

Procedure file

Basic information		
INI - Own-initiative procedure	2022/2020(INI)	Procedure completed
Possibilities to increase the reliability of audits and controls by national authorities in shared management		
Subject 2.50.08 Financial services, financial reporting and auditing		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Budgetary Control	 HOHLMEIER Monika	07/04/2022
		Shadow rapporteur	
		 NEGRESCU Victor	
		 WIEZIK Michal	
		 KUHS Joachim	
		 FLANAGAN Luke Ming	
	Committee for opinion	Rapporteur for opinion	Appointed
	 Agriculture and Rural Development	 FLANAGAN Luke Ming	28/03/2022
European Commission	Commission DG Secretariat-General	Commissioner REYNDERS Didier	

Key events			
10/03/2022	Committee referral announced in Parliament		
05/10/2023	Vote in committee		
23/10/2023	Committee report tabled for plenary	A9-0297/2023	Summary
21/11/2023	Results of vote in Parliament		
21/11/2023	Decision by Parliament	T9-0404/2023	Summary

Technical information	
Procedure reference	2022/2020(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CONT/9/08481

Documentation gateway					
Committee opinion	AGRI	PE731.787	26/10/2022	EP	
Committee draft report		PE731.616	26/06/2023	EP	
Amendments tabled in committee		PE752.911	11/09/2023	EP	
Committee report tabled for plenary, single reading		A9-0297/2023	23/10/2023	EP	Summary
Text adopted by Parliament, single reading		T9-0404/2023	21/11/2023	EP	Summary
Commission response to text adopted in plenary		SP(2024)25	19/02/2024	EC	

Possibilities to increase the reliability of audits and controls by national authorities in shared management

The Committee on Budgetary Control adopted a report by Monika HOHLMEIER (EPP, DE) on possibilities to increase the reliability of audits and controls by national authorities in shared management.

Root causes affecting the management, control and audit of EU expenditure under shared management

The report points out that the complexity of the rules governing EU funds, combined with frequent changes to regulations between programming periods, can lead to problems of legal ambiguity or compliance, as well as misinterpretation and gaps in implementation, resulting in a higher risk of error. Members deplore the fact that the Commission's guidelines are often highly technocratic and open to differing interpretations. This can lead to over-regulation, increased red tape and ongoing changes to implementation standards by Member States.

Members also pointed out that, under shared management, Member States are responsible for setting up a system for managing and control of payments, and for ensuring that it is capable of detecting and correcting irregularities. They stress that it is advantageous for Member States to opt for preventive rather than punitive measures for management and control purposes, to ensure that the system is managed as efficiently as possible in the interests of the right recipients, while preventing fraud and misallocation of public funds.

The report stresses that effective management control is essential to guarantee both the performance of operations and their compliance with the legal framework. In addition to protecting the Union's financial interests, the detection of errors must be used to implement the necessary corrective measures and to make improvements to legislation in order to prevent such errors in the future.

Members insist that Member States' audit bodies must comply with the international standards of supreme audit institutions. Non-compliance with these standards creates a risk of undermining the reliability and quality of audit work, and also poses a threat to the single audit approach.

The report also deplores the fact that the lack of sufficient resources, including the lack of training of the workforce dedicated to control functions, is a factor affecting the ability of managing authorities (under cohesion policy) and paying agencies (under the CAP) to carry out effective checks and verifications of expenditure. It also stresses that the independence of audit bodies and other bodies managing funds in the Member States is an essential requirement for the reliability and quality of audit results.

Members reiterate their concern about the difference between the error calculation method applied by the Court of Auditors and that applied by the Commission, which creates confusion and makes it difficult to address the root causes of errors. These discrepancies are present in cohesion expenditure, one of the largest parts of the Union's budget, for the fourth year running. A relevant and reliable estimate of the error rate in cohesion spending is therefore a key element in the Commission's disclosure and control of the compliance of spending in this policy area with legislation.

Recommendations on possible ways to increase the reliability of audits and controls under shared management

The Commission is invited, inter alia, to:

- contribute to improving the common understanding of the single audit approach in order to achieve a more uniform interpretation and

implementation of this model across Member States;

- continue to simplify the rules and requirements applicable to EU funds and programmes, while ensuring a balance with the necessary audits and controls and continuity between programming periods, as well as providing the competent authorities in the Member States with further clarification on their implementation;
- continue to identify ways of helping Member States to transpose directives, issue guidelines and implement EU funds;
- reduce over-regulation, and closely monitor delayed, fragmented or incomplete implementation or transposition of EU legislation;
- strengthen cooperation with Member States, in particular to avoid problems of incorrect translation which could hinder the uniform interpretation of Union law, and to avoid imposing an additional administrative burden on national authorities when interpreting and applying the relevant provisions;
- encourage and facilitate the exchange of best practice between Member States and their audit and control authorities in terms of implementation and audit methods;
- develop support mechanisms for local authorities in need;
- proactively promote good communication and the exchange of good audit practice between Member State audit authorities at European, national and regional levels;
- reduce the CAP administrative burden on farmers, which is often at the root of unintentional errors, which should be clearly distinguished from cases of intentional fraud, thus ensuring more efficient use of CAP funds;
- promote the use of satellite images and new imaging technologies to monitor the CAP.

Members considered that digitalisation and the adoption of more sophisticated IT tools at national and EU levels would improve the management, control and auditing of EU funds, and could contribute to preventing irregularities, increasing the quality of checks and audits, and substantially reducing bureaucracy, assuming interoperability of IT tools between Member States and the Commission.

Possibilities to increase the reliability of audits and controls by national authorities in shared management

The European Parliament adopted by 616 votes to 5, with 6 abstentions, a resolution on possibilities to increase the reliability of audits and controls by national authorities in shared management.

Root causes affecting the management, control and audit of EU expenditure under shared management

The resolution pointed out that the complexity of the rules governing EU funds, combined with frequent changes to regulations between programming periods, can lead to problems of legal ambiguity or compliance, as well as misinterpretation and gaps in implementation, resulting in a higher risk of error.

Members deplored the fact that gold-plating practices, increased bureaucracy and continued changes in implementation standards by Member States create unnecessary administrative burdens, which can have a negative impact on the attractiveness of EU funds for potential beneficiaries. Translation in the legal field is a complex and demanding procedure which adds a further level of difficulty to interpretation.

Members stressed that it is advantageous for Member States to opt for preventive rather than punitive measures for management and control purposes, to ensure that the system is managed as efficiently as possible in the interests of the right recipients, while preventing fraud and misallocation of public funds.

The resolution stressed that effective management control is essential to guarantee both the performance of operations and their compliance with the legal framework. In addition to protecting the Union's financial interests, the detection of errors must be used to implement the necessary corrective measures and to make improvements to legislation in order to prevent such errors in the future.

Members insisted that Member States' audit bodies must comply with the international standards of supreme audit institutions. Non-compliance with these standards creates a risk of undermining the reliability and quality of audit work, and also poses a threat to the single audit approach.

The resolution also deplored the fact that the lack of sufficient resources, including the lack of training of the workforce dedicated to control functions, is a factor affecting the ability of managing authorities (under cohesion policy) and paying agencies (under the CAP) to carry out effective checks and verifications of expenditure.

Members reiterate their concern about the difference between the error calculation method applied by the Court of Auditors and that applied by the Commission, which creates confusion and makes it difficult to address the root causes of errors. These discrepancies are present in cohesion expenditure, one of the largest parts of the Union's budget, for the fourth year running.

Recommendations on possible ways to increase the reliability of audits and controls under shared management

The Commission is invited, inter alia, to:

- contribute to improving the common understanding of the single audit approach in order to achieve a more uniform interpretation and implementation of this model across Member States;
- continue to simplify the rules and requirements applicable to EU funds and programmes, while ensuring a balance with the necessary audits and controls and continuity between programming periods, as well as providing the competent authorities in the Member States with further clarification on their implementation;
- continue to identify ways of helping Member States to transpose directives, issue guidelines and implement EU funds;
- reduce over-regulation, and closely monitor delayed, fragmented or incomplete implementation or transposition of EU legislation;

- strengthen cooperation with Member States, in particular to avoid problems of incorrect translation which could hinder the uniform interpretation of Union law, and to avoid imposing an additional administrative burden on national authorities when interpreting and applying the relevant provisions;
- encourage and facilitate the exchange of best practice between Member States and their audit and control authorities in terms of implementation and audit methods;
- develop support mechanisms for local authorities in need;
- proactively promote good communication and the exchange of good audit practice between Member State audit authorities at European, national and regional levels;
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- promote the use of satellite images and new imaging technologies to monitor the CAP.

Members considered that digitalisation and the adoption of more sophisticated IT tools at national and EU levels would improve the management, control and auditing of EU funds, and could contribute to preventing irregularities, increasing the quality of checks and audits, and substantially reducing bureaucracy, assuming interoperability of IT tools between Member States and the Commission.

Lastly, Parliament deplored the fact that more and more legislative proposals lack an impact assessment accompanied by a clear financial and budgetary analysis. It called on the Commission to attach greater importance to the quality of legislative work and to adopt a realistic approach to the administrative, financial and budgetary consequences.