Governmental Audit Office for EU Funds is a member of the AFCOS network, and within the Strategic Plan for Combating Fraud and Managing Irregularities in the EU Funds in the Republic of Serbia for the period 2024-2026, an activity is planned for the presentation of interesting facts on the topic of irregularities and fraud. In order to present to the users of EU funds in the Republic of Serbia up-to-date and important information related to the system for combating irregularities and fraud in the EU, expectations from member states in the near future, and current data on fraud cases in the region, we based our presentation on three materials:

I. The European Commission's White Paper on the Anti-Fraud Architecture Review,

II. The European Public Prosecutor's Office Annual Report for 2024, and

III. The Association of Certified Fraud Examiners' Report to the Nations for 2024.

We hope that these presentations will contribute to our system in the area of fraud prevention. For a more detailed acquaintance with the content of the materials, links are provided by clicking on the title; if there are additional questions, please contact kancelarija@aa.gov.rs .

The European Commission recently published a document, which represents the European Commission's White Paper on the revision of the EU Anti-Fraud Architecture (AFA). The White Paper analyzes the growing threats to the EU's financial interests, such as transnational fraud, VAT-related fraud, and the activities of organized crime networks targeting EU funds, while also proposing ways to strengthen the EU's anti-fraud framework by improving coordination among actors and enhancing digital tools (artificial intelligence, encrypted communication, cryptocurrencies). Given the significant budget allocated by the NextGenerationEU instrument, consequently, the exposure to the risk of irregularities and fraud is higher. The revision of the mentioned document aims to ensure a more effective anti-fraud structure for the next Multiannual Financial Framework ("MFF").

I. The European Commission's White Paper on the Anti-Fraud Architecture Review

Purpose

• The process of initiating a revision of the EU Anti-Fraud Architecture (AFA) has been launched, i.e., the framework of policies, institutions, and mechanisms that protect the EU's financial interests (budget, funds, programs);

• The revision aims to ensure that the architecture is fit for purpose, given evolving threats (organized crime, cross-border fraud, technology/AI risks) and the growing size and complexity of the EU budget;

• It is also linked to the upcoming multiannual financial framework (MFF) by ensuring the consistency of the architecture.

The White Paper describes the current structure and its actors (European Anti-Fraud Office (OLAF), European Public Prosecutor's Office (EPPO), Europol, Eurojust, authorised delegating officers in institutions/bodies) and how they cooperate.

Why it matters

- The increasing scale and complexity of fraud threats (technological, trans-national, organised crime) require an update of the architecture originally built decades ago.
- A strengthened anti-fraud architecture helps protect the EU's budget and ensures public trust in how EU funds are managed.
- Timely, because this review is linked to the next MFF: arrangements made now can influence how the next long-term budget is safeguarded.

Next steps

- The Commission invites stakeholders (EU bodies, Member States' authorities, anti-fraud actors) to contribute to this reflection process.
- The outcome of the review is expected in 2026, in the form of a Commission Communication, possibly accompanied by legislative proposals to reform key actors and regulations

Key Reflection Questions in the White Paper

1. Detection & Prevention

- How can the EU strengthen early detection of fraud, corruption, and irregularities?
- Can data-driven tools (AI, big data analytics, blockchain monitoring) improve risk analysis?
- How to enable faster and more secure **data sharing** between EU and national authorities?
- What safeguards are needed to ensure data protection and fundamental rights while using AI tools?

2. Investigation & Prosecution

- How should **OLAF** (administrative investigations) and the **EPPO** (criminal prosecutions) cooperate more efficiently?
- Should OLAF's mandate or powers evolve to reflect EPPO's operational role?
- How can **Europol** and **Eurojust** contribute more directly to EU budget protection cases?
- What measures can ensure faster recovery of defrauded EU funds?

3. Governance & Coordination

- Is the current anti-fraud architecture too fragmented or overlapping?
- Would a clearer division of responsibilities improve efficiency and reduce duplication?
- Should the EU consider a central coordination body or improved inter-agency platforms?
- How can anti-fraud performance be better monitored and reported to the European Parliament and Council?

4. Resources & Future Readiness

- Do AFA actors have the financial and human resources needed for modern fraud threats (cyber, crypto, AI-enabled schemes)?
- How can the next **Multiannual Financial Framework (MFF)** integrate fraud-resilience into its design?

Main Actors in the EU Anti-fraud Architecture

Actor	Main Role	Key Challenges/Questions Raised
OLAF (European Anti-Fraud Office)	Investigates administrative fraud, irregularities, and corruption affecting EU financial interests.	Clarify cooperation and division of tasks with EPPO; adapt mandate to new digital risks.
EPPO (European Public Prosecutor's Office)	Conducts criminal investigations and prosecutions of crimes against the EU budget.	Enhance coordination with OLAF and national authorities; resource adequacy.
Europol	Supports law enforcement cooperation and analysis on cross-border crime.	Increase contribution to budget fraud and corruption intelligence.
Eurojust	Facilitates judicial cooperation in criminal matters.	Improve operational synergy with EPPO and OLAF cases.
European Commission (DGs & Authorising Officers)	Ensures prevention, detection, and correction of fraud within EU programmes.	Strengthen internal control and data-sharing systems.
Member States' Authorities	Primary implementers and controllers of EU funds.	Ensure alignment with EU-level anti-fraud systems and timely reporting.

Next Steps

- **Consultation phase (2025–2026)** with EU institutions, Member States, and anti-fraud bodies.
- **Commission follow-up Communication (2026)** summarising findings and possibly proposing reforms or legislative updates (e.g., to OLAF or EPPO Regulations).

II. The European Public Prosecutor's Office Annual Report for 2024

The annual report presents statistics by Member States participating in the work of the EPPO, where prosecutors have the same priorities and implement the same prosecutorial policy, as defined by the EPPO College. The focus is on complex, cross-border investigations of sophisticated economic and financial crime – especially where organized criminal groups are involved.

As of 31 December 2024, 2,666 active investigations were ongoing, for an estimated damage of over 24.8 billion euros. With an estimated damage of 13.15 billion euros, VAT fraud accounted for more than 53% of the total estimated damage under investigation at the end of 2024. The proportion of investigations with a

cross-border dimension (acts committed in the territory of several countries, or which caused damage in several countries) remained at the previous year's level (29%).

In 2024, 6,547 crime reports were processed, which is 56% more than in 2023. This increase was mainly caused by reports from private individuals (4,623, which is 85% more than in 2023), as well as from national authorities (1,760, which is 12% more than in 2023). This increase proves that the level of detection of fraud affecting the EU's financial interests in participating Member States has further improved. It also shows that there is better public awareness of the EPPO, and that the expectations of European citizens remain high. However, reports from EU institutions, bodies, offices, and agencies remained very few (113), meaning that there has still been no improvement in terms of detection and reporting from their side, even three years after the start of EPPO's operations. Based on all available information, 1,504 investigations were opened in 2024, which is almost 10% more than in 2023 – corresponding to damage estimated at 13.07 billion euros. This is mainly the result of a combination of improved cooperation between the EPPO and the competent national authorities, and the EPPO's determination to target criminal organizations particularly active in non-procurement expenditure fraud and revenue fraud (VAT and non-VAT).

In 2024, with 205 indictments filed (which is 47% more than in 2023), the EPPO began to bring more perpetrators of EU fraud before national courts.

In line with its objective to focus on damage recovery, judges granted European Delegated Prosecutors approved freezing orders worth 2.42 billion euros, while the value of assets frozen during the year amounted to 849 million euros.

We highlight below the EPPO's activities related to the NextGenerationEU instrument.

By the end of 2024, the EPPO had conducted 311 active cases related to the NextGenerationEU instrument, of which 307 originated from the Recovery and Resilience Facility (RRF), corresponding to approximately 17% of all active expenditure fraud investigations. The estimated damage to the EU's financial interests amounts to 2.8 billion euros, corresponding to 30% of the total estimated damage from expenditure fraud (compared to 25% last year).

In 2024, the EPPO opened 145 new investigations. The number of EPPO investigations continues to grow, which is in line with the pace of RRF fund disbursements. Given that the implementation of the RRF is less than halfway through, the number of cases is expected to continue to rise. Competent national institutions/law enforcement agencies remain the main source of reports, with 90% of new investigations opened based on their information. Reports from private individuals account for 6% of new investigations, while reports from EU institutions, bodies, offices, and agencies do not even account for 3%. The EPPO opened 1 investigation ex officio.

EPPO investigations into fraud affecting the RRF reveal significant differences among Member States, reflecting variations in fund allocation, crime detection capabilities, and fraud frequency.

Cases under investigation cover several sectors and objectives, with significant concentrations in digital transformation and the green economy, followed by support for business competitiveness, public infrastructure and public transport, innovation, training and education, health and medical equipment, and public administration.

The predominant modus operandi in RRF fraud remains the submission of false, incomplete, or misleading information to unlawfully secure funds. Forgery and manipulation of invoices and contracts were common tactics, often accompanied by the submission of false statements or documents to conceal disqualifying criteria. Bribery of public officials and bid-rigging were key to securing the award of contracts with inflated prices to specific companies.

The fraudulent practices have also allowed fraudsters to exploit upfront disbursements.

In some cases, suspects established companies or took over inactive ones to fraudulently apply for RRF funds. The companies had no physical offices and failed to submit required tax returns, some for over 20 years. However, with the help of accountants, the suspects created documentation showing millions in revenue, allowing them to submit a series of funding requests.

Funding in many cases was immediately diverted from company bank accounts through systematic ATM cash withdrawals or bank transfers to accounts of other individuals or companies. The suspects created a "carousel" of "letterbox companies" to generate millions in illicit proceeds.

Some investigations revealed the involvement of high-ranking public officials, suspected of illegal conduct in favor of private beneficiaries, or in situations of conflict of interest, where the criminal offense of abuse of official position or authority was recorded.

Corruption of high-ranking public officials was further investigated by EPPO as an instrumental criminal offense for awarding contracts and projects to specific entities, both in public procurement and non-public procurement fraud.

The involvement of organized crime is evident whenever fraud is set up on a large scale and ensures high illicit gains. In these cases, criminal groups coordinate several small companies within a multi-territorial fraud involving fictitious entities, professional enablers, and money laundering strategies with a final destination in third countries, including "offshore havens."

III. The Association of Certified Fraud Examiners' Report to the Nations for 2024

The 2024 Report to the Nations, issued by the Association of Certified Fraud Examiners (ACFE) covered 1,921 cases in 138 countries, with an estimated damage amount of USD 3.1 bilion. The Republic of Serbia was included with 2 cases. From the report, we highlight that over 43% of reports came through tips, of which employees reported more than half of the cases, while approximately one-third came from customers and suppliers. The most commonly used mechanisms for reporting tips are: by phone (30%), email (37%), and via the web (40%).

Corruption is present in 48% of all reported cases.

More than half of fraud cases in organizations are a consequence of weaknesses in internal control systems or the override of existing control mechanisms.

The presence of an adequate system for managing irregularities and fraud directly affects lower fraud losses and faster fraud detection. 82% of organizations modify existing internal control systems following an occurred fraudulent scheme, and 27% expect that existing modifications and controls will significantly impact the prevention of similar fraud cases in future.

For the region of Eastern Europe and Western and Central Asia, among which are two cases from Serbia, it is highlighted that in 71% of cases, corruption is the most common form of fraudulent scheme, that detection in 56% was done by tip-off, and in 15% of cases by internal audit. Finally, we highlight the most common forms of established controls by organizations:

- External audit of financial statements (94%)
- Code of conduct (92%)
- Internal audit (88%)
- Hotline (88%).