Follow-up to the European Parliament non-legislative resolution on the protection of the European Union's financial interests – combating fraud – annual report 2023

1. **Rapporteur:** Gilles BOYER (RENEW / FR)

2. **References**: 2024/2083 (INI) / A10-0049/2025 / P10_TA (2025)0075

3. **Date of adoption of the resolution:** 6 May 2025

4. **Competent Parliamentary Committee:** Committee on Budgetary Control (CONT)

5. **Brief analysis/ assessment of the resolution and requests made in it:**

The Parliament's resolution endorses the Commission's 2023 PIF report and provides a constructive perspective on the EU anti-fraud landscape. It recognises the achievements of the anti-fraud architecture (AFA), accounts for the growing challenges that the EU has been facing and recommends possible paths for improvements. It points to the challenges in the protection of the EU budget (particularly the threats posed by organised crime and the need to adapt to new technologies) and demands closer cooperation among EU institutions, bodies, offices and agencies as well as between the EU, national authorities and international organisations (internal and external layers of the AFA). The EP underscored the importance of financial recoveries as a measurable and tangible result of the AFA and as a measure of efficiency for OLAF and the EPPO. It recalled the "recovery gap" and asked for the follow up of OLAF recommendations and EPPO prosecutions as regards recoveries to be part of the PIF report and reported to the EP. The resolution highlights problematic aspects linked to the implementation of the Recovery and Resilience (RRF) and NextGenerationEU (NGEU) and calls on the Commission to address them (lack of mandatory reporting in the Irregularity Management System (IMS) and transparency in relation to 'final recipients', weaknesses in the implementation of Member State control systems). The resolution also calls for the EU and the Member States to join forces in tackling missing trader intra-community VAT fraud. The EP stresses the importance of enhanced transparency. It invites the Commission to make full use of all the tools at its disposal to safeguard the rule of law, including as regards the Article 7 procedure and the Conditionality regulation. The EP welcomes the Commission's increased monitoring of, and control over, the funds under the Global Europe, Neighbourhood, Development and International Cooperation Instrument for assistance to non-EU countries and the continuous efforts to ensure that anti-corruption measures are mainstreamed into EU external action instruments. It stresses that more emphasis should be put on the funds spent in non-EU countries and calls for greater priority to be given to the fight against corruption in pre-accession negotiations.

6. Response to requests and overview of actions taken, or intended to be taken, by the Commission:

The Commissioners for budget, fraud and public administration and for democracy, justice, the rule of law and consumer protection are working closely and will continue to do so on issues of common responsibility. Respect for the **rule of law and other EU values** as a pre-requisite for accessing Union funding is and will remain a priority for the Commission. The **Conditionality Regulation** has been an important development under the current Multiannual Financial Framework (MFF) as it protects the Union budget from breaches of principles of the rule of law. This regulation will continue to apply to all funds in the next MFF. The Commission aims to build a **closer link between financial support and the Member State specific recommendations** stemming from the Rule of Law Report. Under the **National Regional Partnerships Plans (NRPP) Regulation** proposal (COM/2025/559 final, 16 July 2025), all national plans must respect rule of law principles throughout their implementation, with the possibility to suspend payments in case of breaches. Member States will be required to review their plans halfway through implementation to address any potential deficiencies identified in the context of the latest **Rule of Law Report**. This will ensure that not a single euro will be spent for activities where the principles of the rule of law are not safeguarded or the protection of the financial interests of the EU is not guaranteed.

The Commission has also launched a **review of the EU anti-fraud architecture**, which examines, inter alia, how to foster synergies among the main actors, i.e. OLAF, the EPPO, EUROPOL, EUROJUST and ECA, and to improve the methodology for fraud reporting. The Commission considers AFA of utmost importance to ensure the most efficient protection of the Union’s financial interests. The AFA review is intended to achieve a holistic approach, identifying and addressing any potential loopholes that may undermine the protection of the Union’s financial interests, while promoting efficiency throughout every stage of the anti-fraud cycle – from prevention and detection to investigation and correction, including recovery. The AFA review aims at better coordination, cooperation, and avoiding duplications of tasks and competences within the AFA actors’ existing mandates and available resources. The Commission explores ways to enhance complementarity between AFA actors, including improved reporting to have a more comprehensive picture of EU anti-fraud activities. The Commission continues to develop the PIF Report in the direction suggested by the EP as far as possible. (**paragraphs 6 and 7**)

The Commission includes in the **2024 PIF Report** a section on the results of OLAF’s investigations and the recoveries following OLAF’s financial recommendations. **(paragraph 8)**

The Commission also welcomes the good results achieved by the EPPO. The Commission is currently evaluating the EPPO Regulation and its implementation. In this context, as well as in the context of the review of the EU AFA, it will also assess, to the extent relevant, the issue of the **recovery of EU funds** mentioned by the EP. **(paragraph 9)**

The Commission is regularly proposing new measures to detect **VAT fraud on cross-border transactions** more effectively. In 2024, the Commission delivered the Central Electronic System of Payment information (CESOP) to Member States. Operated by Eurofisc, CESOP collects data reported by payment service providers on **cross-border online payments**. It enables cross checks between payment data and VAT declarations to detect unreported supplies. The first tangible results are expected in 2025, as Eurofisc begins to fully exploit the system's potential. The VAT in the Digital Age (ViDA) package, adopted in March 2025, introduced amongst other the **Digital Reporting Requirements**: real-time digital reporting for cross-border trade, based on e-invoicing, which will become the default method for invoicing. It will give Member States the information they need to step up the fight against VAT fraud, especially carousel fraud, and replaces the current recapitulative statement system. The move to digital reporting will help reduce VAT fraud by up to €11 billion a year and bring down administrative and compliance costs for EU traders by over €4.1 billion per year over the next ten years. It also ensures that, in time, existing national systems converge across the EU and paves the way for Member States that wish to introduce national digital reporting systems for domestic trade to do so.

The Commission is also reviewing the legal framework for **VAT administrative cooperation**, aiming to improve the multi-disciplinary approach in the fight against VAT fraud and sharing VAT data on cross-border transactions with OLAF and the EPPO. **(paragraph 11)**

Information and data on recoveries following OLAF's financial recommendations will be included, to the extent possible, in next (OLAF 2025 and PIF 2025) reports. In November 2024, the Commission launched an '**EPPO overview mechanism'**, which aims to keep track of information provided by the EPPO (hereinafter 'EPPO notifications' or 'notifications') to Commission services and any 'appropriate measures' taken by the services concerned as a result. The first exercise was launched in November 2024 and covers EPPO notifications received by the Commission services from June 2021 until end 2023, referring to appropriate measures. The exercise is foreseen to be carried out annually and it is currently ongoing for the EPPO notifications received by the Commission services in 2024. Possible ways to further ameliorate the follow up of both OLAF recommendations and EPPO notifications in terms of recoveries will be explored in the framework of the AFA review. The Commission is also currently evaluating the EPPO Regulation and its implementation. In this context, it will assess whether any improvement is needed, remaining however aware of the EPPO's full independence from all EU institutions, bodies, offices and agencies, including the Commission. **(paragraphs 12 and 19)**

The Commission shares the Parliament's concern regarding the threats posed to the EU's financial interests by the activity of organised crime networks targeting EU funds. There is also growing evidence of the key role of organised crime in fraud schemes, and, conversely, of the important role of fraud in financing other forms of serious and organised crime. Europol provides operational support and intelligence to Member States, including in the areas of payment fraud, online fraud schemes, and the criminal use of online environments. The EU Serious and Organised Crime Threat Assessment (EU SOCTA) and other strategic reports guide EU policy and operational priorities, ensuring a **data-driven and intelligence-led approach to combating organised crime**. The European Multidisciplinary Platform Against Criminal Threats (EMPACT), the EU's flagship framework for coordinated and multidisciplinary actions against serious and organised crime, operationalises the EU SOCTA findings by setting multi-annual priorities, developing, and implementing Operational Action Plans (OAPs), and coordinating **cross-border law enforcement efforts**. The European Financial and Economic Crime Centre (EFECC) at Europol coordinates efforts to trace and analyse virtual assets, strengthen **cooperation with customs and financial intelligence units**, and support EMPACT's activities. In the context of the AFA review, reflections are ongoing with a view to improve information exchange and cooperation between relevant actors, as well as reporting. **(paragraph 16)**

Under the ProtectEU Internal Security Strategy, the Commission is preparing **new EU rules to strengthen the fight against organised crime** by modernising the 2008 legal framework. This will include redefining the offence of participation in criminal groups, raising penalties, enhancing investigative tools, boosting intelligence work, and improving prevention and governance. **(paragraph 17)**

The fight against corruption is a key element of the Annual Rule of Law Reports. Since 2023, the European Commission issues targeted recommendations to EU Member States, including in the anti-corruption area. The 2025 Rule of Law Report shows that its recommendations have allowed an effective focus on key reforms at national level, with Member States following up – to varying extents – on more than two-thirds of recommendations made in 2022, 2023 and 2024. **(paragraphs 18 and 20)**

The Commission has stepped up its efforts to provide guidance to Member States on **conflict of interest**. The Commission drafted a consolidated document on best practices on preventing, detecting, handling and reporting conflict of interest situations, incorporating earlier guidance to this effect, and disseminated it to relevant Member States authorities in May 2025. In 2024, a dedicated focus group on conflict of interest prevention and detection was organised during the annual technical working meeting with national audit bodies for RRF. The Commission together with experts from Member States is in the process of reviewing the Handbook on reporting of irregularities in shared management, which will include specific indications on how to report cases of conflict of interest in IMS.

As in previous years, the Commission auditors continued to pay particular attention in their desk reviews and audits to potential **conflicts of interest in RRF and Cohesion policy funds** (and whether the related risks were covered by AAs and, if relevant, appropriately mitigated through corrective measures). A standard question on conflicts of interest is included in each thematic audit and forms part of the Commission auditors' checklist. This has led to several recommendations to Member States aimed at improving their management and control systems regarding the prevention of conflicts of interest. **(paragraph 21)**

Revenue

The Commission intends to improve the existing legal framework to create an appropriate basis for effective **cooperation between Eurofisc and OLAF**. In addition, the Commission intends to clarify the legal basis to allow **cooperation between Eurofisc and the EPPO**. The Commission supports Member States by providing means of analysing data such as Transaction Network Analysis (TNA) and the Central Electronic System of Payment information (CESOP). OLAF has continued to maximise all the possibilities offered by mutual administrative assistance in customs matters to detect and investigate VAT fraud, in particular when related to customs fraud involving import duties, for example customs undervaluation, abuse of transit procedures or e-commerce facilitation arrangements. **(paragraph 25)**

Notwithstanding the "minimum rule" nature of the EUR 10 million threshold in Article 2(2) of the PIF Directive, the Commission will further assess the appropriateness of the amount in the framework of the third PIF implementation report. The Commission will encourage judicial training institutions to raise awareness regarding the interpretation of the notion of total damage, which should refer to the estimate damage resulting from the entire fraud scheme, along the lines provided in recital (4) of the PIF Directive. **(paragraph 26)**

The Commission shares the EP's objective of improving the evidence base for designing and targeting anti-fraud strategies. It fully recognises the importance of robust data to support national and Union-level efforts to combat VAT fraud and evasion. To this end, the Commission publishes estimates of the **VAT compliance gap** in yearly reports, allowing for comparisons across countries and over time. However, the methodology employed and data available do not allow for a direct estimation of disaggregated results by regions or sectors. For this reason, the annual VAT gap reports contain case studies looking into specific topics to identify elements that have contributed to developments in the VAT compliance gap, including specific sectors such as tourism, e-commerce, and construction. In addition, the Commission has published a study estimating the size of missing trader intra-Community (MTIC) fraud in 2024, using a novel methodology based on Intrastat data and machine learning techniques, which allowed for sector-level insights on this type of VAT fraud. **(paragraph 27)**

Expenditure

The Commission strives to reduce the **length of administrative procedures** in the Member States. OLAF, on behalf of the Commission, is working closely with Member States authorities, by exchanging information and coordinating activities, and monitors and analyses the reporting of irregularities. In addition, the AFCOS facilitate effective cooperation and exchange of information with OLAF. The length of the underlying procedures is one of the elements taken into consideration by the appropriate Commission services. Issues identified are directly raised with the Member States concerned. OLAF initiated a structured dialogue with 10 Member States to address specific issues related to reporting of irregularities in cohesion policy. The Staff Working Document 'Follow-up of 2023 Recommendations' accompanying the 2024 PIF Report includes the replies provided by Member States in relation to the Specific Recommendation 1 “Improving the reporting and follow-up of suspected fraud”. **(paragraph 33)**

The 2024 PIF Report includes a section on the results of OLAF’s investigations and the **recoveries following OLAF’s financial recommendations**. The Commission constantly aims to recover irregular expenditure more diligently and effectively. To that end, on 6 February 2024, the Commission adopted an enhanced corporate strategy for the management of the Commission’s debtors which includes measures to better manage the Commission’s claims against debtors as soon as their debts become due. Actions are being implemented to increase recoveries: recovery performance indicators, proactive communication to DGs, transparent monitoring and reporting via dashboards, synergies and efficiencies through partial centralisation, including combined waiver decisions. **(paragraph 34)**

The Financial Regulation applicable to the general budget of the Union establishes clear **procedures for the recovery process,** including deadlines and default interest in case of delay. Furthermore, the recovery process is a complex process which requires cooperation not only within the Commission but also with other actors and national authorities. The Commission is implementing measures to recover faster through recovery performance indicators, monitoring and reporting via dashboards. **(paragraph 35)**

The Commission will consider experiences gathered with OLAF’s coordination activities in its ongoing evaluation of Regulation (EU, Euratom) No 883/2013. **(paragraph 37)**

The Commission will explore whether the **new definition of non-governmental organisations (NGO)** introduced in September 2024 in the Financial Regulation should and could be further clarified (COM-Replies-SR-2025-11_EN.pdf to Recommendation 1 of the Court of Auditors’ Special report 11/2025: Transparency of EU funding granted to NGOs). In light of the simplification agenda, as pledged by stakeholders and the co-legislators, the Commission will also assess the benefits of such a potential clarification against the risk of increasing the administrative burden on EU funding applicants or on the Commission services. Additionally, this clarification should not be understood as an attempt to align how different Member States define NGOs in their jurisdictions. Any further clarification would need to be proportionate, as there is no indication that the NGO status poses a higher risk for the Union budget, compared to other types of entities.

This is particularly relevant since the NGO status is generally not a prerequisite for receiving EU funding.

The Commission will explore the feasibility of incrementally increasing the frequency of updates in the Financial Transparency System (FTS), following ECA's Recommendation 2, which addresses the improvement of the quality of information in the FTS (completeness and frequency of updates). Moreover, in accordance with Article 38 of the Financial Regulation (FR), the Commission will make available on the FTS information on recipients of EU funds under all management modes for post-2027 programmes.

In respect to ECA's Recommendation 3 for the Commission to explore the feasibility of developing the current systems to include risk-based verification of recipients' (including NGOs') compliance with EU values, in order to detect potential breaches, the Commission refers to its replies (COM-Replies-SR-2025-11_EN.pdf). The Commission is open to exploring the feasibility of introducing further risk indicators to enhance checks on compliance with EU values, provided this is technically possible and in line with the applicable rules. Any such assessment could be carried out only following the further development of Arachne+, which is to be delivered by the end of 2027. **(paragraph 38)**

In the **preparation of the legislative package of the next MFF** the Commission considers the specific experiences matured in the implementation of traditional and innovative spending models. The Commission strives to align the underlying legal provisions regarding transparency of fund recipients, mandatory reporting of quality data about detected irregularities, including fraud, corruption and conflicts of interest, and a strong anti-fraud architecture to ensure the adequate protection of the EU budget**. (paragraph 39)**

NextGenerationEU (NGEU) and the Recovery and Resilience Facility (RRF)

The Commission points out that the data on the EPPO's investigations into RRF are included in PIF Report 2023, Section 4.1.2 Investigations by the EPPO. **(paragraph 46 and 48)**

At this point of the implementation of the RRF it is very unlikely that rules concerning the **mandatory use of IMS to report irregularities and fraud** to the Commission may be introduced. In line with the recommendations of the European Court of Auditors, the Commission has extensively encouraged Member States to use the IMS for such reporting (Member States' audit authorities for RRF have been made aware of the advantages of using IMS for reporting irregularities during the 2024 bilateral meetings with the Commission). The Commission will nevertheless build on the experience acquired through the implementation of RRF, both in relation to irregularities reporting and transparency, for the next spending programmes of the new MFF. **(paragraphs 47, 50, 101)**

The Commission continuously supports the Member States in their efforts to protect the EU's financial interests, for e.g. via the annual coordination meetings with the national audit authorities, the annual technical working meeting with national audit bodies.

The technical working meeting with national audit bodies on the RRF was held in Brussels on 21-22 November 2024, and presented and discussed in the plenary session the topic of "Protecting the EU budget: prevention and detection of irregularities and fraud in the context of public procurement", and during the focus groups sessions the topics of "Prevention and detection of conflict of interest: best practices and use of data mining tools", and "Auditing fraud: audit techniques and approach". **(paragraph 48)**

Digitalisation and transparency to enhance the fight against fraud

The 2024 Financial Regulation introduced a legal basis for a **modernised data-mining and risk-scoring tool** to be available for the post-2027 MFF, named "**Arachne+".** The new tool will be applicable to all management modes, and it will be mandatory for the European institutions and bodies, Member States and entities implementing the Union budget to feed the tool with relevant data categories. However, the use of Arachne+ by the Member States will remain voluntary at the current juncture. The Commission, the Council, and the Parliament committed, in a Joint Declaration of 7 December 2023, to examine and re-discuss mandatory use of the corporate tool by Member States for the post-2027 MFF, based on an assessment of the tool's readiness by the end of 2027. **(paragraph 55)**

Interoperability with IMS will be considered as part of the broader assessment of the feasibility of the interoperability of different Commission databases with Arachne+, scheduled between mid-2025 – mid-2028. The Commission is working on a possible adaptation of IMS to the amendments introduced with the 2024 Financial Regulation for the purpose of the extension of EDES to funds disbursed under shared management and direct management with Member States. The Commission has initiated a review of the functioning of the interface between EDES and IMS. As a starting point, feedback from the users of such an interface will be collected via a survey (June 2025), to understand any potential gap that would need to be addressed. Bases on this, the Commission will identify if corrective measures or new developments are needed. **(paragraph 56)**

Digitalisation, interoperability of databases and integration of AI for fraud detection and prevention are all present in the 2023 revised action plan that accompanies the Commission anti-fraud strategy. The Commission/OLAF is intensifying its work with Member States' experts and EU anti-fraud actors to jointly harness the full **benefits of digital tools, and especially AI**. Two notable milestones were the conference on data-driven protection of the EU budget organised with the Greek authorities in November 2024, and the first Technical Workshop on digital anti-fraud tools organised with the Romanian authorities in

Bucharest in May 2025, which facilitated the sharing of successful tools and good practices.

In parallel, the Commission/OLAF has stepped up their efforts to bolster Member States' **digital anti-fraud capacities**, notably with initiatives like the flagship Digital Forensic and Analysts Training (DFAT) and the Anti-Fraud Intelligence Analysis (AFIA) training offered in cooperation with CEPOL.

As acknowledged in the White Paper for the Anti-fraud Architecture Review[1], the fight against fraud can benefit from focusing on better information collection, a better use of information and data sharing, a strengthened access to data, the use of modern technologies, including AI, for better detecting and investigating fraud, improved synergies in the use of investigative means, both criminal and administrative, and improved cooperation.

Europol provides Member States with advanced digital forensic support to **detect, analyse, and attribute AI-generated content** in ongoing investigations (e.g. identifying AI-generated audio deepfakes to impersonate company executives and authorise fraudulent wire transfers; AI-driven analysis tools to analyse millions of financial transactions and detect anomalies, such as suspicious movements of funds, that would be impossible to identify manually). AI-enabled fraud is one of the focus areas in EMPACT's Operational Action Plans, which coordinate **cross-border investigations and intelligence-sharing on AI-driven criminal tactics**. Europol's Financial Intelligence Public Private Partnership (EFIPPP) includes **workstreams on AI and fraud**, fostering collaboration with the financial sector to detect and disrupt AI-powered scams.

The **EU Regulation on Artificial Intelligence** sets out clear rules concerning **transparency**. This includes the obligations to ensure that outputs of AI systems are marked in a machine-readable format and detectable as artificially generated or manipulated. This ensures that law enforcement have the possibility to effectively identify AI-generated content created through legitimate AI systems. Additionally, through the Union's Research and Innovation Framework Programme (HORIZON), the Commission is investing in further research and innovation looking at the development of solutions that detect synthetic or manipulated content.

The Commission has already been exploiting AI-powered technologies to further enhance its fraud detection capabilities and protect the EU financial interest concerning EU-funded projects. Building on algorithms or machine learning models, the Commission developed the risk-scoring tool **Arachne+**, that supports national authorities in Member States managing EU funds in their control activities with predictive models

[1] COM (2025)546

detecting fraud. The Financial Regulation (recitals 29-32 and Article 36) and the EP, Council and the Commission (Joint statement on the occasion of the adoption of Regulation 2024/2509 http://data.europa.eu/eli/C/2024/5767/oj) have called for **Arachne+**, the modernised successor to Arachne for the post-2027 MFF, to integrate AI within the development of the tool, for analysing and interpreting data. The Commission is currently reviewing AI solutions that could be considered for the future development phases planned for 2026 and 2027. **(paragraphs 60 - 67)**

The internal layer of the EU's AFA – 2023 key measures at the EU level

The aim of the review of the EU anti-fraud architecture is to ensure that the next MFF can benefit from a strengthened and more efficient anti-fraud architecture to protect the EU's financial interests by making the best possible use of resources (particularly as regards the complementarity and coordination of the functions and activities of all relevant actors). Reviewing the AFA framework is an opportunity to better address all challenges and bridge existing gaps in the protection of the EU's financial interests. The AFA review process will also be an opportunity to improve and streamline cooperation between the various AFA actors. Priorities also include addressing the threats posed by increase of organised criminal activity targeting EU funds, building synergies with the newly established Anti-Money Laundering Authority (AMLA), and enhancing the use of the EUROFISC network to fight VAT fraud. The AFA review will also take into account the results of relevant ongoing evaluations of the OLAF, EPPO and Europol and Eurojust regulations. **(paragraphs 69, 78)**

The Commission remains committed to reach an ambitious agreement between the co-legislators on the proposal for a **Directive on combating corruption**. In addition, the Commission will continue its **monitoring** of national anti-corruption measures in its annual Rule of Law Report. The 2023 Joint Communication on the fight against corruption sets out the Commission's priorities for the years to come, including a **new EU network against corruption**, including civil society and the private sector. New workshops will be organised with the EU network in the coming months. The European Commission has already commissioned and published an independent study on the "high-risk areas of corruption" in November 2024. **(paragraphs 71 and 72)**

The Commission is unwavering in its commitment to upholding the rule of law. The EU has a **strengthened rule of law toolbox** with tailored tools to respond to various situations, including serious and persistent challenges. The Commission will act decisively to use the tools at its disposal to protect the Union's financial interests, provided all the relevant legal criteria are met. **(paragraph 74)**

Only the Council can adapt or lift the measures that **Hungary** is subject to under the Conditionality Regulation, in whole or in part. The measures adopted by the Council remain in place for as long as Hungary has not adopted remedies that put an end to the breaches of the principles of the rule of law and/or protect the Union budget concerned. The procedure for the adaptation or lifting of the measures is clearly set out in Article 7 of the Conditionality Regulation. **(paragraph 75)**

As announced in the Commission’s Political guidelines and in the communication on the roadmap to the next MFF, **respect for the rule of law cannot be taken for granted and should remain a must for EU funds.** The Commission proposal for the next multiannual financial framework includes strong safeguards in that respect. The national and regional partnership plans will ensure a strong link between the recommendations in the Rule of Law Report and financial support for targeted reforms and measures that boost institutional and civil society capacities in upholding the rule of law. The combination of financial support for rule of law reforms together with a strict application of safeguards and conditionalities will ensure that the EU budget is protected and is used to deliver on a Union based on democracy, the rule of law and fundamental rights. The EU budget will also support reforms that strengthen the rule of law in Member States, in line with the recommendations in the annual Rule of Law Report. In addition, the Conditionality Regulation, which is not time bound, will continue to protect the EU budget from breaches of the principles of the rule of law. It will be our last line of defence, applying to all EU programmes. **(paragraphs 76 and 77)**

The Commission’s proposal for a Directive on combating corruption, currently discussed by the co-legislators, recognises the **link between money laundering and corruption**, including a specific aggravating circumstance for entities that engage in corruption offences. The EPPO is already competent for the investigation and prosecution of money laundering involving property derived from criminal offences affecting the Union’s financial interests. In the ongoing process of evaluating the EPPO Regulation, the Commission will assess the need for possible amendments to strengthen the EPPO’s powers in this area, including to establish its future cooperation with AMLA. Europol is preparing for close cooperation with AMLA, including joint analysis teams and use of secure communication channels.

The Commission adopted a new **Directive on Asset Recovery and Confiscation** (2024/1260) and Europol Financial Intelligence Public Private Partnership (EFIPPP) published a **guide on operational cooperation** between financial entities and competent authorities. The Commission is also supporting expert networks on money laundering investigations and asset recovery (e.g. the Anti Money-laundering Operational Networks and the Camden Asset Recovery International Network), and capacity building and sharing of best practices on financial investigations (e.g. on crypto-assets). Under the new ProtectEU – European Internal Security Strategy, the Commission will explore ways to coordinate the use of criminal and administrative tools, the feasibility of a new EU-wide system to track organised crime profits and terrorist financing and effective information flows from Financial Intelligence Units to law enforcement. Finally, the Commission is engaging in strengthening cooperation with third countries that are a priority in the fight against organised crime. **(paragraph 78)**

The Commission notes that despite the delayed entry into force of the provisions concerning Arachne+ and the extension of EDES to shared and direct management with Member States, they represent a significant development and step forward in the protection of the EU's financial interests and they will contribute to the strengthening of the overall level of control of EU expenditure in the next MFF. **(paragraph 79)**

The Commission shares the positive assessment of the **Union Anti-Fraud Programme (UAFP)** and underlines its importance as an indispensable building block of the EU's AFA. Reinforcing joint defences against fraud is crucial in strengthening the EU's resilience, maintaining the public and taxpayers' trust and boosting the strength and added value of European integration. The lessons learned from the successful implementation of the UAFP under the 2021-2027 period are noteworthy. Echoing the views of many beneficiaries, the programme's evaluation also concluded that it is necessary to maintain a funding programme to support efforts to protect the EU's financial interests. **(paragraph 82)**

In the framework of the new CAFS Action Plan, the Commission aims to promote and support the **use of IMS by Commission auditors for fraud risk assessmen**t purposes, notably by providing tailored training. In 2024, the Commission collected the training needs on IMS and consulted Commission departments on possible specific needs and will continue providing training in line with the expressed needs. **(paragraph 85)**

The Commission is closely following the full **implementation of the PIF Directive** in the relevant Member States and will continue to take action as required to ensure the appropriate protection of the EU's financial interests. In 2026, the Commission will present the third implementation report of the PIF Directive, which may be followed by a legislative proposal to revise the PIF Directive. **(paragraphs 76, 86 and 108)**

The Commission is also closely monitoring the **implementation of the EPPO Regulation** in the Member States, including its provisions on the conflict of competence between the EPPO and national prosecutors. Based on the outcome of a study commissioned in 2022 and concluded in October 2023, the Commission has been exchanging views with the Member States to gather further information on their legislation implementing the EPPO Regulation. The evaluation of the EPPO Regulation and its implementation will also reflect this. **(paragraphs 86 - 91)**

The Commission shares the EP's views on the important **role of the EPPO in safeguarding the rule of law and combating corruption**. The Commission also welcomes the participation of Poland and Sweden in the EPPO and counts on Ireland to swiftly follow-up on its commitment to join the enhanced cooperation. The Commission encourages the remaining Member States to join, in accordance with the relevant procedures. The issues mentioned by the EP will be addressed in the evaluation and revision of the EPPO Regulation. **(paragraphs 92, 93, and 102)**

The Commission welcomes the good **cooperation between the EPPO and Eurojust and the EPPO and OLAF**, respectively, and stresses the importance of enhancing cooperation and complementarity between AFA actors.
The Commission will address the issues mentioned by the EP in its evaluation of the EPPO, Eurojust, and OLAF Regulations and will propose amendments to all Regulations, including, if appropriate, on the cooperation among these actors. **(paragraphs 94 and 95)**

Information on recoveries is accurate and available. On the expenditure side of the budget recoveries can be improved. To this end, developments have been under way with streamlined monitoring and closer cooperation with the DGs. The Commission has reinforced its efforts to follow up on the implementation of OLAF recommendations under its current Anti-Fraud Strategy (COM(2019) 196 final). OLAF monitors the follow-up to its financial recommendations until actual recoveries by the recipient and presents the follow-up to OLAF recommendations to the Corporate Management Board (CMB) once a year. In 2024, the OLAF Monitoring Site was launched, allowing Commission services to directly encode follow-up results for OLAF recommendations.

The lessons learnt from OLAF recommendations have already resulted in the adoption by the Commission of the corporate strategy for the management of the Commission's debtors with the objective to recover more and faster. **(paragraph 96)**

The Commission recalls the EPPO overview mechanism that has been in place since November 2024 to keep track of information provided by the EPPO to Commission services and any appropriate measures taken by such services. Following the revision of the Annexes I and III of the EPPO-Commission Agreement, new templates have been agreed between EPPO and Commission on the EPPO communications to the Commission. Moving forward, the Commission will address the issue of recovery, to the extent relevant, in the revision of the EPPO Regulation. It will propose amendments to the EPPO Regulation, including, if appropriate, to Article 38 on the disposition of confiscated assets. **(paragraph 97**)

The Commission is committed to greater transparency and accountability and has been continuously refining its reporting on the functioning of the AFA. Information and data on recoveries following OLAF's financial recommendations will be included, to the extent possible, in the next relevant reports.

To improve recoveries, Commission services and OLAF have been cooperating closely at all stages of the investigative cycle, including on a common understanding of the amounts to be recovered. This has been key to effective implementation of financial recommendations and has shown to improve performance over time with appreciably higher recovery rates being recorded in recent years. Digitalised information and data exchanges with the recipients have led to greater efficiency and have provided real-time overview of financial recoveries. The OLAF Monitoring Site has enabled centralised, efficient and real-time communication exclusively within the Commission and its executive agencies, thereby improving the accuracy of financial and administrative monitoring of follow-up of OLAF cases. The Commission will continue reflecting, including in the context of the review of the AFA, on further short- and mid-term improvements to the effectiveness and efficiency of the recovery process. **(paragraph 98)**

The external layer of the EU's AFA – key measures at national level in 2023

The Commission analyses the irregularities reported by beneficiary countries. The statistical evaluation of the reported irregularities is included in the SWD "Statistical evaluation of irregularities" accompanying the PIF Report. In 2024 the Commission issued a "Guidance on the reporting of irregularities by beneficiary countries of pre-accession assistance in indirect management". **(paragraphs 99 and 100)**

The Commission could consider the elements in **paragraph 105** if the adoption of NAFS by Member States becomes compulsory.

The Commission has introduced requirements for national management and control systems to include **a comprehensive NAFS** in the legislative package for the next MFF, in line with previous proposals (previous MFF and financial regulation recast). **(paragraph 106)**

In 2023, OLAF conducted an AFCOS Mapping Exercise, which could constitute a solid basis for any further monitoring exercise on the state of play of the AFCOS. It covered AFCOS powers, legal limitations and formal obstacles in the AFCOS mandate, developments regarding the National Anti-Fraud Strategies, irregularity reporting workflow, AFCOS involvement in cooperation with the EPPO and in the governance of RRF. The Commission regrets the suboptimal staffing level across the majority of the AFCOS but recalls that Member States are autonomous in deciding where to best place the anti-fraud coordination service within their national administrative structures and what powers will be entrusted to this service. The OLAF Regulation refers to the application of national law as regards the establishment of the coordination services itself (their organisation and their powers) and the performance of their activities. OLAF regularly addresses the above issues in the framework of the yearly AFCOS meetings and conferences as well as bilateral meetings. Moreover, the role, functioning and added value of the AFCOS will be examined in the evaluation of the OLAF Regulation. **(paragraph 107)**

External dimension of the protection of the EU's financial interests

The Commission continues to provide comprehensive technical assistance **support to Ukraine** to strengthen its capacity to address corruption and to ensure sound public financial management and spending. The Commission also assists the Ukrainian authorities in their endeavour to approximate their national law to the EU's anti-fraud *acquis*, notably to Directive (EU) 2019/1937. Moreover, OLAF cooperates with Ukraine's national authorities to protect EU funding, notably by providing targeted **anti-fraud assistance** to authorities, including through the Union Anti-Fraud Programme, to which Ukraine has been associated. The Commission will continue to ensure that OLAF can exert its mandate in practice, for example by including strong **anti-fraud provisions** in the relevant funding agreements and contracts.

In addition, the Commission established the **Audit Board of the Ukraine Facility**, which support the Commission by continuously monitoring Ukraine's management and control systems for the use of Union funds under the Facility and by highlighting any systemic problems or potential weaknesses of the systems.

The Commission also welcomes the good **cooperation between the EPPO and the competent Ukrainian authorities** in the fight against crimes affecting the Union budget, as also demonstrated by the conclusion of two working arrangements. The Commission however notes that the EPPO is not competent for "scrutiny" on the use of EU funds but is rather competent to investigate and prosecute criminal offences affecting the Union's financial interests, in accordance with the rules and procedures set out in the EPPO Regulation. **(paragraphs 113 – 115)**

The Commission agrees with the EP's call to maintain, reinforce and extend the scope and effectiveness of the **sanctions policy regarding Russia and Belarus**. In this respect, the Commission attaches great importance to the correct transposition of Directive (EU) 2024/1226 on the criminalisation of sanctions violations, which was discussed, among others, in two meetings of the Commission's Freeze and Seize Task Force (September 2024 and February 2025). The deadline to transpose the Directive expired in May 2025 and the Commission will now take the necessary measures to ensure its full and correct implementation by the Member States. **(paragraph 117)**

The Commission is committed to taking strong measures to address and mitigate any fraud, corruption or other illegal activity affecting the financial interests or the reputation of the European Union. All beneficiaries and implementing partners must properly apply operational and financial procedures to ensure sound and efficient management of EU funds and the implementation of EU-funded actions. The Commission services work in close cooperation with OLAF, the EPPO and the ECA. **(paragraph 119)**

While the PIF report does not address relations with international organisations and neighbouring countries, the Commission acknowledges the necessity of exchanging best practices and fostering cooperation with international partners to prevent and effectively address cross-border fraud. The Commission is committed to further enhancing collaboration with the EPPO and promoting best practices in this regard. In particular, the Commission would welcome a joint common approach to improve relations and implement controls and anti-fraud measures with international organisations. The Commission has included initiatives in the revised Action Plan of the Anti-Fraud Strategy to raise awareness among pillar-assessed partners in external action about their obligation to notify the Commission of irregularities, fraud, and exclusion situations. **(paragraph 121)**