political agreement on Agenda 2000

<sup>62</sup> ISPA programme dealt with large-scale environment and transport investment support in candidate countries.

<sup>63</sup> SAPARD programme has supported agricultural and rural development in candidate countries.

<sup>64</sup> PHARE programme applied to candidate countries, principally involving institution building measures (and associated investment) as well as measures designed to promote economic and social cohesion, including cross-border co-operation.

<sup>65</sup> The following abbreviations are used to describe groups of countries:

a) EU-12 designates all Member States having acceded to the EU since 2004;

b) EU-10 indicates Member States having acceded in 2004;

c) EU-2 refers to Member States having acceded in 2007;

d) CAND identifies candidate countries.

<sup>66</sup> Community Assistance for Reconstruction, Development and Stabilisation applied to Western Balkan countries

<sup>67</sup> Commission Decision PE/2006/148 of 07/02/2006 conferring management of aid provided under PHARE and CARDS to an Implementing Agency in Croatia

<sup>68</sup> European financial contribution in the framework of pre-accession strategy was first granted to Turkey under Council Regulation 2500/2001.

Since 1<sup>st</sup> January 2007 EU pre-accession assistance has been channeled through a single Instrument for Pre-accession Assistance (IPA)<sup>69</sup> designed to deliver support for candidate and potential candidate countries. The preliminary allocation for IPA country programmes in the period 2007-2013 is EUR 8.4 billion (in 2010 – EUR 1.6 billion).

## **6.1. Reporting discipline**

In general the communications received via IMS are complete. Some mistakes can be still encountered in relation to the financial aspects of the reports, but the level of completeness of the reported information is close to 100% for all countries. Also in terms of timeliness the reporting behaviour is satisfactory.

The improved completeness of the information allows now for some assessment of the data quality. Here some inconsistencies are still detected, concerning dates related to the irregularity or to its detection or to the correct assessment of the irregularity (fraudulent / non-fraudulent).

## **6.2. General Trends**

The following analysis intends to provide an overview of the reported irregularities in 2011 and to compare the reporting trends observed during the period 2002 -2011.

In 2011, 247 irregularities were reported on pre-accession funds (PHARE, SAPARD, ISPA, Transition Facility (TF), CARDS, Turkish pre-accession instrument - TPA) from the Member states and Candidate countries.

The total European contribution amount affected by irregularities in 2011 (programming period 2000-2006) was EUR 58.5 million. For the 2007-2013 period, in 2011 20 irregularities were reported involving EUR 1.3 million.

Annexes 29 and 30 provide more details about the information above, distinguishing also by Fund.

### *6.2.1. Overall trend*

A word of caution before presenting the general trends is necessary, considering that a wider variety of pre-accession instruments is covered due to different programming periods; that the ongoing enlargement process now addresses different beneficiary countries; and that Member states and Candidate countries do not necessarily have the same approach towards reporting.

In fact, reporting countries happen to be at different stages of the project cycle. The EU-10 group has finalised the projects and reports very few new cases, the focus, however, remains on administrative and judicial follow-up. The EU-2 group reports a significant number of newly detected cases which certainly affect the overall tendency. Turkey has been reporting consistently, while Croatia shows a significant

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<sup>69</sup> Council Regulation (EC) No 1085/2006

decrease of irregularities reported, probably due to delays in the implementation of the IMS; FYROM has been reporting its first irregularities<sup>70</sup>.

The number of reported irregularities has continued decreasing by another 37% in relation to 2010 and by 30% in amounts.

## 6.2.2. Irregularities reported as fraudulent

### 6.2.2.1. Irregularities reported as fraudulent in relation to Pre-Accession Assistance (2000-2006)

SAPARD remains the fund for which the highest number of irregularities reported as fraudulent are received (38 on a total of 47). Table PA1 shows the distribution of such irregularities and their related amounts per Fund.

*Table PA1: Irregularities reported as fraudulent by Fund – Pre-Accession Assistance*

Funds	Irregularities reported as fraudulent	Involved amounts
	N	EUR
ISPA	3	7 253 158
PHARE	4	317 472
SAPARD	38	2 688 083
TPA	2	683 569
<b>TOTAL</b>	<b>47</b>	<b>10 942 282</b>

Table PA2 shows how these irregularities are distributed by Beneficiary Country.

*Table PA2: Irregularities reported as fraudulent by Beneficiary Country – Pre-Accession Assistance*

Beneficiary Countries	Irregularities reported as fraudulent	Involved amounts
	N	EUR
BG	4	7 516 614
PL	26	619 521
RO	15	2 122 578
TR	2	683 569
<b>TOTAL</b>	<b>47</b>	<b>10 942 282</b>

Poland has reported the highest number, while the most significant financial amounts affected by such fraudulent irregularities were detected in Bulgaria. In comparison with previous years, overall figures are decreasing for all countries but Poland.

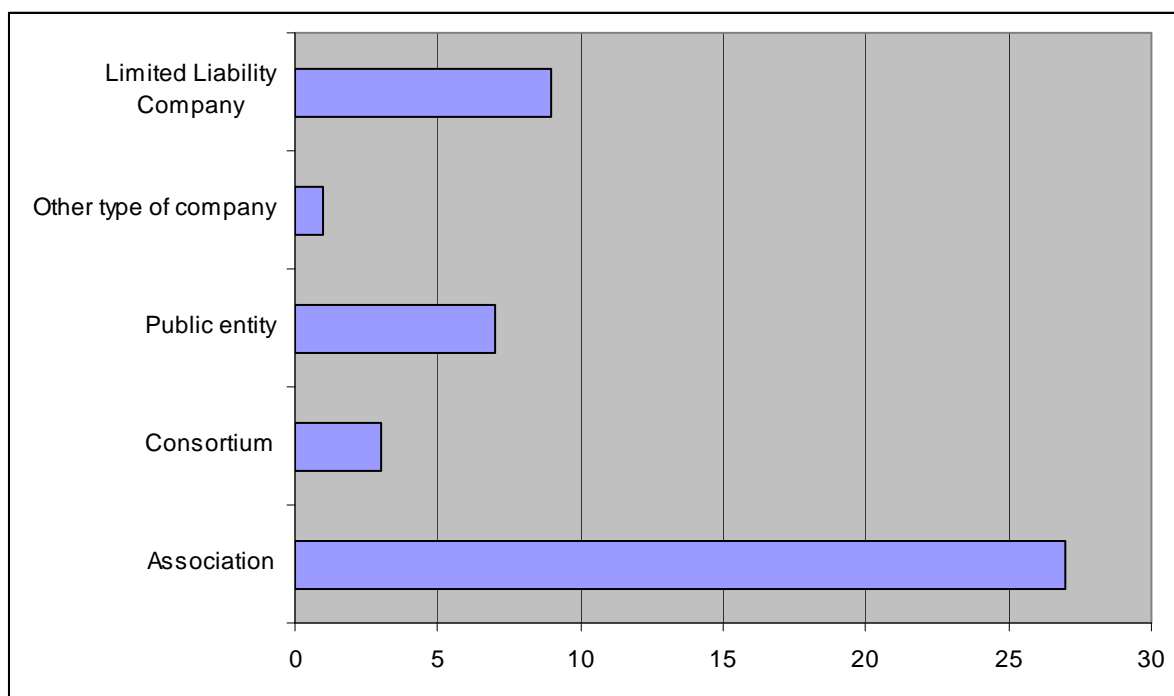
Concerning SAPARD, the types of infringements detected mainly concern the violation of rules for public procurement proceedings, funding from different public sources which exceeded the maximum allowed, failure to meet the criterion of access to the aid and lack of necessary documents, the use of falsified supporting

<sup>70</sup> Similarly to the Cohesion Policy, however, derogations to the reporting obligations have also been widened.

documents, and in particular falsified offers. A case involving conflict of interest was also identified. Three cases were investigated by OLAF.

Chart PA1 shows the type of entities involved in the irregularities reported as fraudulent in relation to SAPARD.

*Chart PA1: Type of entity involved in the irregularities reported as fraudulent*



The three ISPA irregularities reported as fraudulent concern Bulgaria. One of them stems from an OLAF investigation. The legal entities involved are three consortia and the violations mainly are related to supporting documents (missing or incomplete).

The three cases related to the Pre-Accession Facility for Turkey mainly concern false declarations (concerning works performed or staff employed) and violation of public procurement rules. All three cases involve local public bodies (municipalities).

The four cases related to PHARE all concern Romania and are mainly linked to ineligible or unjustified expenditure. In two cases public entities were involved, while in the other two one association and to companies.

#### 6.2.2.2. Irregularities reported as fraudulent in relation to the Instrument for Pre-Accession (2007-2013)

The IPA component that was affected by the highest number of irregularities reported as fraudulent is the Human Resources Development, as showed in Table PA3.



*Table PA3: Irregularities reported as fraudulent by IPA Component – Instrument for Pre-Accession*

Component	Irregularities reported as fraudulent	Involved amounts
	N	EUR
Cross Border	1	856 800
Human Resources Development	2	38 951
Rural development	3	87 332
Regional Development	2	0
Technical Assistance	1	0
<b>TOTAL</b>	<b>9</b>	<b>983 083</b>

The highest amounts, however, concern the Cross Border component, due to an important case reported by Italy (see Table PA4).

Table PA4 shows how these irregularities are distributed by Beneficiary Country. One of these concerns Italy, as the Managing authority of the Cross Border cooperation programme is located there and was directly involved in the irregularity.

*Table PA4: Irregularities reported as fraudulent by Beneficiary Country – Instrument for Pre-Accession*

Beneficiary Countries	Irregularities reported as fraudulent	Involved amounts
	N	EUR
IT	1	856 800
MK	3	87 332
TR	5	38 951
<b>TOTAL</b>	<b>9</b>	<b>983 083</b>

The type of violations committed mainly concern the use of false or falsified supporting documents and the violation of rules concerning public procurement. The legal entities involved in these violations are Corporations (in 3 cases), Limited Liability Companies, and Public bodies.

### 6.2.3. Irregularities not reported as fraudulent

#### 6.2.3.1. Irregularities not reported as fraudulent in relation to Pre-Accession Assistance (2000-2006)

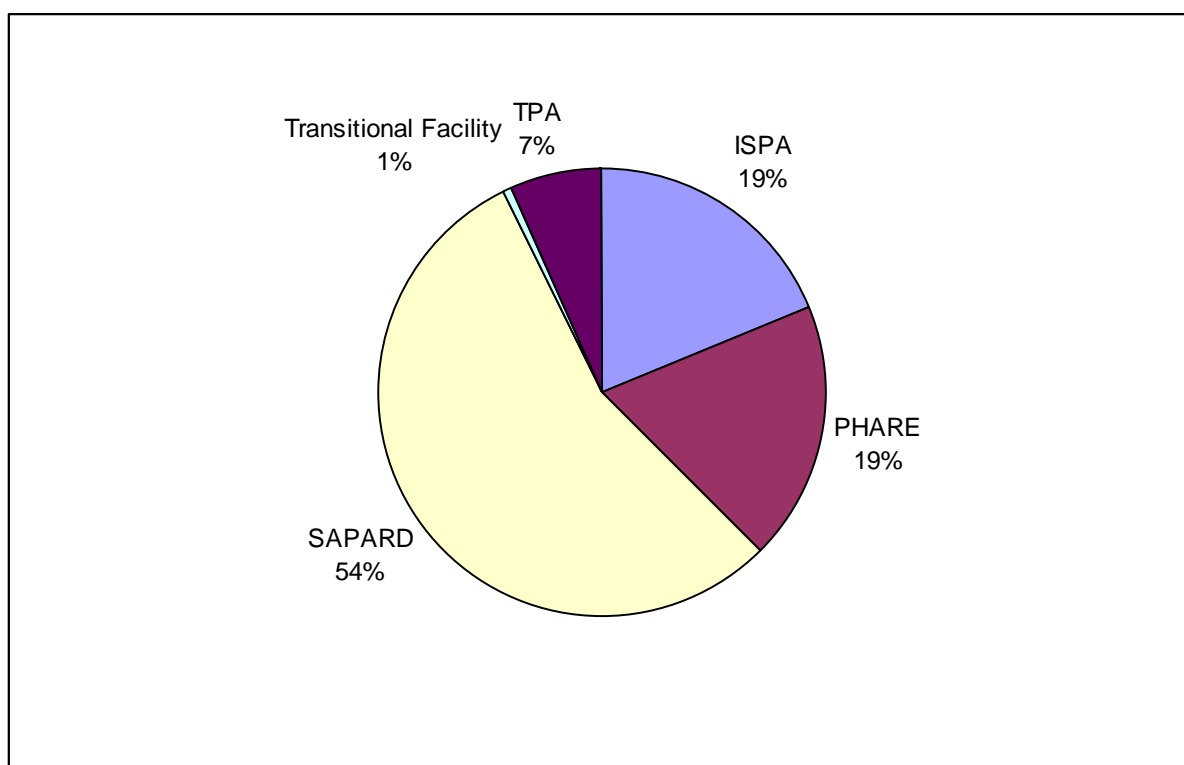
The 196 irregularities not reported as fraudulent by the Beneficiary countries are distributed across the different funds according to Table PA5.

Table PA5: Irregularities not reported as fraudulent by Fund – Pre-Accession Assistance

Funds	Irregularities not reported as fraudulent	Involvement amounts
	N	EUR
ISPA	37	23 232 612
PHARE	36	5 166 687
SAPARD	109	18 534 726
TPA	13	686 593
Transitional Facility	1	5 549
<b>TOTAL</b>	<b>196</b>	<b>47 626 167</b>

Like in previous years, the majority of these irregularities still concerns SAPARD, as visualised in Chart PA2.

Chart PA2: Irregularities not reported as fraudulent by Fund – Pre-Accession Assistance



In line with previous years' trends, the majority of these irregularities were reported by Bulgaria and Romania, but their numbers keeps on declining since 2009. Table PA6 shows the distribution of these irregularities across the Beneficiary Countries.

Table PA6: Irregularities not reported as fraudulent by Beneficiary Country – Pre-Accession Assistance

Beneficiary Countries	Irregularities not reported as fraudulent	Involved amounts
	N	EUR
BG	36	19 318 496
EE	1	72 897
HR	2	81 292
HU	3	62 825
LT	2	2 804 135
PL	8	6 054 497
RO	130	18 545 433
SK	1	0
TR	13	686 593
<b>TOTAL</b>	<b>196</b>	<b>47 626 167</b>

The majority of the violations concerned the failure to respect contract conditions and the impossibility to complete the financed action due to the insolvency of the beneficiary.

#### 6.2.3.2. Irregularities reported as non-fraudulent in relation to the Instrument for Pre-Accession (2007-2013)

Eleven irregularities were reported as non-fraudulent in relation to four components, as showed in Table PA7.

Table PA 7: Irregularities not reported as fraudulent by IPA Component – Instrument for Pre-Accession

Component	Irregularities not reported as fraudulent	Involved amounts
	N	EUR
Cross Border	1	17 700
Human Resources Development	8	174 732
Regional Development	1	0
Technical Assistance	1	100 927
<b>TOTAL</b>	<b>11</b>	<b>293 360</b>

The eleven irregularities were reported by two countries, Croatia and Turkey, as showed in Table PA8.

Table PA 8: Irregularities not reported as fraudulent by Beneficiary Country – Instrument for Pre-Accession

Beneficiary Countries	Irregularities not reported as fraudulent	Involved amounts
	N	EUR
HR	1	17 700
TR	10	275 660
<b>TOTAL</b>	<b>11</b>	<b>293 360</b>

The most recurring typologies of detected irregularities were failure to respect contract conditions, violations of public procurement rules and irregularities concerning the supporting documentation.

#### 6.2.4. Recovery for the Pre-Accession Assistance – Cumulative results 2002-2011

Recovery becomes a topical issue when the project cycle is about to close. Administrative procedures (recoveries and sanctions) together with effective prosecution are the cornerstones of fraud prevention.

Once more, it is interesting to analyse the reporting issue in relation to a whole programming period rather than on yearly basis, as more recent years will always present recovery rates which are far lower.

Table PA 9 demonstrates the recovery situation per country. The table provides an overview for all the years and all the funds. It presents the recovery rate which is the percentage of the total amount recovered on the irregular amounts effectively disbursed.

Table PA 9: Recovery by Beneficiary Country, cumulative results – Pre-Accession Assistance

Beneficiary country	Irregularities not reported as fraudulent			Irregularities reported as fraudulent		
	Involvement amounts	Amounts to be recovered	Cumulative Recovery Rate	Involvement amounts	Amounts to be recovered	Cumulative Recovery Rate
	EUR	EUR	%	EUR	EUR	%
BG	54 741 016	14 046 149	74.3%	59 765 170	4 920 095	91.8%
CY	23 807	0	100.0%	0	0	
CZ	2 919 980	1 281 150	56.1%	0	0	
EE	6 505 895	641 334	90.1%	216 149	0	
HR	8 921 975	346 651	96.1%	447 368	0	100.0%
HU	5 804 149	1 475 700	74.6%	773 734	405 122	47.6%
LT	7 398 606	2 652 578	64.1%	131 895	0	100.0%
LV	1 124 290	899 545	20.0%	1 576 011	1 576 011	0.0%
MT	112 620	0	100.0%	0	0	
PL	12 807 513	7 626 052	40.5%	1 537 142	687 203	55.3%
RO	118 062 968	42 219 649	64.2%	32 480 685	27 697 986	14.7%
SI	1 598 263	36 079	97.7%	0	0	
SK	11 690 443	6 708 448	42.6%	99 748	85 966	13.8%
TR	3 395 296	2 477 822	27.0%	1 899 920	816 395	57.0%
<b>TOTAL</b>	<b>235 106 820</b>	<b>80 411 157</b>	<b>65.8%</b>	<b>98 927 822</b>	<b>36 188 778</b>	<b>63.4%</b>

However, these figures reflect only the information provided in the irregularity reports, but do not take into account the recoveries and financial corrections made by the Commission.

### **6.3. Conclusions**

- (1) In 2011 reported irregularities and related irregular amounts confirmed the decreasing tendency already started in 2010.
- (2) The decrease is visible for all funds and almost for all beneficiary countries. The majority of the new detected and reported cases are still related to the SAPARD fund.
- (3) Recovery rate has significantly improved in comparison with previous years and the cumulative results now indicate that about 65% of the amounts unduly paid out has been recovered. The positive trend concerns also the irregularities reported as fraudulent.

## 7. DIRECT EXPENDITURE – CENTRALISED DIRECT MANAGEMENT

### 7.1. Introduction

This chapter contains a descriptive analysis of the data on recovery orders issued by Commission services in relation to expenditures managed under ‘centralised direct management’<sup>71</sup>, which is one of the four implementation modes the Commission can use to implement the budget. This chapter is based on data retrieved from the ABAC system, which is a transversal, transactional information system allowing for the execution and monitoring of all budgetary and accounting operations by the Commission. The system was developed by the Commission to facilitate compliance with the requirements of the Financial Regulation and its implementing rules.

For the analysis presented in this chapter, however the following distinction will apply<sup>72</sup>:

- the category of **‘Irregularities reported as fraudulent’** comprises of irregularities which were notified to OLAF by the Commission services; and irregularities which have not been reported as fraudulent by the Commission services, however whose fraudulent nature could be derived on the basis of the analysis of the information<sup>73</sup>.
- on the other hand, **‘Irregularities not reported as fraudulent’** are any other type of reported irregularities, for which fraudulent nature has not been ascertained.

### 7.2. Analysis of irregularities reported as fraudulent

In 2011, the Commission services registered 922 recovery orders in ABAC that were qualified as irregularities. The committed budget for these 922 recoveries was EUR 6.7 billion, of which EUR 51.4 million was identified as irregular<sup>74</sup>.

#### 7.2.1. Financial amounts involved

Among the 922 recoveries registered in 2011, 24 recoveries have been qualified by the Commission services as *suspected fraud* and subsequently reported to OLAF; and another 10 recoveries can be considered as fraudulent; even if originally they have been qualified as simple irregularities. The financial impact of these 34 recoveries accounts for EUR 1.5 million.

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<sup>71</sup> In accordance with Article 53a of the Council Regulation (EC, Euratom) No 1605/2002 (‘Financial Regulation’) and Commission Regulation (EC, Euratom) No 2342/2002 (‘Implementing Rules’).

<sup>72</sup> Please see section 3.2 on ‘Definitions applied in the analyses’ of the Working document on Methodology regarding the Statistical Evaluation of Irregularities.

<sup>73</sup> For instance where the description of the modus operandi is related to the use of falsified documents, or to inappropriate accumulation of aid, OLAF considers the nature of these irregularities fraudulent.

<sup>74</sup> The financial impact of a case of suspected fraud can only be determined following the conclusion of an OLAF investigation. It is only at the end of judicial proceedings (‘*res judicata*’) that a case can be qualified as fraud and that the actual amount of fraud can be established.

However, the recovery amounts should be compared to the overall budget committed under the centralised direct management, which corresponds to an average amount of EUR 10 billion per financial year.

Table DE1 gives an overview of the financial commitments<sup>75</sup> related to recoveries recorded in 2011 by policy domain ('internal policies' and 'external actions') as well as of the number and financial amounts involved in the recoveries.

*Table DE 1: Commitments for which recoveries were issued in 2011 (number and amounts) by policy domain.*

Area	Commitments		Recoveries				Recoveries in % of Commitments
	EUR x 1000	%	N	%	EUR x 1000	%	%
Internal policies	5 035 041	74.9	806	87.4	32 229	62.7	0.6
External actions	1 687 080	25.1	116	12.6	19 150	37.3	1.1
<b>Total</b>	<b>6 722 121</b>	<b>100</b>	<b>922</b>	<b>100</b>	<b>51 379</b>	<b>100</b>	<b>0.8</b>

The table shows that the irregular amounts only represent 0.8% of the value of the commitments concerned by the recoveries. More recovery orders were issued for commitments made under the internal policies domain than the external assistance actions, but the relative share of recoveries in commitments is higher in the external actions area.

Table DE2 provides a more detailed classification of the policy areas by budget headings. It gives information only in relation to the budget headings where irregularities occurred. Yet, there is not always a direct link between the budget title or budget line and the Directorate General dealing with its implementation, as several DGs can share the appropriations on a budget line. Consequently, the information in this table does not refer to the number of irregularities fraud per Directorate General.

<sup>75</sup> For the calculation of commitments, see section 4.3 of the Working document on Methodology regarding the Statistical Evaluation of Irregularities

Table DE 2: Recoveries (number and amounts) by qualification and budget heading, 2011.

Budget Heading	Commitments EUR x 1000	Irregularities					
		not reported as fraudulent				reported as fraudulent	
		N	%	EUR x 1000	%	N	EUR x 1000
Area of freedom, security and justice	343 974	79	8.9	2 105	4.2	1	1
Budget	4 352	1	0.1	769	1.5		
Communication	54 591	19	2.1	110	0.2		
Development and relations with African, Caribbean and Pacific (ACP) states	280 004	25	2.8	3 927	7.9	11	751
Education and culture	1 502	1	0.1	5	0.0		
Employment and social affairs	99 776	5	0.6	107	0.2	2	203
Energy	74 305	1	0.1	153	0.3		
Enlargement	17 741	25	2.8	1 767	3.5	5	175
Enterprise	9 908	50	5.6	1 635	3.3	1	26
Environment and climate action	154 888	18	2.0	1 844	3.7		
External relations	75 567	37	4.2	11 772	23.6	10	318
Humanitarian aid	473 996	3	0.3	440	0.9		
Information society and media	662 433	329	37.0	17 057	34.2		
Maritime affairs and fisheries	206 258	8	0.9	1 347	2.7		
Mobility and transport	112 874	64	7.2	1 357	2.7	3	35
Research	2 224 088	220	24.8	5 471	11.0	1	0
Trade	19 901	3	0.3	5	0.0		
<b>Total</b>	<b>4 816 158</b>	<b>888</b>	<b>100</b>	<b>49 869</b>	<b>100</b>	<b>34</b>	<b>1 510</b>

As it appears from the table, most of the irregularities reported as fraudulent are linked to commitments made in the area of external actions. The budget heading 'Development and relations with African, Caribbean and Pacific (ACP) states' alone counts for almost one-third of the number and exactly the half of associated amounts of recovery orders that proved to be fraudulent. Moreover, the latter together with budget headings 'Enlargement', 'External relations' and 'Humanitarian aid' count already 76.5% of the recoveries and 82.4% of the recovery amounts qualified as irregularities of fraudulent nature. Nonetheless, it should be pointed out that the sum of recovery amounts in the 'external action' area is only EUR 1.2 million, whereas the related committed amount was EUR 1.7 billion in 2011.

When looking at the other irregularities not reported as fraudulent, the area of external actions counts for 10.1% of the recoveries and 35.9% of recovery amounts. On the other hand, in the internal policy area, budget heading 'Information society and media' stands out with the highest figures both in terms of number and amount. 'Research' comes to the second place regarding the number, and third place (after 'external relations') regarding the recovery amounts. Yet, it is to be noted that the very nature of these areas imply the high number of contracts, and hence the higher number of recovery orders. Moreover, the explanation for the relatively high number of irregularities resides in the fact that Commission services duly detect and report irregularities in ABAC.



### 7.2.2. Recoveries by geographic area and Member State

Table DE3 summarizes the recoveries per geographical area, where the beneficiary of the EU funding resided.

Table DE 3: Recoveries (number and amounts) by region of residence and qualification, 2011.

Contractor place of residence	Commitments		Irregularities						
			not reported as fraudulent				reported as fraudulent		
	EUR x 1000	N	N	%	EUR x 1000	%	N	EUR x 1000	%
ACP	187 193	761	9	1.0	2 664	5.3			
the Americas	61 879	986	7	0.8	161	0.3			
Asia & Central Asia	54 844	1 088	8	0.9	459	0.9	1	19	1.3
EFTA	156 756	332	65	7.3	2 724	5.5			
ENP & Russia	427 666	644	15	1.7	10 857	21.8			
EU	5 397 935	28 131	767	86.4	31 894	64.0	32	1 431	94.8
PA	126 074	645	17	1.9	111	2.2	1	60	4.0
<b>Total</b>	<b>6 412 347</b>	<b>32 587</b>	<b>888</b>	<b>100.0</b>	<b>49 869</b>	<b>100</b>	<b>34</b>	<b>1 510</b>	<b>100</b>

This year almost all the recoveries qualified as ‘irregularity reported as fraudulent’, related to beneficiaries residing inside the EU and only two (one in Thailand and one in Turkey) appeared outside of it. These 32 recoveries in the EU account for 95% of irregular cases qualified as fraudulent both in number and in amount.

From the perspective of other irregularities not reported as fraudulent, the number of beneficiaries residing in the European Union is similarly the highest (86.4% of recoveries and 64% of the recovery amounts), not surprisingly though, as the number of commitments and the related committed amounts are also the highest for the EU in the direct expenditure area.

The remaining 121 recovery orders (13.6%) were issued to entities residing outside the EU, for a total amount of EUR 18.0 million (36.0%). In the latter category, the amount of recoveries relates to entities in the ENP & Russia countries with total value of irregular amount EUR 10.8 million, followed by beneficiaries residing in the EFTA states (5.5% or EUR 2.7 million). Thirdly, the ACP countries as beneficiary residences count for 5.3% of the irregularities or EUR 2.6 million irregular amounts.

Table DE4 gives an overview of the recoveries per Member State of residence of the entities in the European Union and the qualification of the recovery.

Table DE 4: Recoveries (number and amounts) by Member State and qualification, 2011.

Contractor place of origin	Commitments		Irregularities				reported as fraudulent	
	EUR x 1000	N	N	%	EUR x 1000	%	N	EUR x 1000
AT	129 829	410	30	3.9	877 568	2.8		
BE	855 882	7 959	61	8	1 975 025	6.2	3	104
BG	24 963	226	2	0.3	780 974	2.4		
CY	13 608	151	6	0.8	27 404	0.1	2	203
CZ	38 723	273	13	1.7	42 882	1.3	1	10
DE	141 153	466	77	10	2 056 996	6.4	3	25
DK	14 895	137	11	1.4	235 423	0.7	1	76
EE	74 231	263	3	0.4	8 947	0		
EL	519 781	1 956	61	8	4 123 933	12.9		
ES	61 878	2 333	60	7.8	4 498 836	14.1	5	109
FI	104 096	481	7	0.9	172 649	0.5		
FR	37 342	278	89	11.6	2 788 017	8.7	3	133
HU	9 993	249	9	1.2	414 894	1.3	1	1
IE	482 571	4 229	6	0.8	179 454	0.6	2	34
IT	22 549	261	118	15.4	4 551 591	14.3	4	588
LI	23 227	210	3	0.4	11 429	0		
LU	341 319	1 352	12	1.6	1 434 967	4.5		
LV	14 863	160	5	0.7	32 138	0.1		
MT	350 929	2 148	14	1.8	212 462	0.7		
NL	168 117	429	49	6.4	852 303	2.7	1	3
PL	95 647	325	9	1.2	70 875	0.2	3	91
PT	29 808	207	10	1.3	477 711	1.5		
RO	21 633	141	10	1.3	274 783	0.9		
SK	28 728	136	23	3	1 133 682	3.6		
SI	404 032	959	3	0.4	2 153	0		
SE	19 358	350	2	0.3	30 698	0.1		
UK	547 718	2 042	74	9.6	4 240 514	13.3	3	53
<b>Total EU</b>	<b>5 397 935</b>	<b>28 131</b>	<b>767</b>	<b>100</b>	<b>31 894 245</b>	<b>100</b>	<b>32</b>	<b>1 431</b>

Out of the 32 recoveries qualified as ‘irregularity reported as fraudulent’, more than two recoveries were issued to beneficiaries residing in the following Member States: Spain (5 recoveries), Italy (4 recoveries), Belgium, Germany, France, Poland and the United Kingdom (3 recoveries each). The highest aggregate amounts involved in irregularities of a fraudulent nature were recorded for beneficiaries residing in Italy, Cyprus, France and Spain.

Substantially higher irregular recovery amounts can be found in relation to qualifications ‘irregularity not reported as fraudulent’. The highest aggregate recovery amounts in the latter category concern beneficiaries registered in Italy, Spain, the United Kingdom, and Greece. Although the aggregate recovery amounts are above EUR 4 million each, they are related to numerous (in total 313) recovery orders.

### 7.2.3. Method of detection

For each recovery order, the Commission service that issues the order has to indicate how the irregularity has been detected. Six different categories have been pre-defined, two of which fall under the direct responsibility of the European Commission: On-the-spot checks and the verification of documents by desk officers and financial officers responsible for the implementation of the commitment. Table

DE5 gives a breakdown of the recoveries by method of detection and by qualification.

Table DE 5: Recoveries (number and amounts) by method of detection and by qualification, 2011.

Method of detection	Irregularities							
	not reported as fraudulent				reported as fraudulent			
	N	%	EUR x 1000	%	N	%	EUR x 1000	%
Control by national authorities	2	0.2	825	1.7				
Community control / Check on the spot	542	61.0	17 855	35.8	7	20.6	648	42.9
Community control / Desk check documents	161	18.1	8 625	17.3	1	2.9	76	5.0
OLAF					16	47.1	590	39.0
European Court of Auditors	4	0.5	68	0.1	1	2.9	1	0.1
Independent control (supervising engineers, auditors, ..)	161	18.1	22 034	44.2	4	11.8	57	3.8
Other	18	2.0	463	0.9	5	14.7	139	9.2
<b>Total</b>	<b>888</b>	<b>100</b>	<b>49 869</b>	<b>100</b>	<b>34</b>	<b>100</b>	<b>1 510</b>	<b>100</b>

Almost half of the ‘irregularities reported as fraudulent’ was detected by OLAF: the 16 recoveries account for 47.1% of the number and 39.0% of the recovery amounts. Secondly, ‘Community controls’ proved to be the other efficient tool to discover irregularities. This means that in 2011, 70.6% of the number of irregularities that proved to be fraudulent and 87.0% of the related amounts were detected by ‘OLAF’ and ‘Community controls’.

The picture is slightly different in case of ‘irregularities not reported as fraudulent’. Though in this category too, it is by means of ‘Community controls’ that most of the irregularities were found. In the second place, it was ‘Independent control’ that discovered the second highest number of irregularities with equally the second highest aggregate recovery amounts.

#### 7.2.4. Types of error

The Commission services also have to indicate the type of error that was detected when the recovery order was issued. The number of categories is relatively higher compared to e.g. the method of detection, and the interpretation of these findings must be done with care as several types of error may be attributed to one recovery. Consequently, Table DE6 presents the number of occurrences and the related aggregate amounts a type of error appeared when analysing the 34 recoveries that were qualified as irregular and reported as fraudulent. This means that the figures presented below are by no means equal to the number of actual recoveries and related amounts recorded in 2011.

Table DE 6: Occurrence of types of error - qualification: irregularity reported as fraudulent (number of occurrences and aggregate amounts), 2011

Type of error	Irregularities reported as fraudulent			
	Occurrence		Financial weight	
	N	%	EUR x 1000	%
Action not in accordance with the rules	1	1.8	60	1.9
Calculation error	7	12.5	691	22.3
Deadline not respected	1	1.8	53	1.7
Expenditure declared not related to the action	5	8.9	612	19.7
Expenditure not covered by legal base	3	5.4	69	2.2
Falsified documents	16	28.6	573	18.5
Inappropriate accumulation of aid	7	12.5	163	5.2
Incomplete Documents	2	3.6	84	2.7
Incorrect rates used in calculating the claim	2	3.6	20	0.6
Missing Documents	10	17.9	714	23.0
Public procurement procedures not respected	1	1.8	60	1.9
Recoverable VAT, interest received not correctly reflected	1	1.8	1	0.0

For one-quarter of the recoveries qualified as irregularity of a fraudulent nature, more than one type of error was indicated. The above table, therefore points out how frequently a type of error occurred and how much aggregate financial weight can be attributed to each of it.

The most frequently registered type of error is 'Falsified documents' followed by 'Missing documents'. Thirdly, 'Inappropriate accumulation of aid' appears also to be often marked as error regarding an irregularity. These three types of error are registered for 58.9% of the occurrences and 46.8% of the aggregate recovery amounts related to them.

Turning to other irregularities (not reported as fraudulent) another pattern can be depicted. The type 'Action not in accordance with the rules' occurs the most frequently, then secondly the type 'Expenditure not covered by legal base' and thirdly 'Public procurement procedures not respected'. These types of error are signalled in 56.2% of the occurrences to which 70.1% of financial weight is linked. Further high occurrence can be found in relation to the following errors: 'Incorrect rates used in calculating the claim', 'Missing documents' and 'Calculation error'.

#### 7.2.5. Time delay

For the recovery orders issued in 2011, which were qualified as the 'irregularity reported as fraudulent', the average delay between the occurrence of the irregularity and its detection is 4 years and 3 months. However, one-third of the cases were detected and reported shortly after the irregularity was perpetrated. The method of

detection, the type of irregularity or the recovery amount does not seem to affect the time delay.

### 7.3. Recovery

This paragraph describes the payments made to the Commission further to the issuing of the recovery orders. Once a recovery order is issued, the beneficiary has to pay back the undue payment or the amount is offset from remaining payments.

Table DE 7: Recoveries in 2011 (number and amount) by payment status and qualification.

Classification	Recovered (cashd)		To recover (open)	
	N	EUR x 1000	N	EUR x 1000
Irregularity <i>not</i> reported as fraudulent	656	32 102	232	17 767
Irregularity reported as fraudulent	26	752	8	758
<b>Total</b>	<b>682</b>	<b>32 855</b>	<b>240</b>	<b>18 524</b>

The recovery rate for recoveries qualified as ‘irregularity reported as fraudulent’ is 49.8%; meanwhile the rate for other irregularities is higher: 64.4%. So far, 63.9% of the accepted recovery amounts are cashed.

### 7.4. Conclusions

The above analysis is based on the irregularities detected in the expenditure managed by the Commission on a centralised direct basis, as registered in the recovery context of the Commission's financial system ABAC. However, the recovery context has only started functioning in 2008.

It has to be also taken into consideration that for the analysis of recoveries registered in year 2011, a revised methodology<sup>76</sup> has been applied.

Due to the fact, that year after year the number of recovery orders issued change as well as the associated recovery amounts, any comparison with previous year's results can only be done with due care.

Table DE8 gives, therefore, only an indicative picture by placing this year's rates in parallel with those of preceding years.

Table DE 8: Summary table for 2011 – Fraud rates

INDICATOR	2011	2010	2009	2008
	%	%	%	%
<b>Fraud Rate (FrR)</b>	0.02	0.02	0.01	0.02
<b>Fraud frequency level (FFL)</b>	3.69	2.06	2.13	2.04
<b>Fraud amounts level (FAL)</b>	2.94	8.44	5.39	9.31
<b>Irregularity Rate (IrR)</b>	0.78	0.27	0.17	0.17

<sup>76</sup> See Working document on Methodology regarding the Statistical Evaluation of Irregularities

- (1) It is only a tiny part of the Commission expenditures that is concerned by irregularities. The recovery orders issued in 2011 qualified as irregularities relate to 0.8% of the overall amounts paid by the Commission. The recovery orders classified as 'irregularities reported as fraudulent' are even lower and affect 0.02% of those payments. The aggregated amount of the recovery orders issued in 2011 that proved to be irregular represents 0.6% of the commitments (in relation to which irregularity was detected) made by the Commission for internal policies and 1.1% for external actions.
- (2) 34 recovery orders were found to be irregular and of a fraudulent nature, which is higher than last year's figure. However their financial impact this year is smaller than in 2010. On the other hand, the number of other irregularities decreased compared to the previous years by a bit more than 10%, though the financial impact of them has risen by EUR 10 million.
- (3) Most of the irregularities reported as fraudulent are linked to commitments made in the area of 'external actions'. The sum of recovery amounts in that area is EUR 1.2 million. In the 'internal policy' area, the budget heading 'Information society and media' stands out with the highest figures both in terms of number and amount. 'Research' comes to the second place.
- (4) In the perspective of the geographical distribution of irregularities (reported as fraudulent or not), almost all the recoveries concerns beneficiaries residing in the European Union. Though, similarly the number and value of contracts (commitments) are also the highest for the EU in the direct expenditure area.
- (5) Half of the 'irregularities reported as fraudulent' was detected by OLAF. Furthermore, in line with the previous years, the most frequent method of detection remains 'Community controls' regarding both categories of irregularities (reported as fraudulent and other irregularities).
- (6) In relation to irregularities for which fraudulent nature is reported, the most frequently registered type of error is 'falsified documents' followed by 'missing documents' and by 'inappropriate accumulation of aid'. Whereas, other irregularities follow a different pattern: here, the type 'Action not in accordance with the rules' occurs most frequently, followed by type 'Expenditure not covered by legal base' and thirdly by 'Public procurement procedures not respected'.
- (7) For the recovery orders issued in 2011 and qualified as fraudulent, the average delay between the irregularity and its detection is 4 years and 3 months.
- (8) The recovery rate for recoveries qualified as 'irregularity reported as fraudulent' is 49.8%; meanwhile the rate for other irregularities is higher: 64.4%. So far, the Commission has already recovered or offset 63.9% of the total recovery amounts related to recovery orders (qualified as irregular) issued in 2011.

**ANNEXES**

**ANNEX 1 – SUMMARY OF FINANCING OF THE GENERAL BUDGET BY CLASS OF OWN RESOURCE AND BY MEMBER STATE, IN MILLION EUR**

	VAT own resource	GNI own resource	UK correction	Reduction in GNI for NL and SE	Total 'national contributions'
BE	447.1	2 726.5	145.4	23.9	3 342.9
BG	50.0	262.4	14.0	2.3	328.7
CZ	198.4	1 054.3	56.2	9.3	1 318.1
DK	288.0	1 844.9	98.4	16.2	2 247.6
DE	1 617.9	19 221.1	182.2	168.7	21 189.9
EE	20.2	103.7	5.5	0.9	130.4
IE	199.4	1 002.3	53.5	8.8	1 264.0
EL	320.6	1 753.5	93.5	15.4	2 183.1
ES	1 194.1	7 938.4	423.5	69.7	9 625.7
FR	2 687.3	15 429.7	823.1	135.4	19 075.6
IT	1 865.2	11 912.3	635.5	104.6	14 517.6
CY	26.1	131.1	7.0	1.2	165.3
LV	20.3	129.0	6.9	1.1	157.2
LT	40.9	205.4	11.0	1.8	259.0
LU	43.8	220.2	11.7	1.9	277.6
HU	130.7	745.8	39.8	6.5	922.9
MT	8.7	43.5	2.3	0.4	54.9
NL	297.2	4 548.6	43.1	-625.1	4 263.7
AT	292.6	2 173.0	20.6	19.1	2 505.3
PL	552.5	2 776.5	148.1	24.4	3 501.5
PT	245.0	1 231.3	65.7	10.8	1 552.8
RO	145.3	965.1	51.5	8.5	1 170.3
SL	53.4	268.4	14.3	2.4	338.5
SK	79.8	518.7	27.7	4.6	630.7
FI	241.2	1 380.2	73.6	12.1	1 707.2
SE	153.8	2 642.6	25.0	-141.7	2 679.8
UK	2 567.4	13 313.3	-3 079.2	116.9	12 918.3
<b>EU-27</b>	<b>13 786.8</b>	<b>94 541.9</b>	<b>0.0</b>	<b>0.0</b>	<b>108 328.7</b>
				Sugar levies(*)	123.4
				Customs duties(*)	16 653.7
				Other revenue	1 421.4
				<b>Total revenue</b>	<b>126 527.2</b>



## ANNEX 2 - EVOLUTION OF BUDGET PAYMENT APPROPRIATIONS BY HEADING IN 2011 (IN MILLION EUR)

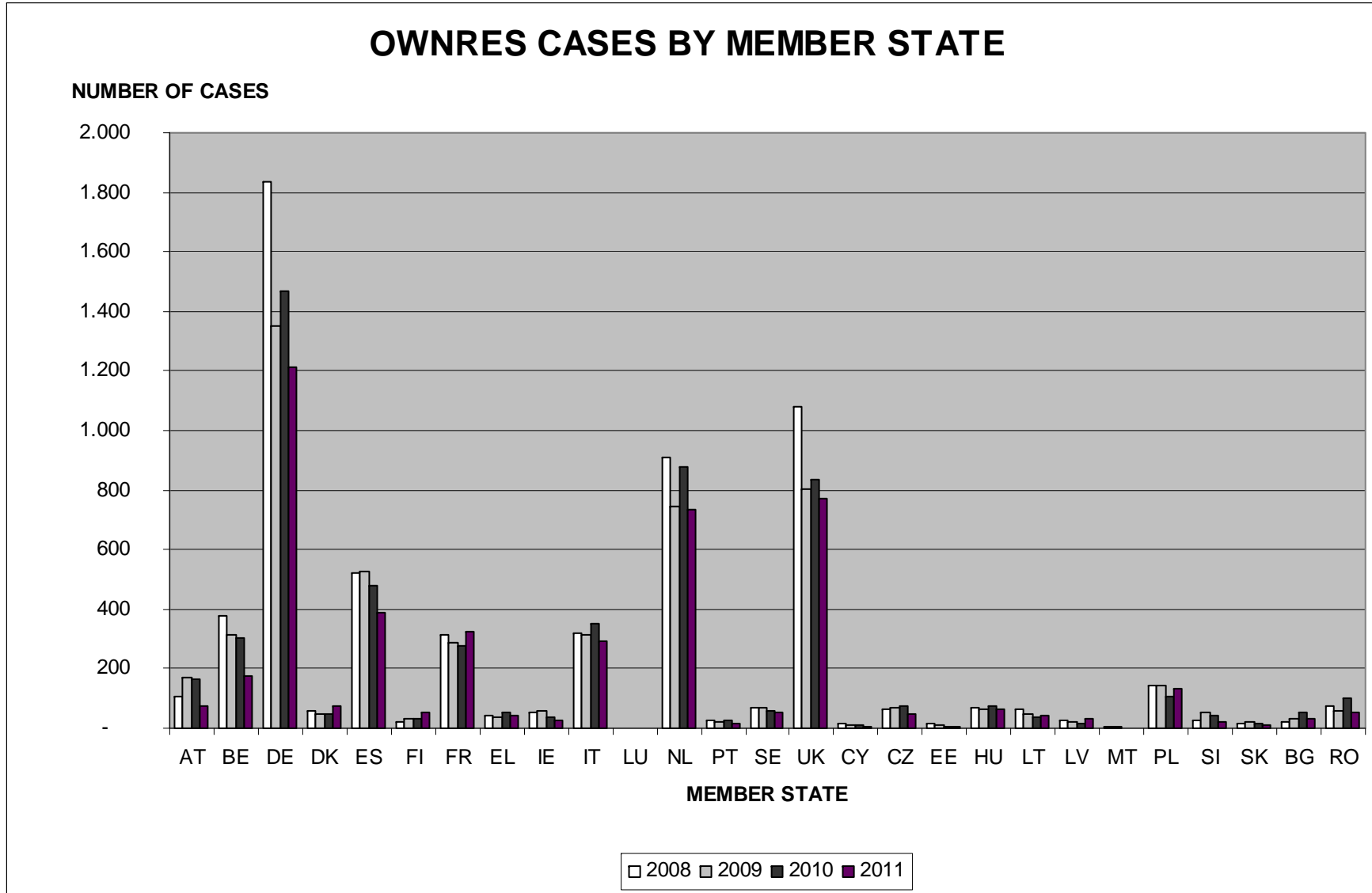
Heading	Billion €		% of total budget	% change from 2010	
	CA	PA		CA	PA
<b>1. Sustainable Growth</b>	<b>64.5</b>	<b>53.3</b>	<b>45.5</b>	<b>+0.4</b>	<b>+11.7</b>
1a. Competitiveness for growth and employment	13.5	11.6	9.5	-9.0	+2.5
1b. Cohesion for growth and employment	51.0	41.7	36.0	+3.2	+14.5
<b>2. Preservation and management of natural resources</b>	<b>58.7</b>	<b>56.4</b>	<b>41.3</b>	<b>-1.4</b>	<b>-3.0</b>
<i>of which Direct aids &amp; market related expenditure</i>	42.9	42.8	30.2	-2.1	-2.1
<i>of which Rural development, environment &amp; fisheries</i>	15.7	13.5	11.1	+0.7	-5.6
<b>3. Citizenship, freedom, security and justice</b>	<b>1.8</b>	<b>1.5</b>	<b>1.3</b>	<b>+8.0</b>	<b>+3.4</b>
3a. Freedom, security and justice	1.1	0.8	0.8	+13.2	+10.1
3b. Citizenship	0.7	0.6	0.5	+0.3	-3.9
<b>4. EU as a global player</b>	<b>8.8</b>	<b>7.2</b>	<b>6.2</b>	<b>+7.5</b>	<b>-7.1</b>
<b>5. Administration</b>	<b>8.2</b>	<b>8.2</b>	<b>5.7</b>	<b>+3.4</b>	<b>+3.3</b>
<i>of which for the Commission</i>	3.3	3.3	2.3	-8.2	-8.3
<b>Total</b>	<b>141.9</b>	<b>126.5</b>	<b>100</b>		
In % of EU-27 GNI	1.13	1.01			

- The EU budget foresees a **14.5% increase in payment appropriations** for measures aimed at boosting economic growth (€41.7 billion, heading 1b – Cohesion for growth and employment) as well as a **10.1% increase in the area of Freedom, security and justice** (€813 million, heading 3a). The increase in the level of payments for Cohesion is mainly due to the fact that many projects in regions across Europe are reaching cruising speed and that the Commission will have more bills to pay since it co-finances these programmes.
- On the other hand, **other parts of the budget are reduced compared to 2010**: agriculture and the environment (€56.4 billion, heading 2 – Preservation and management of natural resources) would decrease by 3%; **citizenship** (€646,0 million, heading 3b) would see a drop of 3.9% and EU as a global player (€7,2 billion, heading 4) would be reduced by 7.1%.
- **Heading 5 of the budget (administration) remains at less than 6% of the total budget.**

**ANNEX 3 – NUMBER OF CASES OWNRES AND AMOUNTS – PERIOD 2008-2011 PER MEMBER STATE**

Member State	2008		2009		2010		2011		Change cases	Change amount
	N	EUR	N	EUR	N	EUR	N	EUR	2010-2011 %	2010-2011 %
AT	104	15 787 167	168	21 628 952	166	10 366 559	77	3 446 807	-53.61%	-66.75%
BE	378	12 825 558	313	7 598 212	301	23 813 009	177	5 719 743	-41.20%	-75.98%
DE	1 833	102 551 896	1 353	91 010 855	1 470	92 642 316	1 212	77 083 981	-17.55%	-16.79%
DK	59	4 379 957	48	9 345 382	50	24 092 179	76	3 727 476	52.00%	-84.53%
ES	521	28 182 292	527	30 419 837	478	92 891 108	389	41 269 145	-18.62%	-55.57%
FI	21	1 035 615	30	1 710 974	32	1 419 298	55	4 033 254	71.88%	184.17%
FR	316	15 420 696	287	19 481 112	275	25 079 520	323	22 703 295	17.45%	-9.47%
EL	42	2 117 139	35	2 104 052	51	3 147 264	45	3 703 561	-11.76%	17.68%
IE	54	1 908 762	56	3 646 353	37	1 873 490	28	740 017	-24.32%	-60.50%
IT	321	32 537 871	315	38 882 718	351	45 737 800	290	30 597 377	-17.38%	-33.10%
LU	1	109 902	0	0	0	0	0	0	0.00%	0.00%
NL	910	44 981 541	746	30 564 915	878	38 103 850	734	30 777 719	-16.40%	-19.23%
PT	29	1 901 045	23	91 002	29	923 479	18	77 156	-37.93%	-16.45%
SE	71	6 056 584	67	5 426 160	57	4 905 268	53	9 503 289	-7.02%	93.74%
UK	1 079	78 359 620	805	59 109 586	835	35 455 516	771	44 581 323	-7.66%	25.74%
<b>EU-15 TOTAL</b>	<b>5 739</b>	<b>348 155 645</b>	<b>4 773</b>	<b>321 839 128</b>	<b>501</b>	<b>400 450 656</b>	<b>4 248</b>	<b>278 658 547</b>	<b>-15.21%</b>	<b>-30.41%</b>
CY	14	781 475	11	718 211	11	521 143	4	171 891	-63.64%	-67.02%
CZ	65	4 923 906	69	4 250 860	72	9 511 667	49	2 924 041	-31.94%	-69.26%
EE	17	700 606	11	235 755	5	161 236	3	122 937	-40.00%	-23.75%
HU	71	5 867 227	66	5 648 511	73	8 207 134	66	2 429 711	-9.59%	-70.40%
LT	64	1 473 369	47	1 803 573	39	2 020 355	45	16 435 450	15.38%	713.49%
LV	25	943 213	19	1 007 289	18	1 510 864	34	1 073 324	88.89%	-28.96%
MT	3	279 533	7	1 762 703	2	495 717	1	75 168	-50.00%	-84.84%
PL	141	5 207 117	144	4 926 998	104	3 015 263	132	8 419 096	26.92%	179.22%
SI	26	883 519	51	2 581 068	44	1 298 472	21	1 281 529	-52.27%	-1.30%
SK	17	411 378	22	1 955 201	14	1 121 908	10	351 877	-28.57%	-68.64%
<b>EU-10 TOTAL</b>	<b>443</b>	<b>21 471 343</b>	<b>447</b>	<b>24 890 169</b>	<b>382</b>	<b>27 863 759</b>	<b>365</b>	<b>33 285 024</b>	<b>-4.45%</b>	<b>19.46%</b>
BG	19	38 084	34	955 592	51	617 099	30	288 537	-41.18%	-53.24%
RO	75	6 996 469	59	8 270 855	101	9 579 145	53	8 461 893	-47.52%	-11.66%
<b>EU-2 TOTAL</b>	<b>94</b>	<b>7 377 309</b>	<b>93</b>	<b>9 226 447</b>	<b>152</b>	<b>10 196 244</b>	<b>83</b>	<b>8 750 430</b>	<b>-45.39%</b>	<b>-14.18%</b>
<b>EU-27 TOTAL</b>	<b>6 276</b>	<b>377 004 297</b>	<b>5 313</b>	<b>355 955 744</b>	<b>5 544</b>	<b>438 510 659</b>	<b>4 696</b>	<b>320 694 001</b>	<b>-15.30%</b>	<b>-26.87%</b>

ANNEX 4 – OWNRES CASES PER MEMBER STATE



## ANNEX 5 – IMPACT ON CUSTOM PROCEDURE FREE CIRCULATION

YEAR	CASES	IMPACT CASES ON TOTAL	AMOUNTS ESTABLISHED	IMPACT AMOUNTS ESTABLISHED ON TOTAL
	N	%	EUR	%
<b>2007</b>	4 252	66.19%	338 949 229	83.97%
<b>2008</b>	4 330	68.99%	313 230 562	83.08%
<b>2009</b>	3 964	74.61%	300 859 224	84.52%
<b>2010</b>	3 921	70.73%	350 444 431	79.92%
<b>2011</b>	3 508	74.70%	255 386 878	79.64%

## ANNEX 6 – TOP 10 CHAPTER HEADINGS

2009				2010				2011			
CN	PRODUCT	AMOUNT	CASES	CN	PRODUCT	AMOUNT	CASES	CN	PRODUCT	AMOUNT	CASES
		EUR	N			EUR	N			EUR	N
85	TVs and parts etc.	79.509.563	822	85	TVs and parts etc.	83.771.261	825	85	TVs and parts etc.	54.023.552	625
61	Clothing	32.711.865	294	84	Machines	39.525.166	376	24	Tobacco / cigarettes	27.700.623	315
24	Tobacco / cigarettes	25.008.622	395	17	Sugar	34.847.045	48	73	Articles of iron and steel	19.707.674	273
87	(Parts of) cars / motors	22.607.144	296	87	(Parts of) cars / motors	21.524.757	375	87	(Parts of) cars / motors	17.864.814	295
62	Clothing	16.811.076	352	16	Food	20.172.049	58	84	Machines	17.498.626	289
84	Machines	15.949.662	378	8	Vegetables	18.595.585	64	61	Clothing	16.957.517	219
64	Footwear	14.859.503	208	64	Footwear	18.290.159	240	64	Footwear	15.202.797	187
73	Articles of iron and steel	14.619.185	258	24	Tobacco / cigarettes	17.689.908	378	62	Clothing	15.058.098	366
29	Organic chemicals	13.636.576	174	61	Clothing	15.998.067	290	39	Plastic	10.478.569	259
16	Food	11.617.137	79	73	Articles of iron and steel	14.142.059	199	15	Oil	10.323.857	48

**ANNEX 7 – GOOD AFFECTED BY FRAUD AND IRREGULARITY – PERIOD 2009-2011**

2009			2010			2011		
TARIFF CODES	CASES	AMOUNTS	TARIFF CODES	CASES	AMOUNTS	TARIFF CODES	CASES	AMOUNTS
	N	EUR		N	EUR		N	EUR
24022090	319	21 421 811	85219000	116	28 490 970	24031090	6	14 981 205
85219000	100	19 571 667	17019910	12	28 324 123	24022090	224	9 540 170
85393190	47	14 443 910	84148022	56	23 423 061	85365019	6	6 779 299
16041416	28	9 677 039	8030019	33	18 032 400	94054039	93	6 005 080
61046300	1	9 500 000	16041416	9	13 693 520	15132110	1	5 807 520
7032000	79	8 748 032	24022090	285	11 846 402	2071410	18	5 726 035
61091000	51	8 657 549	85393190	51	9 712 114	85219000	62	5 665 566
87032410	20	8 558 340	85287119	89	9 564 445	85078030	3	5 367 741
38249091	3	5 989 211	85285990	56	8 730 046	85269120	14	5 139 397
85365080	4	5 427 349	20091199	4	8 003 403	21069098	31	5 121 656
85285990	65	4 294 857	18061090	13	7 627 746	87032410	16	4 919 771
85287119	41	4 204 038	21069098	28	7 207 185	7032000	40	4 792 896
29310095	3	3 962 877	32159080	11	6 491 852	85234059	3	4 648 836
4021019	4	3 914 753	87120030	97	5 278 410	85287119	46	4 578 921
84279000	39	3 610 700	85258019	17	5 063 458	28362000	1	4 142 980
55032000	18	3 591 001	17019100	10	4 747 327	87120030	56	3 699 122
87032319	16	3 544 464	7032000	119	3 850 592	22071000	3	3 578 475
64041990	19	3 450 601	16041469	1	3 702 308	64041990	21	3 468 990
87120030	37	3 406 831	64029996	6	3 656 003	39232100	56	3 452 557
29371200	1	3 356 160	64039113	11	3 379 830	73121081	32	3 089 575
63022100	10	2 968 779	2071410	20	3 067 586	61091000	38	2 969 264
61159399	2	2 860 760	32041100	11	2 932 986	84148022	23	2 754 279
39232100	79	2 568 510	39053000	1	2 769 147	84099100	5	2 455 787
8030019	5	2 495 501	85299092	33	2 636 807	17029095	2	2 426 886
85299092	32	2 219 806	61091000	57	2 611 972	15119090	1	2 330 073

## ANNEX 8 – FRAUD AND IRREGULARITIES: BREAKDOWN BY ORIGIN OF GOODS

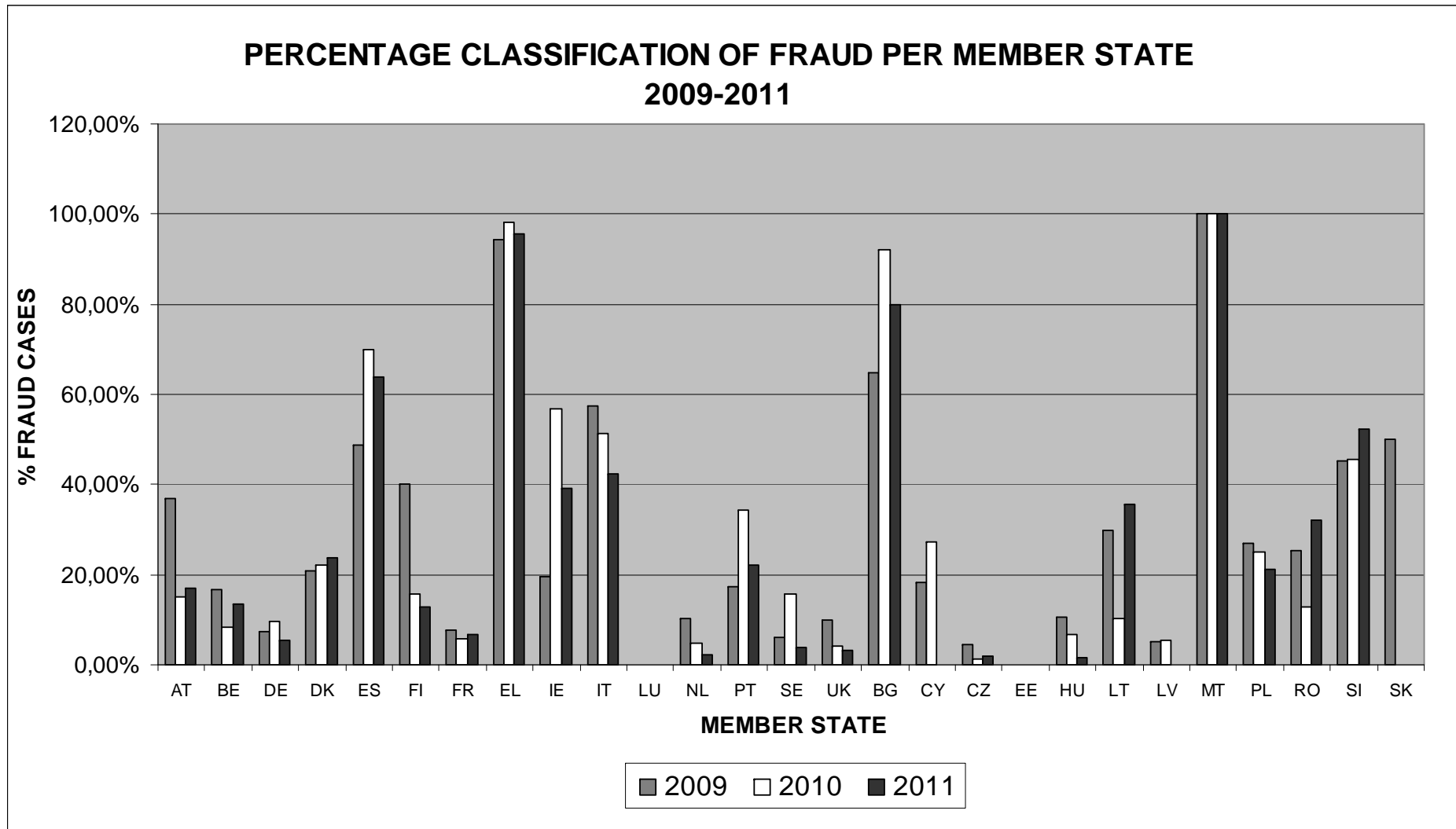
2009			2010			2011		
COUNTRY	AMOUNTS	CASES	COUNTRY	AMOUNTS	CASES	COUNTRY	AMOUNTS	CASES
	EUR	N		EUR	N		EUR	N
China	150 377 763	1 976	China	169 650 163	2 107	China	123 618 181	1 719
United States of America	36 739 337	559	United States of America	42 123 902	627	United States of America	41 032 825	521
Japan	18 490 151	226	Spain	27 607 308	6	Not known	16 384 332	595
Hong Kong	17 050 453	81	Brazil	23 521 043	88	Zimbabwe	14 825 002	1
Not known	16 025 219	551	Ecuador	17 165 777	29	Brazil	13 682 958	92
Bangladesh	10 612 396	132	Ceuta	15 143 431	40	Japan	9 791 472	128
Argentina	9 727 022	39	Not known	14 010 239	598	Indonesia	9 351 590	18
Seychelles and dependencies	8 255 834	2	El Salvador	11 316 546	14	Taiwan	7 755 008	76
Vietnam	7 761 012	46	South Korea	9 754 225	126	Malaysia	7 273 100	163
South Korea	7 257 446	96	Japan	9 076 895	177	United Arab Emirates	5 384 463	23

**ANNEX 9 – SEIZED AND CONFISCATED GOODS (cigarette CN 2402 2090)**

MEMBER STATES	2009		2010		2011	
	CASES	ESTIMATED OR ESTABLISHED AMOUNT OF TOR	CASES	ESTIMATED OR ESTABLISHED AMOUNT OF TOR	CASES	ESTIMATED OR ESTABLISHED AMOUNT OF TOR
	N	EUR	N	EUR	N	EUR
AT	1	20 227	1	80 841	0	0
BE	5	548 111	4	200 828	1	40 034
DE	4	74 421	1	257 634	0	0
DK	0	0	0	0	0	0
ES	0	0	0	0	0	0
FI	4	88 151	1	63 244	1	1 753 466
FR	20	989 920	14	1 183 412	8	597 965
EL	11	2 007 421	16	2 693 790	23	10 589 247
IE	11	6 822 040	21	5 642 987	11	2 175 514
IT	16	2 426 867	23	4 287 095	27	5 125 752
LU	0	0	0	0	0	0
NL	0	0	21	1 577 170	11	754 557
PT	0	0	2	61 062	0	0
SE	3	80 105	5	611 337	1	14 639
UK	82	5 846 358	32	1 563 384	26	3 040 172
<b>EU-15</b>	<b>157</b>	<b>18 903 621</b>	<b>141</b>	<b>18 222 784</b>	<b>109</b>	<b>24 091 346</b>
BG	0	0	18	1 642 061	1	16 384
CY	0	0	0	0	0	0
CZ	0	0	0	0	0	0
EE	0	0	0	0	0	0
HU	4	420 216	1	138 743	5	160 369
LT	2	115 057	9	364 612	2	99 484
LV	9	490 369	11	744 757	4	239 256
MT	1	60 912	0	0	0	0
PL	31	863 505	23	1 074 817	21	665 111
RO	11	4 807 384	8	2 673 233	0	0
SI	2	96 818	1	96 297	1	133 401
SK	0	0	0	0	2	568 390
<b>EU-12</b>	<b>60</b>	<b>6 854 261</b>	<b>71</b>	<b>6 734 520</b>	<b>36</b>	<b>1 882 395</b>
<b>EU-27</b>	<b>217</b>	<b>25 757 882</b>	<b>212</b>	<b>24 957 304</b>	<b>145</b>	<b>25 973 741</b>



ANNEX 10 – PERCENTAGE CLASSIFICATION OF FRAUD PER MEMBER STATE 2009-2011



**ANNEX 11 – AMOUNTS INVOLVED IN FRAUD PER MEMBER STATE PERIOD 2009-2011**

MEMBER STATE	2 009			2 010			2 011		
	CASES	FRAUD CASES	FRAUD AMOUNTS	CASES	FRAUD CASES	FRAUD AMOUNTS	CASES	FRAUD CASES	FRAUD AMOUNTS
	N	N	EUR	N	N	EUR	N	N	EUR
AT	168	62	13 744 595	166	25	4 976 303	77	13	940 829
BE	313	52	2 891 264	301	25	6 920 716	177	24	3 015 774
DE	1 353	102	18 867 080	147	140	13 808 113	1 212	68	6 826 486
DK	48	10	2 895 392	50	11	20 134 101	76	18	1 676 801
ES	527	257	19 678 495	478	334	84 181 199	389	248	36 147 025
FI	30	12	441 108	32	5	183 111	55	7	1 921 645
FR	287	22	1 026 102	275	16	1 225 476	323	22	1 517 410
EL	35	33	3 993 028	51	50	5 704 488	45	43	14 711 032
IE	56	11	6 822 040	37	21	5 642 987	28	11	2 175 514
IT	315	181	31 899 859	351	180	28 006 185	290	123	16 221 117
LU	0	0	0	0	0	0	0	0	0
NL	746	76	9 864 890	878	43	3 192 474	734	16	863 864
PT	23	4	442 458	29	10	1 419 134	18	4	345 964
SE	67	4	131 829	57	9	1 176 998	53	2	28 014
UK	805	80	6 001 044	835	34	1 674 684	771	25	2 808 709
<b>EU-15</b>	<b>4 773</b>	<b>906</b>	<b>118 699 184</b>	<b>501</b>	<b>903</b>	<b>178 245 969</b>	<b>4 248</b>	<b>624</b>	<b>89 200 184</b>
BG	34	22	901 678	51	47	2 927 396	30	24	1 139 831
CY	11	2	237 313	11	3	183 816	4	0	0
CZ	69	3	756 737	72	1	13 042	49	1	38 622
EE	11	0	0	5	0	0	3	0	0
HU	66	7	997 947	73	5	229 308	66	1	52 089
LT	47	14	533 257	39	4	214 829	45	16	15 448 318
LV	19	1	170 476	18	1	143 611	34	0	0
MT	7	7	1 762 703	2	2	495 717	1	1	75 168
PL	144	39	966 619	104	26	1 148 572	132	28	716 414
RO	59	15	6 324 670	101	13	3 327 675	53	17	1 715 784
SI	51	23	1 201 407	44	20	563 520	21	11	1 000 073
SK	22	11	1 278 880	14	0	0	10	0	0
<b>EU-12</b>	<b>540</b>	<b>144</b>	<b>15 131 687</b>	<b>534</b>	<b>122</b>	<b>9 247 486</b>	<b>448</b>	<b>99</b>	<b>20 186 299</b>
<b>EU-27</b>	<b>5 313</b>	<b>105</b>	<b>133 830 871</b>	<b>5 544</b>	<b>1 025</b>	<b>187 493 455</b>	<b>4 696</b>	<b>723</b>	<b>109 386 483</b>

ANNEX 12 - METHODS OF DETECTION OF OWNRES CASES – YEAR 2011

Member State	Recovery Rate	Primary inspections	Ex-post controls	Voluntary admission
	%	%	%	%
AT	34.20%	3.50%	86.84%	9.66%
BE	34.80%	10.89%	89.11%	0.00%
DE	80.50%	5.71%	80.52%	13.77%
DK	81.25%	16.34%	83.66%	0.00%
ES	25.62%	28.55%	64.43%	7.02%
FI	48.59%	78.77%	19.38%	1.85%
FR	54.13%	13.08%	86.60%	0.32%
EL	2.48%	0.70%	99.30%	0.00%
IE	79.86%	0.00%	100.00%	0.00%
IT	8.49%	48.13%	50.59%	1.28%
LU	0.00%	0.00%	0.00%	0.00%
NL	44.87%	7.25%	92.75%	0.00%
PT	55.47%	2.32%	92.23%	5.45%
SE	46.40%	0.00%	100.00%	0.00%
UK	71.85%	5.86%	93.05%	1.10%
CY	33.20%	48.44%	40.71%	10.85%
CZ	69.32%	0.50%	78.42%	21.08%
EE	100.00%	12.19%	87.81%	0.00%
HU	74.50%	14.35%	85.65%	0.00%
LT	3.85%	2.76%	97.24%	0.00%
LV	20.36%	31.81%	68.19%	0.00%
MT	0.00%	0.00%	100.00%	0.00%
PL	78.65%	8.33%	91.67%	0.00%
SI	47.75%	1.23%	98.77%	0.00%
SK	89.74%	36.61%	58.91%	4.48%
BG	18.52%	59.34%	40.66%	0.00%
RO	73.95%	0.58%	99.42%	0.00%
<b>EU-27</b>	<b>51.69%</b>	<b>14.23%</b>	<b>80.92%</b>	<b>4.85%</b>

**ANNEX 13 – CUSTOMS PROCEDURES AFFECTED TO FRAUD AND  
IRREGULARITY IN 2011 – BASED ON ESTABLISHED AMOUNTS**

MS	%				
	Free circulation	Transit	Customs warehousing	Inward processing	Other
AT	79,99%	3,07%	4,27%	11,14%	1,52%
BE	31,75%	27,78%	37,97%	0,00%	2,50%
DE	89,45%	1,44%	4,35%	2,94%	1,83%
DK	91,55%	3,79%	0,00%	4,36%	0,29%
ES	97,43%	0,10%	1,32%	0,73%	0,42%
FI	45,12%	0,51%	54,37%	0,00%	0,00%
FR	96,08%	0,37%	1,00%	1,57%	0,98%
EL	41,08%	3,21%	0,00%	0,00%	55,71%
IE	97,27%	0,00%	0,00%	2,73%	0,00%
IT	99,72%	0,00%	0,06%	0,17%	0,05%
LU	0,00%	0,00%	0,00%	0,00%	0,00%
NL	80,55%	5,69%	12,31%	0,23%	1,22%
PT	89,19%	0,00%	10,81%	0,00%	0,00%
SE	55,04%	0,00%	0,00%	43,73%	1,23%
UK	74,12%	1,00%	10,15%	14,56%	0,17%
CY	100,00%	0,00%	0,00%	0,00%	0,00%
CZ	100,00%	0,00%	0,00%	0,00%	0,00%
EE	100,00%	0,00%	0,00%	0,00%	0,00%
HU	95,18%	3,43%	0,00%	0,00%	1,38%
LT	3,48%	92,92%	0,00%	1,48%	2,12%
LV	79,77%	20,23%	0,00%	0,00%	0,00%
MT	0,00%	0,00%	0,00%	0,00%	100,00%
PL	93,96%	5,50%	0,00%	0,00%	0,54%
SI	53,96%	35,63%	0,00%	0,00%	10,41%
SK	100,00%	0,00%	0,00%	0,00%	0,00%
BG	86,62%	13,38%	0,00%	0,00%	0,00%
RO	22,92%	0,00%	7,87%	0,00%	69,21%
<b>EU-27</b>	<b>79,64%</b>	<b>6,84%</b>	<b>5,53%</b>	<b>4,52%</b>	<b>3,48%</b>

## ANNEX 14

<b>Percentage of established and estimated OWNRES amounts to the collected and made available TOR (gross)<sup>1)</sup> in 2011 per Member State</b>			
<b>MS</b>	<b>Gross amount TOR, €</b>	<b>OWNRES established and estimated amounts, €</b>	<b>Percentage OWNRES/gross TOR, %</b>
AT	252 658 381	3 524 418	1,39%
BE	2 108 066 159	17 076 923	0,81%
DE	4 607 996 322	77 996 970	1,69%
DK	436 737 242	4 001 840	0,92%
ES	1 560 215 110	44 908 023	2,88%
FI	203 169 586	4 033 254	1,99%
FR	2 088 448 019	24 152 204	1,16%
EL	188 022 470	14 736 888	7,84%
IE	266 335 464	2 915 531	1,09%
IT	2 322 320 556	36 683 302	1,58%
LU	19 056 019	-	0,00%
NL	2 580 869 779	52 001 575	2,01%
PT	179 963 992	960120	0,53%
SE	622 692 176	9 517 928	1,53%
UK	3 402 431 468	51 731 579	1,52%
<b>EU-15</b>	<b>20 838 982 742</b>	<b>344 240 555</b>	<b>1,65%</b>
BG	65 510 956	1 290 240	1,97%
CY	32 844 686	171 891	0,52%
CZ	294 124 474	2 924 041	0,99%
EE	29 193 700	122 937	0,42%
HU	134 647 925	2 510 336	1,86%
LT	59 435 608	16 515 288	27,79%
LV	30 086 341	1 073 324	3,57%
MT	13 520 317	75 168	0,56%
PL	470 102 554	8 634 138	1,84%
RO	146 513 773	8 539 014	5,83%
SI	98 922 317	1 281 529	1,30%
SK	156 519 110	351 877	0,22%
<b>EU-12</b>	<b>1 531 421 762</b>	<b>43 489 783</b>	<b>2,84%</b>
<b>EU-27</b>	<b>22 370 404 504</b>	<b>387 730 338</b>	<b>1,73%</b>

**ANNEX 15 – RECOVERY RATE TRADITIONAL OWN RESOURCES (RR)**

MEMBER STATES	RECOVERY RATES TRADITIONAL OWN RESOURCES (RR)								
	2010						2011		
	AMOUNT € IN 2010	RECOVERED €IN 2010	RR IN 2010	AMOUNT € 2011	RECOVERED € 2011	RR 2011	AMOUNT € 2011	RECOVERED € 2011	RR 2011
AT	9.583.091	1.537.877	16,05 %	10.366.559	2.151.914	20,76 %	3.446.807	1.178.666	34,20 %
BE	13.018.547	9.278.560	71,27 %	23.813.009	10.340.999	43,43 %	5.719.743	1.990.555	34,80 %
BG	1.477.979	551.675	37,33 %	617.099	208.012	33,71 %	288.537	53.440	18,52 %
CY	521.143	312.112	59,89 %	521.143	330.190	63,36 %	171.891	57.071	33,20 %
CZ	9.538.150	2.613.164	27,40 %	9.511.667	2.666.270	28,03 %	2.924.041	2.026.952	69,32 %
DE	76.450.386	55.807.307	73,00 %	92.642.316	70.977.620	76,61 %	77.083.981	62.055.924	80,50 %
DK	24.092.404	3.217.868	13,36 %	24.092.179	4.243.128	17,61 %	3.727.476	3.028.645	81,25 %
EE	366.076	161.236	44,04 %	161.236	161.236	100,00 %	122.937	122.937	100,00 %
ES	73.239.617	39.951.997	54,55 %	92.891.108	45.001.867	48,45 %	41.269.145	10.571.949	25,62 %
FI	1.419.298	1.139.242	80,27 %	1.419.298	1.202.911	84,75 %	4.033.254	1.959.750	48,59 %
FR	24.455.970	11.807.926	48,28 %	25.079.520	12.614.813	50,30 %	22.703.295	12.288.403	54,13 %
EL	2.528.574	77.886	3,08 %	3.147.264	462.366	14,69 %	3.703.561	92.024	2,48 %
HU	8.123.679	3.209.853	39,51 %	8.207.134	3.531.976	43,04 %	2.429.711	1.810.162	74,50 %
IE	1.880.921	496.014	26,37 %	1.873.490	488.583	26,08 %	740.017	590.958	79,86 %
IT	45.458.660	5.172.588	11,38 %	45.737.800	7.225.634	15,80 %	30.597.377	2.596.304	8,49 %
LT	2.020.355	662.505	32,79 %	2.020.355	662.505	32,79 %	16.435.450	632.689	3,85 %
LU	0 €	0 €	0,00%	0 €	0 €	0,00%	0 €	0 €	0,00%
LV	1.252.926	21.760	1,74 %	1.510.864	34.028	2,25 %	1.073.324	218.562	20,36 %
MT	495.717	0	0,00 %	495.717	0	0,00 %	75.168	0	0,00 %
NL	39.575.864	13.554.793	34,25 %	38.103.850	23.711.258	62,23 %	30.777.719	13.809.403	44,87 %
PL	3.026.036	1.133.490	37,46 %	3.015.263	1.323.912	43,91 %	8.419.096	6.621.871	78,65 %
PT	736.154	550.663	74,80 %	923.479	692.217	74,96 %	771.560	427.999	55,47 %
RO	9.588.424	1.714.732	17,88 %	9.579.145	1.765.780	18,43 %	8.461.893	6.257.541	73,95 %
SE	4.911.511	4.339.607	88,36 %	4.905.268	4.339.607	88,47 %	9.503.289	4.409.948	46,40 %
SI	1.297.962	408.307	31,46 %	1.298.472	700.754	53,97 %	1.281.529	611.874	47,75 %
SK	1.121.908	941.828	83,95 %	1.121.908	941.828	83,95 %	351.877	315.761	89,74 %
UK	36.580.488	21.260.974	58,12 %	35.455.516	29.453.935	83,07 %	44.581.323	32.033.762	71,85 %
<b>EUR-27 TOTAL</b>	<b>392.761.840 €</b>	<b>179.923.964 €</b>	<b>45,81%</b>	<b>438.510.659 €</b>	<b>225.233.343 €</b>	<b>51,36%</b>	<b>320.694.001 €</b>	<b>165.763.150 €</b>	<b>51,69%</b>

## Annex 16 – Administrative stage of all closed cases from 1989 to 2011

MS	%		
	Administrative procedure	Judicial procedure	Other*
AT	91,54%	1,21%	7,25%
BE	98,14%	1,38%	0,48%
DE	76,76%	3,02%	20,22%
DK	94,73%	2,01%	3,26%
ES	93,55%	2,71%	3,74%
FI	85,56%	0,00%	14,44%
FR	91,60%	6,80%	1,59%
EL	78,01%	20,48%	1,51%
IE	98,80%	0,00%	1,20%
IT	65,94%	25,07%	8,99%
LU	95,45%	0,00%	4,55%
NL	96,51%	0,13%	3,36%
PT	88,06%	6,27%	5,67%
SE	87,61%	7,76%	4,63%
UK	88,41%	7,77%	3,82%
CY	100,00%	0,00%	0,00%
CZ	96,35%	0,30%	3,34%
EE	65,45%	29,09%	5,45%
HU	83,37%	14,81%	1,82%
LT	80,00%	18,80%	1,20%
LV	60,00%	27,14%	12,86%
MT	78,95%	13,16%	7,89%
PL	83,06%	15,57%	1,37%
SI	96,93%	1,23%	1,84%
SK	86,73%	1,02%	12,24%
BG	75,93%	18,52%	5,56%
RO	89,52%	10,48%	0,00%
<b>EUR -27</b>	<b>87,18%</b>	<b>5,00%</b>	<b>7,82%</b>

\*Other administrative stages are: Remission procedure (Article 239(2) of Regulation No 2913/92 and Article 905 of Regulation No 2454/93, Write-off procedure for non-recoverable debts (Article 17(2) of Regulation No 1150/2000 and Non-establishment due to an administrative error (Article 220(2) b of Regulation No 2913/92.v

## ANNEX 17: AGRICULTURAL EXPENDITURE FINANCIAL YEARS 2004-2011

<b>COMMON AGRICULTURAL POLICY</b>										
<b>EXPENDITURE FINANCIAL YEARS 2004-2011</b>										
amounts in million €										
MS	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004	total expenditure 2004 - 2011	
									amounts	in % of total
FR	9 481	9 418	10 205	9 716	9 736	10 126	9 940	9 700	78 321	20%
ES	6 994	6 838	5 917	6 262	5 919	6 723	6 592	6 359	51 604	13%
DE	6 698	6 687	6 237	6 344	5 975	6 497	6 343	5 761	50 543	13%
IT	5 892	5 491	5 419	5 604	5 222	5 499	5 793	5 310	44 231	11%
PL	4 171	3 355	2 906	2 415	2 297	2 113	1 342	11	18 609	5%
UK	3 955	3 823	3 135	3 566	4 341	4 302	4 225	4 088	31 435	8%
EL	2 854	2 901	2 807	2 687	2 879	3 083	2 756	2 781	22 748	6%
RO	1 705	1 422	1 148	475	7	0	0	0	4 757	1%
IE	1 603	1 596	1 634	1 787	1 723	1 753	1 777	1 855	13 728	3%
HU	1 455	1 335	1 422	900	651	757	410	0	6 930	2%
AT	1 312	1 295	1 276	1 115	827	1 296	1 229	1 139	9 487	2%
PT	1 259	1 182	950	974	822	974	906	847	7 913	2%
CZ	1 122	995	836	689	540	459	379	5	5 025	1%
DK	1 027	1 054	1 172	1 124	1 086	1 157	1 217	1 220	9 057	2%
SE	999	996	842	942	951	935	930	882	7 476	2%
NL	989	961	1 026	1 035	1 144	1 217	1 277	1 231	8 881	2%
FI	839	844	788	787	809	850	898	877	6 692	2%
BE	738	711	853	757	854	979	995	1 037	6 924	2%
SK	645	625	536	332	302	250	196	1	2 889	1%
LT	533	486	472	314	324	306	230	1	2 666	1%
BG	433	559	348	231	0	0	0	0	1 571	0%
LV	270	252	219	198	166	136	96	0	1 337	0%
SI	221	206	205	182	169	156	107	0	1 246	0%
EE	180	156	151	90	79	74	66	1	796	0%
CY	60	59	63	56	45	48	39	0	370	0%
LU	49	51	47	44	47	49	45	38	369	0%
MT	12	22	12	5	6	2	6	0	65	0%
<b>total</b>	<b>55 495</b>	<b>53 320</b>	<b>50 625</b>	<b>48 629</b>	<b>46 921</b>	<b>49 743</b>	<b>47 794</b>	<b>43 145</b>	<b>395 671</b>	<b>100%</b>

financial years 2004 - 2011: 16 October 2003 - 15 October 2011



**ANNEX 18: REPORTING YEARS 2004–2011 – cases of irregularities reported as fraudulent**

<b>COMMON AGRICULTURAL POLICY</b>		
<b>REPORTING YEARS 2004-2011</b>		
<b>cases of irregularities reported as fraudulent</b>		
<b>description</b>	<b>cases</b>	<b>amounts in €</b>
Rural development - Transitional Instrument for the new Member States	246	8 355 946
Rural development - period 2007 to 2013 (EAFRD)	233	48 008 093
Rural development - period 2000 to 2006 (EAGGF - Guarantee Section)	158	38 471 333
Rural development - other measures	0	0
Decoupled direct aids	363	20 194 651
Other direct aids	113	53 614 709
Fruit and vegetables	76	41 800 021
Beef and veal	66	7 254 274
Cereals - Market measures	61	11 373 469
Sheepmeat and goatmeat	53	9 842 719
Wine - Products of the wine-growing sector	41	3 721 921
Milk and milk products	31	11 762 971
Pigmeat, eggs and poultry, bee-keeping and other animal products	8	279 411
Olive oil	6	144 572
Ancillary direct aids (reliquats, small producers, agrimonetary aids, etc.)	6	747 717
Sugar	5	275 924
Other plant products/measures	5	1 320 507
Textile plants	4	40 797
Food programmes	4	189 950
Rice	3	581 274
Promotion	3	178 732
Non-Annex 1 products - refunds	2	56 246
Additional amounts of aid	2	84 379
Sugar Restructuring Fund	1	130 656
no data provided (concerns Finland and Italy)	2	109 926

## ANNEX 19 FINANCIAL YEAR 2004 – detailed figures on cases, amounts, rates and levels

COMMON AGRICULTURAL POLICY									
MS	expenditure	FINANCIAL YEAR 2004							
		cases of irregularities			reported as fraudulent				
		cases	amounts in €	IrR	cases	amounts in €	FrR	FFL	FAL
AT	1 138 656 625	53	506 025	0.04%					
BE	1 037 439 422	40	653 266	0.06%					
BG									
CY		1	66 700		1	66 700 ?	?	?	?
CZ	4 709 829	1	17 070	0.36%					
DE	5 761 466 322	298	5 336 662	0.09%					
DK	1 219 778 220	43	14 813 952	1.21%					
EE	549 348								
EL	2 781 392 099	91	1 732 596	0.06%	1	1 108 875	0.04%	1.10%	64.00%
ES	6 358 832 455	434	23 944 248	0.38%	7	1 469 675	0.02%	1.61%	6.14%
FI	877 003 118	11	125 566	0.01%					
FR	9 700 274 541	399	5 213 333	0.05%	1	131 065	0.00%	0.25%	2.51%
HU	495 937	1	157 042	31.67%					
IE	1 854 807 600	100	1 109 257	0.06%					
IT	5 310 290 203	386	56 032 872	1.06%	145	29 672 615	0.56%	37.56%	52.96%
LT	529 064								
LU	37 803 194	2	17 571	0.05%					
LV	35 319	4	42 680 ?		4	42 680	120.84%	100.00%	100.00%
MT									
NL	1 231 483 329	126	3 287 919	0.27%	1	10 302	0.00%	0.79%	0.31%
PL	10 786 207	6	694 802	6.44%	2	17 342	0.16%	33.33%	2.50%
PT	846 534 755	258	3 796 386	0.45%	3	59 740	0.01%	1.16%	1.57%
RO									
SE	882 182 751	71	745 024	0.08%					
SI	70 725								
SK	1 427 900	1	0	0.00%					
UK	4 088 111 422	186	4 150 059	0.10%					
<b>total</b>	<b>43 144 660 385</b>	<b>2 512</b>	<b>122 443 030</b>	<b>0.28%</b>	<b>165</b>	<b>32 578 993</b>	<b>0.08%</b>	<b>6.57%</b>	<b>26.61%</b>
IrR = irregularity rate		(=amount affected by irregularities year n / expenditure year n)							
FrR = fraud rate		(=amount affected by cases of irregularities reported as fraudulent year n / expenditure year n)							
FFL = fraud frequency level		(=number of cases of irregularities reported as fraudulent year n / total number of cases of irregularities year n)							
FAL = fraud amount level		(=amount affected by cases of irregularities reported as fraudulent year n / amount affected by irregularities year n)							
???		= indicates a reporting error							

**ANNEX 20: FINANCIAL YEAR 2005 – detailed figures on cases, amounts, rates and levels**

COMMON AGRICULTURAL POLICY FINANCIAL YEAR 2005									
MS	expenditure	cases of irregularities			reported as fraudulent				
		cases	amounts in €	IrR	cases	amounts in €	FrR	FFL	FAL
AT	1 228 510 543	8	115 390	0.01%	1	33 050	0.00%	12.50%	28.64%
BE	994 532 600	45	3 688 579	0.37%	4	2 689 073	0.27%	8.89%	72.90%
BG									
CY	38 853 010	11	133 485	0.34%	2	74 577	0.19%	18.18%	55.87%
CZ	379 406 247	21	459 553	0.12%	1	15 518	0.00%	4.76%	3.38%
DE	6 343 157 490	154	1 633 669	0.03%	3	49 058	0.00%	1.95%	3.00%
DK	1 217 287 420	30	637 330	0.05%					
EE	65 576 653	36	343 529	0.52%					
EL	2 756 089 807	85	1 785 220	0.06%	12	148 126	0.01%	14.12%	8.30%
ES	6 592 405 424	511	19 537 891	0.30%	3	171 284	0.00%	0.59%	0.88%
FI	897 502 395	16	168 195	0.02%					
FR	9 940 198 363	344	9 215 119	0.09%	5	1 106 910	0.01%	1.45%	12.01%
HU	410 401 976	7	100 924	0.02%					
IE	1 777 063 864	33	483 875	0.03%					
IT	5 793 471 207	292	17 276 373	0.30%	96	9 318 909	0.16%	32.88%	53.94%
LT	230 035 057	56	706 579	0.31%					
LU	45 072 490								
LV	96 187 883	7	82 629	0.09%	1	12 750	0.01%	14.29%	15.43%
MT	5 893 827								
NL	1 276 622 402	67	3 601 604	0.28%	2	49 305	0.00%	2.99%	1.37%
PL	1 341 929 857	159	2 175 015	0.16%	136	1 879 911	0.14%	85.53%	86.43%
PT	905 730 452	205	4 224 172	0.47%					
RO									
SE	930 330 974	58	748 811	0.08%					
SI	106 663 890	11	3 033 719	2.84%					
SK	196 472 343	44	2 008 178	1.02%					
UK	4 224 544 755	71	1 747 781	0.04%	1	34 396	0.00%	1.41%	1.97%
<b>total</b>	<b>47 793 940 928</b>	<b>2 271</b>	<b>73 907 618</b>	<b>0.15%</b>	<b>267</b>	<b>15 582 865</b>	<b>0.03%</b>	<b>11.76%</b>	<b>21.08%</b>
IrR = irregularity rate		(=amount affected by irregularities year n / expenditure year n)							
FrR = fraud rate		(=amount affected by cases of irregularities reported as fraudulent year n / expenditure year n)							
FFL = fraud frequency level		(=number of cases of irregularities reported as fraudulent year n / total number of cases of irregularities year n)							
FAL = fraud amount level		(=amount affected by cases of irregularities reported as fraudulent year n / amount affected by irregularities year n)							

## ANNEX 21: FINANCIAL YEAR 2006 – detailed figures on cases, amounts, rates and levels

COMMON AGRICULTURAL POLICY FINANCIAL YEAR 2006									
MS	expenditure	cases of irregularities			reported as fraudulent				
		cases	amounts in €	IrR	cases	amounts in €	FrR	FFL	FAL
AT	1 296 241 898	15	215 322	0.02%	2	28 558	0.00%	13.33%	13.26%
BE	978 959 642	37	2 269 701	0.23%	4	1 092 803	0.11%	10.81%	48.15%
BG									
CY	48 279 969	7	376 306	0.78%					
CZ	459 220 511	41	858 768	0.19%					
DE	6 497 135 317	164	2 789 533	0.04%	4	30 317	0.00%	2.44%	1.09%
DK	1 157 352 968	11	245 780	0.02%					
EE	74 256 919	10	98 238	0.13%					
EL	3 083 190 916	43	785 006	0.03%	8	171 606	0.01%	18.60%	21.86%
ES	6 722 903 262	241	11 839 147	0.18%	3	71 123	0.00%	1.24%	0.60%
FI	850 256 009	21	279 329	0.03%					
FR	10 125 823 455	241	10 059 284	0.10%	10	3 054 519	0.03%	4.15%	30.37%
HU	756 556 440	18	1 375 913	0.18%	1	24 483	0.00%	5.56%	1.78%
IE	1 752 819 071	96	1 153 568	0.07%					
IT	5 499 456 447	174	12 259 054	0.22%	44	4 041 990	0.07%	25.29%	32.97%
LT	305 810 974	53	1 023 140	0.33%	3	296 718	0.10%	5.66%	29.00%
LU	48 573 101								
LV	135 843 856	16	207 516	0.15%	1	16 309	0.01%	6.25%	7.86%
MT	1 709 713								
NL	1 217 436 058	40	1 023 751	0.08%					
PL	2 112 957 132	191	3 091 811	0.15%	127	2 003 230	0.09%	66.49%	64.79%
PT	974 471 557	155	3 427 056	0.35%	2	182 383	0.02%	1.29%	5.32%
RO									
SE	935 044 883	20	437 850	0.05%					
SI	156 250 389	4	87 703	0.06%					
SK	250 001 352	32	1 432 735	0.57%					
UK	4 302 338 043	81	1 623 675	0.04%	1	14 275	0.00%	1.23%	0.88%
<b>total</b>	<b>49 742 889 882</b>	<b>1 711</b>	<b>56 960 182</b>	<b>0.11%</b>	<b>210</b>	<b>11 028 312</b>	<b>0.02%</b>	<b>12.27%</b>	<b>19.36%</b>
IrR = irregularity rate		(=amount affected by irregularities year n / expenditure year n)							
FrR = fraud rate		(=amount affected by cases of irregularities reported as fraudulent year n / expenditure year n)							
FFL = fraud frequency level		(=number of cases of irregularities reported as fraudulent year n / total number of cases of irregularities year n)							
FAL = fraud amount level		(=amount affected by cases of irregularities reported as fraudulent year n / amount affected by irregularities year n)							

**ANNEX 22: FINANCIAL YEARS 2004–2006 – beneficiaries and cases of irregularities reported as fraudulent**

COMMON AGRICULTURAL POLICY FINANCIAL YEARS 2004 - 2006												
MS	expenditure							reported for FY2004-2006	cases of irregularities of which reported as fraudulent			
	amounts in €	number of payments			number of beneficiaries				FY2004		FY2005	
		FY2004	FY2005	FY2006	FY2004	FY2005	FY2006		cases	FFL-B	cases	FFL-B
FR	29 766 296 358	7 324 790	10 075 528	6 512 348	638 664	583 800	547 548	984	1	0.0002%	5	0.0009%
ES	19 674 141 141	5 430 089	5 518 782	8 520 054	950 116	964 642	964 191	1 186	7	0.0007%	3	0.0003%
DE	18 601 759 128	4 263 348	4 301 748	3 137 215	414 988	411 485	433 764	578		0.0000%	3	0.0007%
IT	16 603 217 858	5 304 637	4 588 296	6 947 982	1 703 609	1 494 041	1 622 352	669	145	0.0085%	96	0.0064%
UK	12 614 994 220	6 958 126	5 973 541	2 862 584	413 633	445 782	270 942	329		0.0000%	1	0.0002%
EL	8 620 672 822	3 240 413	3 457 122	4 408 407	959 169	890 616	926 345	160	1	0.0001%	12	0.0013%
IE	5 384 690 535	1 583 324	2 067 623	633 366	194 362	151 022	150 102	229		0.0000%		0.0000%
NL	3 725 541 789	4 168 962	4 601 761	5 983 513	81 658	103 058	108 517	233	1	0.0012%	2	0.0019%
AT	3 663 409 066	1 380 856	1 560 997	1 241 555	160 009	152 639	155 148	76		0.0000%	1	0.0007%
DK	3 594 418 609	2 637 336	2 774 609	1 891 436	86 285	82 445	89 963	83		0.0000%		0.0000%
PL	3 465 673 196	352	3 589 160	4 346 431	21	1 410 136	1 037 919	312	2	9.5238%	136	0.0096%
BE	3 010 931 663	525 806	558 741	517 797	48 612	48 582	49 718	114		0.0000%	4	0.0082%
SE	2 747 558 608	523 054	549 893	467 455	71 206	73 391	143 205	138		0.0000%		0.0000%
PT	2 726 736 763	1 380 365	1 383 803	1 558 134	271 150	268 115	274 608	592	3	0.0011%		0.0000%
FI	2 624 761 522	817 491	779 142	832 538	87 613	83 322	79 572	43		0.0000%		0.0000%
HU	1 167 454 352	790	734 138	311 846	754	207 942	210 810	26		0.0000%		0.0000%
CZ	843 336 587	247	37 253	45 081	11	18 870	20 993	63		0.0000%	1	0.0053%
LT	536 375 095	7	1 230 228	1 136 861	2	239 172	233 672	104		0.0000%		0.0000%
SK	447 901 595	3	31 253	36 201	2	12 425	13 992	55		0.0000%		0.0000%
SI	262 985 005	152	843 803	858 137	8	65 646	61 715	14		0.0000%		0.0000%
LV	232 067 058	101	280 522	412 033	3	70 141	81 611	26	4	?	1	0.0014%
EE	140 382 921	48	52 835	59 245	5	19 937	20 893	46		0.0000%		0.0000%
LU	131 448 784	42 946	42 611	34 213	2 311	2 319	2 247	2		0.0000%		0.0000%
CY	87 132 979	0	64 435	108 017	0	35 987	39 976	17	1	?	2	0.0056%
MT	7 603 540	0	15 166	5 726	0	6 299	4 076			0.0000%		0.0000%
BG					-	-	-					
RO					-	-	-					
<b>total</b>	<b>140 681 491 195</b>	<b>45 583 243</b>	<b>55 112 990</b>	<b>52 868 175</b>	<b>6 084 191</b>	<b>7 841 814</b>	<b>7 543 879</b>	<b>6 079</b>	<b>165</b>	<b>0.0027%</b>	<b>267</b>	<b>0.0034%</b>

FFL-B = number of beneficiaries involved in cases of irregularities reported as fraudulent year n / number of beneficiaries year n  
 ? = more cases of suspected fraud than beneficiaries which implies a reporting error

## ANNEX 23 – EUROPEAN FISHERY FUND

### Irregularities reported under Regulation (EC) No 498/2007 – Year 2011

Member States	Reported irregularities		Of which, reported as fraudulent	
	N° of irregularities*	Related financial volume	N° of cases of suspected fraud**	Related financial volume
	N	EUR	N	EUR
CZ	1	7 299		
DE	1	3 397	1	3 397
ES	23	1 297 413		
NL	1			
PL	20	279 004	1	22 580
PT	2	55 033		
<b>TOTAL</b>	<b>48</b>	<b>1 642 146</b>	<b>2</b>	<b>25 977</b>

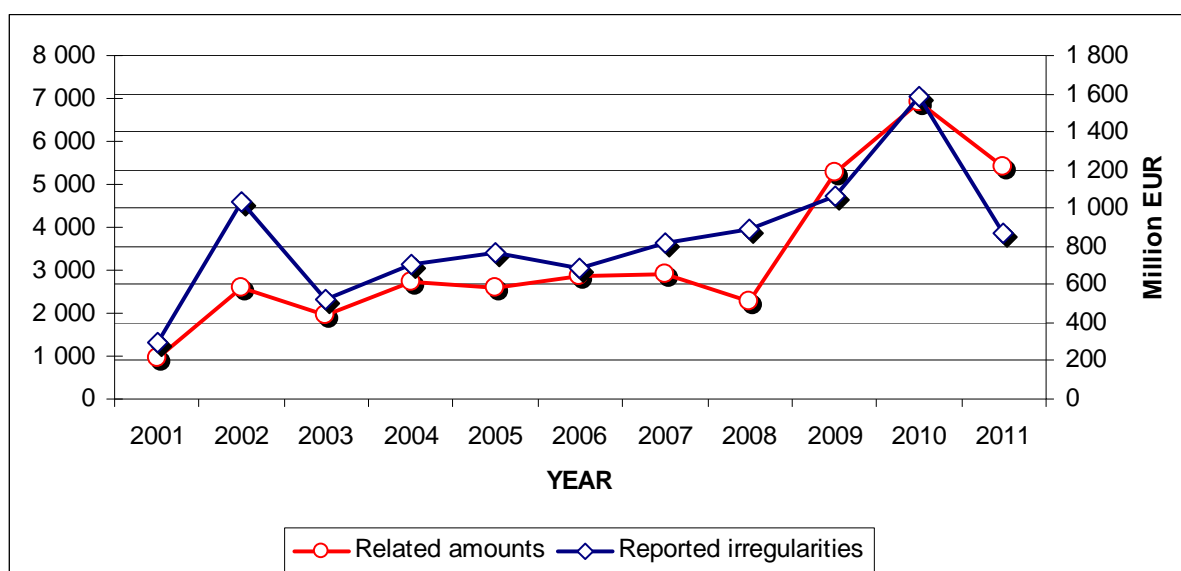
*\* According to article 55§1 Member States shall report any irregularity which have been the subject of a primary administrative or judicial finding. The concept of irregularity includes also cases of suspected and established fraud. The qualification as fraud, meaning criminal behaviour, can only be made following a penal procedure.*

*\*\* According to article 55§1, e), In that report, Member States shall in all cases give details concerning, where appropriate, whether the practice gives rise to a suspicion of fraud*

**ANNEX 24 – COHESION FOR GROWTH AND EMPLOYMENT POLICY\* -  
GENERAL TRENDS**

**IRREGULARITIES\*\* COMMUNICATED BY MEMBER STATES 2001-2011**

YEAR	REPORTED IRREGULARITIES	RELATED AMOUNTS	TOTAL BUDGET	IMPACT ON BUDGET
	N	EUR	Million EUR	%
2011	3 880	1 219 636 631	50 100	2.43%
2010	7 062	1 550 157 698	49 144	3.15%
2009	4 737	1 183 127 610	48 400	2.44%
2008	3 961	512 871 553	46 889	1.09%
2007	3 619	652 092 147	45 327	1.44%
2006	3 047	647 773 952	38 430	1.69%
2005	3 417	581 214 090	37 192	1.56%
2004	3 123	617 099 163	35 665	1.73%
2003	2 323	444 278 642	30 764	1.44%
2002	4 607	579 010 650	30 556	1.89%
2001	1 337	210 329 680	29 823	0.71%



*\* The table includes also irregularities affecting the Cohesion Fund*

*\*\*The concept of irregularity includes also cases of suspected and established fraud. The qualification as fraud, meaning criminal behaviour, can only be made following a penal procedure.*

ANNEX 25 - REGULATION No 1681/94: **IRREGULARITIES REPORTED IN 2011**

**STRUCTURAL FUNDS**

**A) NUMBER OF IRREGULARITIES BY MEMBER STATE AND BY FUND**

MEMBER STATE	TOTAL REPORTED IRREGULARITIES					of which, IRREGULARITIES REPORTED AS FRAUDULENT				
	ERDF	ESF	EAGGF - Guidance	FIFG	TOTAL	Reported as suspected fraud	Reported as established fraud	Considered as suspected fraud	Total reported as fraudulent	FFL
	N	N	N	N	N	N	N	N	N	%
AT	8				8	2			2	25.0%
BE	3				3				0	0.0%
CZ	12	9	1		22	1			1	4.5%
DE	124	13	10	1	148	13	5		18	12.2%
DK	2				2				0	0.0%
EE	1		2	1	4				0	0.0%
ES	147	52	6	25	230	3			3	1.3%
FI		1	5		6	1			1	16.7%
FR		4		1	5				0	0.0%
GR	136	35	54		225			1	1	0.4%
HU	8	1	12		21			1	1	4.8%
IT	138	105	45	4	292	34		3	37	12.7%
LT	3				3				0	0.0%
LV	7		3		10	1			1	10.0%
NL	6			4	10				0	0.0%
PL	11	1	8		20	3			3	15.0%
PT	225	18	52		295	18	1		19	6.4%
SI			1	1	2	1			1	50.0%
SK	24	7	6		37	2		3	5	13.5%
UK	25	14	3	2	44		3	3	6	13.6%
<b>TOTAL</b>	<b>880</b>	<b>260</b>	<b>208</b>	<b>39</b>	<b>1 387</b>	<b>79</b>	<b>9</b>	<b>11</b>	<b>99</b>	<b>7.1%</b>



**B) AMOUNTS AFFECTED BY IRREGULARITIES BY MEMBER STATE AND BY FUND**

MEMBER STATE	TOTAL REPORTED IRREGULARITIES					of which, IRREGULARITIES REPORTED AS FRAUDULENT				
	ERDF	ESF	EAGGF - Guidance	FIFG	TOTAL	Reported as suspected fraud	Reported as established fraud	Considered as suspected fraud	Total reported as fraudulent	FAL
	N	N	N	N	N	N	N	N	N	%
<b>AT</b>	12 438 194				12 438 194	17 536			17 536	0.1%
<b>BE</b>	153 137				153 137				0	0.0%
<b>CZ</b>	1 709 525	188 509	23 402		1 921 436	9 062			9 062	0.5%
<b>DE</b>	26 127 254	790 638	707 649	19 868	27 645 409	6 963 010	280 356		7 243 366	26.2%
<b>DK</b>	29 731				29 731				0	0.0%
<b>EE</b>	89 375		28 753	12 344	130 472				0	0.0%
<b>ES</b>	49 005 037	2 232 375	4 805 829	2 097 136	58 140 376	74 706			74 706	0.1%
<b>FI</b>		11 257	119 697		130 954	11 257			11 257	8.6%
<b>FR</b>		129 062		469 537	598 599				0	0.0%
<b>GR</b>	103 371 372	19 987 835	49 323 227		172 682 434			125 226	125 226	0.1%
<b>HU</b>	1 237 063	24 852	439 683		1 701 598			67 841	67 841	4.0%
<b>IT</b>	60 385 978	6 227 529	12 366 959	2 640 625	81 621 091	3 640 386		290 668	3 931 055	4.8%
<b>LT</b>	1 391 901				1 391 901				0	0.0%
<b>LV</b>	746 626		132 475		879 101	167 480			167 480	19.1%
<b>NL</b>	183 458			387 841	571 299				0	0.0%
<b>PL</b>	2 542 053	40 572	478 201		3 060 826	1 897 222			1 897 222	62.0%
<b>PT</b>	25 342 358	420 647	2 761 113		28 524 119	745 507	40 339		785 846	2.8%
<b>SI</b>			193 509	1 135 994	1 329 503	193 509			193 509	14.6%
<b>SK</b>	5 059 076	573 481	558 332		6 190 889	879 025		211 031	1 090 056	17.6%
<b>UK</b>	5 119 119	982 880	329 713	1 309 338	7 741 050		473 121	157 289	630 410	8.1%
<b>TOTAL</b>	<b>294 931 257</b>	<b>31 609 636</b>	<b>72 268 543</b>	<b>8 072 682</b>	<b>406 882 118</b>	<b>14 598 701</b>	<b>793 816</b>	<b>852 055</b>	<b>16 244 573</b>	<b>4.0%</b>

ANNEX 26 - REGULATION No 1828/2006: IRREGULARITIES REPORTED IN 2011

COHESION FOR GROWTH AND EMPLOYMENT

A) N° OF IRREGULARITIES BY FUND AND BY MEMBER STATE

MEMBER STATE	TOTAL REPORTED IRREGULARITIES				of which, IRREGULARITIES REPORTED AS FRAUDULENT				
	ERDF	COHESION FUND	ESF	TOTAL	Reported as suspected fraud	Reported as established fraud	Considered as suspected fraud	Total reported as fraudulent	FFL
	N	N	N	N	N	N	N	N	%
AT	27		8	35	6			6	17.1%
BE	14		43	57				0	0.0%
BG	34	2	15	51	9			9	17.6%
CY	1			1				0	0.0%
CZ	126	16	100	242	10			10	4.1%
DE	67		78	145	28	2		30	20.7%
DK	2		2	4				0	0.0%
EE	33		9	42	1		1	2	4.8%
ES	108		40	148	2			2	1.4%
FI	6		6	12				0	0.0%
FR	45			45				0	0.0%
GR	64	8	2	74			5	5	6.8%
HU	9	2	10	21	1			1	4.8%
IE			31	31	1			1	3.2%
IT	72		25	97	11		2	13	13.4%
LT	55	67	5	127	2		7	9	7.1%
LU			4	4				0	0.0%
LV	22	2	7	31	6			6	19.4%
MT	2		1	3				0	0.0%
NL	23		17	40	1			1	2.5%
PL	599	18	83	700	44		3	47	6.7%
PT	42	2	30	74	2			2	2.7%
RO	39	7	13	59	6			6	10.2%
SE	4		3	7	1			1	14.3%
SI	13	2	17	32	2	3		5	15.6%
SK	50	5	27	82	1		2	3	3.7%
UK	151		114	265	17			17	6.4%
<b>TOTAL</b>	<b>1 608</b>	<b>131</b>	<b>690</b>	<b>2 429</b>	<b>151</b>	<b>5</b>	<b>20</b>	<b>176</b>	<b>7.2%</b>

## B) FINANCIAL VOLUME OF IRREGULARITIES BY FUND AND BY MEMBER STATE

MEMBER STATE	TOTAL REPORTED IRREGULARITIES				of which, IRREGULARITIES REPORTED AS FRAUDULENT				
	ERDF	COHESION FUND	ESF	TOTAL	Reported as suspected fraud	Reported as established fraud	Considered as suspected fraud	Total reported as fraudulent	FAL
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	%
AT	3 551 384		172 024	3 723 408	1 083 057			1 083 057	29.1%
BE	433 914		3 408 652	3 842 566				0	0.0%
BG	3 594 185	402 124	918 778	4 915 087	749 919			749 919	15.3%
CY	23 562			23 562				0	0.0%
CZ	75 356 837	80 020 338	2 392 149	157 769 325	19 098 694			19 098 694	12.1%
DE	9 671 912		5 551 532	15 223 444	4 846 471	744 041		5 590 512	36.7%
DK	58 393		68 474	126 867				0	0.0%
EE	1 772 665		1 414 908	3 187 573	399 512		14 754	414 266	13.0%
ES	33 049 153		1 531 800	34 580 954	58 166			58 166	0.2%
FI	149 249		157 742	306 991				0	0.0%
FR	12 438 010			12 438 010				0	0.0%
GR	114 250 277	11 556 375	82 117	125 888 769			726 248	726 248	0.6%
HU	1 262 995	55 672	490 827	1 809 494	60 647			60 647	3.4%
IE			783 949	783 949	15 672			15 672	2.0%
IT	103 839 932		8 026 329	111 866 262	1 675 640		68 257 407	69 933 047	62.5%
LT	13 246 658	38 539 332	567 777	52 353 767	309 928		722 597	1 032 525	2.0%
LU			65 626	65 626				0	0.0%
LV	11 624 746	30 351	386 193	12 041 290	7 674 441			7 674 441	63.7%
MT	77 718		15 108	92 826				0	0.0%
NL	813 394		668 674	1 482 068	63 693			63 693	4.3%
PL	65 775 266	63 343 224	16 830 801	145 949 291	61 574 601		353 185	61 927 785	42.4%
PT	24 234 885	198 277	3 041 104	27 474 265	173 862			173 862	0.6%
RO	6 449 829	216 216	378 096	7 044 140	1 193 059			1 193 059	16.9%
SE	1 148 403		85 205	1 233 608	30 015			30 015	2.4%
SI	3 733 489	95 850	2 270 147	6 099 486	1 172 572	518 500		1 691 072	27.7%
SK	2 394 644	8 868 484	4 720 381	15 983 509	259 340		261 253	520 593	3.3%
UK	7 404 451		16 875 085	24 279 536	461 973			461 973	1.9%
<b>TOTAL</b>	<b>496 355 950</b>	<b>203 326 243</b>	<b>70 903 479</b>	<b>770 585 672</b>	<b>100 901 260</b>	<b>1 262 541</b>	<b>70 335 444</b>	<b>172 499 246</b>	<b>22.4%</b>

**ANNEX 27 - REGULATION No 1828/2006: RECOVERIES IN 2011**

MEMBER STATE	PUBLIC CONTRIBUTION RECOVERED	of which, EU SHARE RECOVERED	AMOUNT OF PUBLIC CONTRIBUTION RECOVERED RELATED TO IRREGULARITIES	TOTAL AMOUNT OF EXPENDITURE RELATED TO IRREGULARITIES
	EUR	EUR	EUR	EUR
AT	14 493	1 522	11 450	17 920
BE	2 569	1 284	0	0
BG	2 101 012	1 784 559	1 490 307	1 490 307
CY				
CZ	2 855 550	2 427 217	1 687 477	1 742 032
DE	42 231 281	15 258 870	3 953 463	5 310 944
DK	34 821		0	0
EE	0		0	0
ES	0	0	0	0
FI	827 209	368 409	517 662	683 055
FR	0		0	0
GR				
HU	26 256 772	22 318 257	25 678 824	27 244 890
IE	0	0	0	0
IT	23 427 523	9 657 098	2 270 930	2 302 700
LT	1 491 786	172 586	573 873	590 381
LU	0		0	0
LV	6 002 377	58 193	342 459	391 196
MT				
NL				
PL	18 882 259	12 659 949	14 607 099	16 249 376
PT	0	0	0	0
RO	2 577 361	2 212 732	2 152 898	2 161 175
SE	1 398 045	683 404	115 465	115 465
SI	1 634 862	1 389 633	1 634 862	1 634 862
SK	1 248 162	1 058 737	804 266	828 450
UK	1 606 678	185 168	1 104 354	1 751 941
Cross-Border Cooperation	685 237	200 394	363 313	377 098
<b>TOTAL</b>	<b>133 277 996</b>	<b>70 438 012</b>	<b>57 308 700</b>	<b>62 891 791</b>

ANNEX 28 - REGULATION N. 1831/94: IRREGULARITIES COMMUNICATED BY MEMBER STATES UNDER IN 2011

COHESION FUND

MEMBER STATE	TOTAL REPORTED IRREGULARITIES		of which, IRREGULARITIES REPORTED AS FRAUDULENT			
	Reported irregularities	Irregular amounts	of which suspected fraud	amounts linked to suspected fraud	FFL	FAL
	N	EUR	N	EUR	%	%
CZ	6	4 684 545				
ES	3	483 353				
GR	14	11 298 028				
IE	3	1 552 044				
LT	8	569 966				
PL	5	15 998 132	1	15 739 519	20.0%	98.4%
PT	19	5 404 973				
SK	6	2 177 800				
<b>TOTAL</b>	<b>64</b>	<b>42 168 842</b>	<b>1</b>	<b>15 739 519</b>	<b>1.6%</b>	<b>37.3%</b>

**ANNEX 29 - PRE-ACCESSION ASSISTANCE: IRREGULARITIES REPORTED IN 2011**

**FINANCIAL PERSPECTIVES 2000-2006**

**ALL PROGRAMMES**

**A) IRREGULARITIES REPORTED BY PROGRAMME AND BENEFICIARY COUNTRY**

BENEFICIARY COUNTRY	REPORTED IRREGULARITIES					TOTAL	of which, REPORTED AS FRAUDULENT	
	PROGRAMMES						reported as suspected fraud	FFL
	ISPA	PHARE	SAPARD	Transitional Facility	TPA			
N	N	N	N	N	N			
BG	16	11	13			40	4	10.0%
EE	1					1		0.0%
HR		2				2		0.0%
HU		2	1			3		0.0%
LT		1		1		2		0.0%
PL			34			34	26	76.5%
RO	23	23	99			145	15	10.3%
SK		1				0		0.0%
TR					15	15	2	13.3%
<b>TOTAL</b>	<b>40</b>	<b>40</b>	<b>147</b>	<b>1</b>	<b>15</b>	<b>243</b>	<b>47</b>	<b>19.3%</b>

**B) IRREGULAR AMOUNTS REPORTED BY PROGRAMME AND BENEFICIARY COUNTRY**

BENEFICIARY COUNTRY	TOTAL IRREGULAR AMOUNTS REPORTED						of which, REPORTED AS FRAUDULENT	
	PROGRAMMES					TOTAL	reported as suspected fraud	FAL
	ISPA	PHARE	SAPARD	Transitional Facility	TPA			
EUR	EUR	EUR	EUR	EUR	EUR	EUR	%	
<b>BG</b>	23 598 714	385 815	2 850 580			26 835 109	7 516 614	28.0%
<b>EE</b>	72 897					72 897		0.0%
<b>HR</b>		81 292				81 292		0.0%
<b>HU</b>		5 993				5 993		0.0%
<b>LT</b>		2 798 586		5 549		2 804 135		0.0%
<b>PL</b>			6 674 017			6 674 017	619 521	9.3%
<b>RO</b>	6 814 159	2 212 473	11 641 380			20 668 012	2 122 578	10.3%
<b>SK</b>		0				0		0.0%
<b>TR</b>					1 370 162	1 370 162	683 569	49.9%
<b>TOTAL</b>	<b>30 485 770</b>	<b>5 484 159</b>	<b>21 165 977</b>	<b>5 549</b>	<b>1 370 162</b>	<b>58 511 616</b>	<b>10 942 282</b>	<b>18.7%</b>

ANNEX 30 - INSTRUMENT FOR PRE-ACCESSION: IRREGULARITIES REPORTED IN 2011

FINANCIAL PERSPECTIVES 2007-2013

ALL PROGRAMMES

A) IRREGULARITIES REPORTED BY PROGRAMME AND BENEFICIARY COUNTRY

BENEFICIARY COUNTRY	TOTAL IRREGULARITIES REPORTED						of which, REPORTED AS FRAUDULENT	
	COMPONENTS					TOTAL	reported as suspected fraud	FFL
	Cross Border Cooperation	Human Resources Development	Rural Development	Regional Development	Technical Assistance			
N	N	N	N	N	N	N	%	
HR	1					1		0.0%
IT	1					1	1	100.0%
MK			3			3	3	100.0%
TR		10		3	2	15	5	33.3%
<b>TOTAL</b>	<b>2</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>20</b>	<b>9</b>	<b>45.0%</b>

B) IRREGULAR AMOUNTS REPORTED BY PROGRAMME AND BENEFICIARY COUNTRY

BENEFICIARY COUNTRY	TOTAL IRREGULAR AMOUNTS REPORTED						of which, REPORTED AS FRAUDULENT	
	COMPONENTS					TOTAL	reported as suspected fraud	FAL
	Cross Border Cooperation	Human Resources Development	Rural Development	Regional Development	Technical Assistance			
EUR	EUR	EUR	EUR	EUR	EUR	EUR	%	
HR	17 700					17 700		0.0%
IT	856 800					856 800	856 800	100.0%
MK			87 332			87 332	87 332	100.0%
TR		213 684		0	100 927	314 611	38 951	12.4%
<b>TOTAL</b>	<b>874 500</b>	<b>213 684</b>	<b>87 332</b>	<b>0</b>	<b>100 927</b>	<b>1 276 443</b>	<b>983 083</b>	<b>77.0%</b>



ANNEX 31 - IRREGULARITIES REPORTED BY MEMBER STATES IN 2011

OWN RESOURCES, AGRICULTURE, FISHERIES, AND COHESION POLICY,

Member State	TRADITIONAL OWN RESOURCES		AGRICULTURE		FISHERIES		COHESION POLICY
	N	EUR	N	EUR	N	EUR	N
AT	77	3 446 807	22	297 830			43
BE	177	5 719 743	16	1 308 449			60
BG	30	288 537	178	6 277 214			51
CY	4	171 891	22	402 669			1
CZ	49	2 924 041	62	2 138 724	1	7 299	270
DE	1 212	77 083 981	64	5 679 056	1	3 397	293
DK	76	3 727 476	9	190 188			6
EE	3	122 937	15	405 974			46
EL	45	3 703 561	41	865 364			381
ES	389	41 269 145	267	11 621 716	23	1 297 413	18
FI	55	4 033 254	6	195 395			50
FR	323	22 703 295	110	71 628 864			313
HU	66	2 429 711	239	17 482 936			42
IE	28	740 017	54	1 515 744			34
IT	290	30 597 377	590	26 328 492			389
LT	45	16 435 450	68	1 629 924			138
LU							4
LV	34	1 073 324	9	345 753			41
MT	1	75 168	10	579 775			3
NL	734	30 777 719	70	3 026 479	1		50
PL	132	8 419 096	136	8 424 400	20	279 004	725
PT	18	77 156	226	8 609 574	2	55 033	388
RO	53	8 461 893	112	6 275 291			59
SE	53	9 503 289	13	823 916			7
SI	21	1 281 529	8	216 223			34
SK	10	351 877	15	1 408 718			125
UK	771	44 581 323	33	793 578			309
<b>EU-27 TOTAL</b>	<b>4 696</b>	<b>320 694 001</b>	<b>2 395</b>	<b>178 472 244</b>	<b>48</b>	<b>1 642 146</b>	<b>3 880</b>