



2022/2020(INI)

26.10.2022

OPINION

of the Committee on Agriculture and Rural Development

for the Committee on Budgetary Control

on the possibilities to increase the reliability of audits and controls by national authorities in shared management
(2022/2020(INI))

Rapporteur for opinion: Luke Ming Flanagan

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SUGGESTIONS

The Committee on Agriculture and Rural Development calls on the Committee on Budgetary Control, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

- A. having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012¹ (the Financial Regulation), and to the Commission communication of 16 May 2022 on a proposal for a revision thereof (COM(2022)0223),
- B. having regard to Regulation (EU) 2021/2116 of the European Parliament and of the Council of 2 December 2021 on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/2013²,
- C. having regard to the Annual Activity Report 2021 published on 25 April 2022 by the Commission's Directorate-General for Agriculture and Rural Development,
 1. Recalls that, while the Commission bears overall responsibility for the financial management of the common agricultural policy (CAP), 99.1 % of its budget is implemented under shared management;
 2. Recalls that, from 1 January 2023, the budget of the CAP implemented under shared management will be subject to the provisions of Regulation (EU) 2021/2116 on the financing, management and monitoring of the common agricultural policy;
 3. Recalls that the effectiveness and good reputation of the CAP depend on the correct and efficient use of funds, for which audits and controls are basic tools, and that the Commission's auditing role remains essential to assess the use of funds and contribute to the budget discharge process with the European Court of Auditors;
 4. Recalls that under shared management, the Member States are responsible for setting up a management and control system for payments and must ensure that it is capable of detecting and correcting irregularities; stresses that it is advantageous to the Member States to opt for preventive rather than punitive measures for the purposes of management and control, thereby helping to ensure that the system is administered as efficiently as possible for the benefit of the right recipients, while avoiding fraud and the misdirection of public funds and ensuring the best use thereof;
 5. Stresses that a distinction must be drawn between deliberate fraud and unintentional errors, as outlined in the definition of the European Anti-Fraud Office's mandate and

¹ OJ L 193, 30.7.2018, p. 1.

² OJ L 435, 6.12.2021, p. 187.

provided for in Regulation (EU) 2021/2116; stresses the importance of continuous legal certainty regarding payments, whereby, for penalties for non-compliance, a clear distinction is drawn between cases of intentional and unintentional non-compliance for beneficiaries who have acted in good faith; suggests that the Member States use relevant instruments to register serious, intentional and repeated irregularities; maintains that it is necessary to reduce the administrative burden for farmers in order to ensure the more efficient deployment of CAP funds, among other measures, to enable the CAP's objectives to be achieved;

6. Underlines the importance of measures being taken to combat fraud and new forms of irregular practices; encourages the Member States to regularly evaluate their audit practices and internal control systems to ensure that they are reliable and effective in preventing, detecting and correcting irregularities;
7. Insists that, for the sake of the CAP's reputation, control systems must be of a high standard, robust and fully compliant with the new regulations in order to ensure the proper implementation, in particular, of the new delivery model from 1 January 2023; encourages the exchange of best practice across all Member States to that end;
8. Stresses that the new CAP should simplify matters for farmers; points out that, in view of the concerns about administrative burdens under joint management, the CAP strategic plans should specifically seek to simplify matters for the final beneficiaries;
9. Notes the consistently low levels of error in recent years regarding the CAP, which reflect the fact that the management and control systems in the Member States are operating within the correct parameters and providing reasonable assurances;
10. Calls on the Commission, when assessing the CAP strategic plans, to focus on the extent to which they simplify matters and reduce administrative burdens for the final beneficiaries;
11. Notes that the Member States execute payments of EU funds, co-financed with national funds in the case of second-pillar rural development payments, to CAP beneficiaries through accredited paying agencies, which perform on-the-spot checks to ensure the eligibility of applications and the correct execution of payments; considers that these checks must be coordinated, rigorous and effective, and be performed without increasing the level of bureaucracy faced by farmers;
12. Notes the major role of certification bodies appointed as independent audit bodies by the Member States; observes that certification bodies, which adopt an essentially risk-based approach, already provide an opinion on the proper functioning of paying agencies' management and control systems;
13. Recalls that, from 1 January 2023, certification bodies must establish whether Member States' governance systems are functioning properly and expenditure is eligible, in accordance with Regulation (EU) 2021/2116³;
14. Recalls that the main objective of the assurance model is to ensure that the remaining

³ See, in particular, Article 37.

level of risk to the budget is below the materiality threshold of 2 %, as indicated in the 2018 annual report⁴ of the European Court of Auditors; recognises and highlights the low error rates for the European Agricultural Guarantee Fund and the continuous decrease in error rates for the European Agricultural Fund for Rural Development over the past financial years; notes, furthermore, that the overall adjusted error rate for CAP funds for 2021 was below the materiality threshold of 2 % for the third year in a row, at 1.84 %; stresses the need for a sustained effort to improve further by continuing to progressively reduce the CAP error rate;

15. Stresses that error rates can also be an indicator of the complexity of policies; recommends, therefore, that the audit reports continue to give a clear breakdown of error rates for each pillar of the CAP, identifying areas in which simplification is most needed; insists that a marginally higher error rate for agri-environmental measures should not discourage the Member States from making them available to farmers in rural communities; recalls that society⁵ is calling for more nature-friendly farming;
16. Welcomes the simplifications introduced in the CAP for 2023-2027 and the fact that they facilitate management by national authorities alongside the latter's responsibilities for audits and controls, which must be carried out effectively to ensure that errors and irregularities do not increase under this simplification; stresses that the sanctions imposed by the Member States must be effective, dissuasive, proportionate and geared towards recovering undue payments; calls on the Member States to properly implement the 'right to retroactively correct errors' in their national strategic plans, in accordance with Regulation (EU) 2021/2116;
17. Points out the importance of information and awareness campaigns to reduce unintentional errors; calls on the Member States to organise such campaigns in a timely manner and involve all relevant stakeholders;
18. Notes that the simplification entailed by the new delivery model has changed the eligibility control rate for CAP basic payments (formerly 5 % of beneficiaries) to rates determined by the Member States based on risk assessment and the potential for error; notes in this regard the role of the new area monitoring system, which will make use of Copernicus satellite cluster data; understands that the extension of the coverage of farmed land is particularly useful to monitor indicators⁶ demonstrating active farming and other land use requirements, and justifies the reduction in the basic control rate; calls on the Member States to do their utmost to guarantee sound financial management, further reduce errors and avoid any delays in the implementation of the CAP;
19. Supports the use of simplified cost options to allow authorities to calculate eligible grant expenditure on the basis of flat-rate financing, thereby reducing complexity and

⁴ OJ C 340, 8.10.2019, p. 1.

⁵ See the conclusions of the Conference on the Future of Europe, which address proposals and measures to bring the concept of the green economy to the fore by promoting environmentally effective and climate-friendly agriculture and transitioning towards climate and environmental sustainability.

⁶ As referred to in Article 71 of and Annexes I and III to Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013, OJ L 435, 6.12.2021, p. 1.

ensuring that farmers are not left out of pocket concerning payments compensating ‘additional costs incurred and income foregone’, for example in regard to Natura 2000, groundwater protection zones under the Water Framework Directive⁷, or other second-pillar payments linked to statutory obligations; notes that ensuring high, or at least remunerative, payments for public goods provided by the protection of such areas will, if applied correctly by the Member States and the Commission, go a long way to easing tensions and diminishing the resentment among some farmers in relation to protection obligations;

20. Notes the role of the Commission’s Internal Audit Service and the European Court of Auditors in carrying out control functions in the EU’s interest and evaluating the risk to CAP funds; considers that the new delivery model under Regulation (EU) 2021/2116 must not hamper the European Court of Auditors in its task of assessing the effectiveness, efficiency and economy of the expenditure of EU funds under the new arrangements for the CAP; seeks reassurance from the European Court of Auditors that the documentation required under point (c) of Article 9(3) of the same Regulation will be sufficient for cases of non-compliance to be verified;
21. Believes that digitalisation and the adoption of more sophisticated and accessible IT tools could improve the efficiency of the assurance process, as well as the use of the Integrated Administration and Control System to support the data monitoring needed to measure the performance of the CAP through the indicators set out in Annex I to Regulation (EU) 2021/2115; recalls that the performance approach was put forward in response to the clear and sustained desire of EU citizens to have a sustainable, fair and effective CAP and in recognition of the fact that a one-size-fits-all approach is not feasible; supports the extension of the use of the risk-scoring tool Arachne, designed to prevent and combat fraud, including to help track beneficiaries, holding companies and oligarchs; welcomes the references to this in the proposal for a revision of the Financial Regulation⁸, which advocates the use of a single integrated IT system for data mining and risk scoring;
22. Recalls that Arachne must be made fully fit for purpose to cover all CAP interventions and notes that the Commission will present a report in 2025 assessing the tool’s use and its interoperability with the different national systems, with a view to potentially broadening its use by the Member States; calls for more cooperation among and training by the audit services concerned, including the services at the Commission, the European Court of Auditors and the European Public Prosecutor’s Office (EPPO); believes that a wider use of Arachne, in line with the data protection framework, could strengthen the Commission and Member States’ analytical capacity and increase the reliability of audits and controls; highlights the need to allow the EPPO to access Arachne when carrying out investigations; encourages all remaining Member States to join the EPPO to ensure that more cases of fraud are investigated and prosecuted;
23. Acknowledges that the Commission has proposed making the use of a single data-mining and risk-scoring tool mandatory for funds under shared management and the Recovery and Resilience Facility; notes that this proposal has not been adopted due to

⁷ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy, OJ L 327, 22.12.2000, p. 1.

⁸ Point (d) of Article 36(2), as well as Article 36(6), 36(7) and 36(8).

resistance in the Council;

24. Calls for increased action to avoid and address conflicts of interest and prevent land grabbing and the misuse of public funds, in order to protect EU funds and uphold the reputation of the CAP; welcomes the action taken by the Commission, in particular the dissemination of the notice of 9 April 2021 entitled ‘Guidance on the avoidance and management of conflicts of interest under the Financial Regulation’⁹, to ensure the correct implementation of shared management funds by the Member States’ authorities;
25. Stresses the importance of the correct implementation by the European Court of Auditors of the measures for the protection of the financial interests of the Union outlined in Chapter I of Title IV (on control systems and penalties) of Regulation (EU) 2021/2116;
26. Underlines that digitalisation offers various opportunities when it comes to the management and control of the EU’s policies and programmes, and in particular with regard to conducting audits (for example, the statistics-gathering obligation concerning the farm accountancy data network, the land use, land use change and forestry (LULUCF) sector, and agricultural inputs and outputs); calls on the Member States, the Commission and all the relevant authorities to take advantage of new IT tools and techniques to increase the reliability of audits and controls; underlines the strong and repeated requests to the Commission and the Member States to ensure the protection of the EU budget by making comprehensive and methodical use of digital and automated reporting, monitoring and auditing systems; reiterates that the creation of an integrated, interoperable and harmonised system to collect, monitor and analyse information about final beneficiaries in all Member States could further enhance the protection of EU finances and enable even closer scrutiny;
27. Notes the usefulness of satellite images and other digital technology approaches used in the area monitoring system for agroforestry and forestry parcels to complement LULUCF accounting and justify possible future carbon-farming payments based on remotely observable agronomic techniques and sustainable and effective land management operations;
28. Recalls the growing use of drones, in particular after the outbreak of the COVID-19 pandemic, to carry out remote sensing for audit and control purposes; calls for the best practice from that experience to be shared and for geotagged photos to be used in order to build on those foundations and make the most effective use of the technology in future; calls, likewise, for the good practices developed in remote auditing, as detailed in the Annual Activity Report 2021¹⁰ of the Commission’s Directorate-General for Agriculture and Rural Development, to be replicated;
29. Recalls that the Commission plays a supervisory role, ensuring that the arrangements governing the management and control system are compliant by, among other steps, verifying the effective functioning of the system and making financial corrections, where necessary; notes the Commission’s continued responsibility to intervene if serious deficiencies are found in a Member State’s control system, as outlined in

⁹ OJ C 121, 9.4.2021, p. 1.

¹⁰ See section 2.1.1.2.1.

Regulation (EU) 2021/2116;

30. Reiterates the need to strike the right balance between further simplifying the rules and procedures and applying better controls for the most common areas of irregular spending, developing training sessions and practical information for applicants, in particular new applicants, and improving the assistance and guidelines for SMEs; calls on the Commission to continue its efforts to simplify the EU funding system, especially with regard to reducing the implementation and management burden for EU-funded projects;
31. Reminds the Commission of the need to streamline processes to avoid an unnecessary administrative burden, while delivering enough data to enable proper scrutiny of the effectiveness of EU aid and the success of the related policies in terms of their results and impact;
32. Welcomes the Commission's 'EU budget focused on results' strategy, aimed at improving the efficiency of spending and achieving more with the available resources.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	25.10.2022
Result of final vote	+: 43 -: 0 0: 3
Members present for the final vote	Mazaly Aguilar, Clara Aguilera, Atidzhe Alieva-Veli, Álvaro Amaro, Attila Ara-Kovács, Carmen Avram, Adrian-Dragoş Benea, Benoît Biteau, Daniel Buda, Isabel Carvalhais, Asger Christensen, Ivan David, Jérémy Decerle, Salvatore De Meo, Herbert Dorfmann, Luke Ming Flanagan, Dino Giarrusso, Martin Häusling, Martin Hlaváček, Krzysztof Jurgiel, Jarosław Kalinowski, Elsi Katainen, Camilla Laureti, Gilles Lebreton, Norbert Lins, Elena Lizzi, Chris MacManus, Colm Markey, Marlene Mortler, Ulrike Müller, Maria Noichl, Juozas Olekas, Eugenia Rodríguez Palop, Bronis Ropè, Bert-Jan Ruissen, Anne Sander, Simone Schmiedtbauer, Annie Schreijer-Pierik, Veronika Vrecionová, Sarah Wiener, Juan Ignacio Zoido Álvarez
Substitutes present for the final vote	Franc Bogovič, Rosanna Conte, Marie Dauchy, Anna Deparnay-Grunenberg, Alin Mituța

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

43	+
ECR	Mazaly Aguilar, Bert-Jan Ruissen, Veronika Vrecionová
ID	Rosanna Conte, Marie Dauchy, Gilles Lebreton, Elena Lizzi
NI	Dino Giarrusso
PPE	Álvaro Amaro, Franc Bogovič, Daniel Buda, Salvatore De Meo, Herbert Dorfmann, Jarosław Kalinowski, Norbert Lins, Colm Mearney, Marlene Mortler, Anne Sander, Simone Schmiedtbauer, Annie Schreijer-Pierik, Juan Ignacio Zoido Álvarez
RENEW	Atidzhe Alieva-Veli, Asger Christensen, Jérémy Decerle, Elsi Katainen, Alin Mituța, Ulrike Müller
S&D	Clara Aguilera, Attila Ara-Kovács, Carmen Avram, Adrian-Dragoș Benea, Isabel Carvalhais, Camilla Laureti, Maria Noichl, Juozas Olekas
THE LEFT	Luke Ming Flanagan, Chris MacManus, Eugenia Rodríguez Palop
VERTS/ALE	Benoît Biteau, Anna Deparnay-Grunenberg, Martin Häusling, Bronis Ropé, Sarah Wiener

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ECR	Krzysztof Jurgiel
ID	Ivan David
RENEW	Martin Hlaváček

Key to symbols:

+ : in favour

- : against

0 : abstention