

OLAF – The European Anti-Fraud Office

Cigarette smuggling, counterfeiting of euro coins, subsidies for oranges grown on farms which do not exist — all these defraud the European Union's budget, hence European taxpayers. [The European Anti-Fraud Office](#) (or OLAF, its French acronym) was set up in 1999, to protect the European Union's financial interests and to ensure that the best possible use can be made from EU's resources. OLAF operates as an independent investigation service within the European Commission. It employs almost 400 officials to combat fraud, corruption and any other illegal activity, including any misconduct within the European institutions with financial consequences.

Each year OLAF investigates several hundred cases, where the EU is being cheated out of revenue or where its funds have been misused. Consequences may include prosecution by national authorities, disciplinary proceedings, administrative or financial sanctions, or changes to the legislation.

The biggest single category of fraud, when measuring financial impact, is the diversion of funds from the EU's Structural Funds, which finances projects for regional and social development. Cigarette-smuggling is another major target, with the hundreds of millions of cigarettes seized annually. The third-largest category are irregularities in agricultural expenditure. It has been estimated that of the total EU budget of more than €100 billion annually, as much as one billion ends up in the wrong pockets.

OLAF also manages to get money back for the EU: in recent years OLAF has annually restored some 200 million fraudulently acquired euros to the Brussels coffers.

Investigative independence is crucial to OLAF's effectiveness. Consequently, it has special status within the EU's institutional framework. Although it is set up as part of the European Commission, its Director-General is not allowed to seek or accept instructions from any government or institution, including the Commission itself. OLAF can take its case to the European Court of Justice if its independence appears to be at risk.

OLAF officials have extensive powers of investigation into **civil offences**. They can carry out on-the-spot checks on business premises in Member States and in some other countries with which the Community has signed cooperation agreements. They also work closely with the Member States' authorities; indeed, they must let Member State officials take the lead in **criminal cases**.