

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

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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.