

Procedure file

Basic information	
INL - Legislative initiative procedure	2021/2054(INL)
Procedure completed	
Digitalisation of the European reporting, monitoring and audit	
Subject	
2.50.08 Financial services, financial reporting and auditing	
2.50.10 Financial supervision	
3.30.06 Information and communication technologies, digital technologies	
3.45.03 Financial management of undertakings, business loans, accounting	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Budgetary Control	 GRAPINI Maria	27/05/2021
		Shadow rapporteur	
		 HOHLMEIER Monika	
		 CHASTEL Olivier	
		 PEKSA Mikuláš	
		 CZARNECKI Ryszard	
		 FLANAGAN Luke Ming	
European Commission	Commission DG	Commissioner	
	Neighbourhood and Enlargement Negotiations	HAHN Johannes	

Key events			
20/05/2021	Committee referral announced in Parliament		
26/10/2021	Vote in committee		
04/11/2021	Committee report tabled for plenary	A9-0311/2021	Summary
23/11/2021	Decision by Parliament	T9-0464/2021	Summary

Technical information	
Procedure reference	2021/2054(INL)

Procedure type	INL - Legislative initiative procedure
Procedure subtype	Request for legislative proposal
Legal basis	Rules of Procedure EP 47
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	CONT/9/06035

Documentation gateway

Committee draft report	PE696.492	13/09/2021	EP	
Amendments tabled in committee	PE697.748	04/10/2021	EP	
Committee report tabled for plenary, single reading	A9-0311/2021	04/11/2021	EP	Summary
Text adopted by Parliament, single reading	T9-0464/2021	23/11/2021	EP	Summary

Digitalisation of the European reporting, monitoring and audit

The Committee on Budgetary Control adopted a legislative initiative report by Maria GRAPINI (S&D, RO) containing recommendations to the Commission on the digitalisation of the European reporting, monitoring and auditing.

Ensuring confidence in the financial management of EU funds is essential for the overall trust in the EU institutions and thus for the credibility of the project for further European integration.

Members consider that the most effective way to enhance the protection of the EU budget and the EU instrument for recovery against fraud and irregularities is to create an integrated, interoperable and harmonised system for the collection, monitoring and analysis of information on final beneficiaries in all Member States. This system should ensure effective controls on conflicts of interest, irregularities, double funding issues and any misuse of funds. It could also be the best instrument to fight disinformation in all Member States.

Therefore, the Committee on Budgetary Control asks the European Commission, in particular in the context of the forthcoming revision of the Financial Regulation, to present, before the end of 2021, the necessary legislative proposals to amend the Financial Regulation in order to ensure the use of standardised data sets and the possibility to identify the final beneficiaries of funds.

Under the proposal requested by Members, the Commission should make available an integrated and interoperable electronic information and monitoring system, including a single data mining and risk scoring tool, to access, store, aggregate and analyse data on final beneficiaries of EU funds with a view to a generalised mandatory application by Member States.

The Commission, the European Anti-Fraud Office (OLAF) and other Union investigative and control bodies should have the necessary access to that data in order to exercise their supervisory functions in relation to the controls and audits that are to be carried out by the Member States in the first place to detect irregularities and conduct administrative investigations into the misuse of the Union funding concerned, and to get a precise overview of its distribution.

The report stressed that this system should:

- be based as far as possible on open-source principles and use standardised data sets and measures to collect, compare and aggregate information and figures on recipients and direct and final beneficiaries of EU funds for control, audit and discharge purposes;
- be developed with a view to ensuring full compliance with the principles of transparency set out in the Financial Regulation;
- be accessible to journalists, civil society representatives and the general public in order to facilitate research into the use of public funds and possibly uncover fraud, while respecting the rules of the General Data Protection Regulation.

Members called for this system to be developed within two years and to be made available, free of charge, and mandatory for Member States' reporting authorities.

The financial implications of the proposal should be covered by the EU budget.

Digitalisation of the European reporting, monitoring and audit

The European Parliament adopted by 659 votes to 28, with 1 abstention, a resolution with recommendations to the Commission on digitalisation of the European reporting, monitoring and audit.

Ensuring confidence in the financial management of EU funds

Public knowledge and full transparency about the spending of Union funds is essential for the acceptance of this spending. However, the number of off-budget instruments continues to grow, with instruments such as Next Generation EU being managed directly by the Commission. Members therefore called for the financial regulation to be updated to allow Parliament to fulfil its oversight role over these new

mechanisms. This is particularly important in the context of the digitalisation of European reporting, monitoring and auditing procedures.

Clear, comprehensible and fair rules on eligibility for support or participation in spending programmes is a first precondition for support in the financial management of EU funds.

With this in mind, Parliament believes that the most effective way to strengthen the protection of the EU budget against fraud and irregularities is to establish a digitalised programme creating an integrated, interoperable and harmonised system for collecting, monitoring and analysing information on the final recipients of EU funds in all Member States.

This system would allow national and regional authorities as well as EU institutions, including the Parliament, the Commission, the Court of Auditors, OLAF and the European Public Prosecutor's Office, to ensure effective controls on conflicts of interest, irregularities, double-funding issues and misuse of funds, as well as the use of modern IT tools such as ARACHNE.

Proposals to revise the Financial Regulation

Parliament called on the European Commission, in particular in the context of the forthcoming revision of the Financial Regulation, to present, before the end of 2021, the necessary legislative proposals to amend the Financial Regulation in order to ensure the use of standardised datasets and the possibility to identify the final beneficiaries of EU funds.

Under the proposal requested by Members, the Commission should make available to financial actors and entities responsible for budget implementation, an integrated and interoperable electronic information and monitoring system, including a single data mining and risk scoring tool, to access, store, aggregate and analyse data on final beneficiaries of EU funds with a view to a generalised mandatory application by Member States.

The Commission, the European Anti-Fraud Office (OLAF) and other Union investigative and control bodies should have the necessary access to that data in order to exercise their supervisory functions in relation to the controls and audits that are to be carried out by the Member States in the first place to detect irregularities and conduct administrative investigations into the misuse of the Union funding concerned, and to get a precise overview of its distribution.

The resolution stressed that this system should:

- be based as far as possible on open-source principles and use standardised data sets and measures to collect, compare and aggregate information and figures on recipients and direct and final beneficiaries of EU funds for control, audit and discharge purposes;
- be developed with a view to ensuring full compliance with the principles of transparency set out in the Financial Regulation;
- be accessible to journalists, civil society representatives and the general public in order to facilitate research into the use of public funds and possibly uncover fraud, while respecting the rules of the General Data Protection Regulation.
- be designed in such a way that it automatically links to databases containing updated information about company ownership.

This system should allow for very quick identification of recurrent and possible overrepresented beneficiaries of Union funds, including tender winners. Information about recipients of Union funds is made publicly available for a minimum period of five years.

Members called for this system to be developed within two years and to be made available, free of charge, and mandatory for Member States' reporting authorities.

The financial implications of the proposal should be covered by the EU budget.