

# Fraud

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The legal basis of the Anti-Fraud policy is Article 280 of the Treaty establishing the European Community.

Cigarette smuggling, counterfeit euro coins, diversion of aid for Kosovo, subsidies for oranges grown on farms which do not exist - all these defraud European taxpayers. It has been estimated that of the total EU budget of more than €100bn annually, as much as one billion euro ends up in the pockets of people who were not entitled to it. Internal cases make up around 10% of all cases.

The European Anti-Fraud Office (OLAF) has more than 300 officials looking after the financial interests of the European Union and its taxpayers. OLAF investigates several hundred cases each year where the EU is being cheated out of revenue or its funds have been misused. More than half the cases opened by OLAF result in follow-up measures. These can be prosecution by national authorities, disciplinary proceedings or administrative sanctions.

The number of counterfeit euro coins has been rising steadily since they entered circulation. OLAF has since October 2004 been in charge of the European Technical & Scientific Centre (ETSC). This analyses counterfeit euro coins, of which 74,600 were found in 2004. However, compared to the 55 billion coins in circulation, the numbers are small. The coin most popular with counterfeiters is the 2-euro.

OLAF cannot bring cases to court in the member states. When an investigation suggests that prosecution is justified, OLAF sends the file to the relevant national authority. However, member states have agreed to the idea of a European Public Prosecutor and incorporated this in the draft European constitution currently being ratified by member states. This prosecutor would be able to prosecute directly all cases involving the EU's financial interests.

Information is exchanged through the EU's Customs Information System (CIS). It complements the existing Anti-Fraud Information System (AFIS) through which hundreds of thousands of messages are exchanged each year. CIS allows customs, police, coastguards, agricultural and public health services to share sensitive data in a single database.

Towards the end of this decade, a further computerised information system is to be introduced, this time covering excise goods — alcohol, tobacco and mineral oils — moving between member states and not taxable until they reach their destination. Like the CIS, this system will provide real-time information on where goods are.