



Information note

Luxembourg, 31 October 2022

Auditors publish Opinion on proposed recast of the financial rules applicable to the EU budget

The European Commission has proposed to recast the EU's Financial Regulation to make it better aligned with the Multiannual Financial Framework (MFF) package. The Commission has also proposed improvements and simplifications to better respond to crises, to protect the EU's financial interests and to contribute to the achievement of EU policy objectives.

The auditors welcome several of the proposed changes. For example, further digitalisation will play an important role in fighting fraud and conflicts of interest affecting EU funds. They also welcome the Early Detection and Exclusion System being operated under shared management with Member States, as the ECA recommended in its recent [special report on blacklisting](#). The proposed amendments will create a consistent legal basis to deal with serious misconduct flagged up at EU or national level. However, the scope for excluding untrustworthy counterparties will remain greater in direct management.

The auditors also agree with procurement procedures being made more flexible in times of crisis, a need which became particularly evident during the COVID-19 pandemic. However, they warn that care is needed when such flexibility could affect competition and also highlight the need for consistency in the Commission guidance. Other observations concern the need to justify the cost-efficiency and cost-effectiveness of EU contributions to multi-donor, pooled funds supporting global goals such as climate change, and the need for transparency when EU institutions accept donations.

The auditors note that the proposed recast of the Financial Regulation does not address the issue of insufficient reporting on the Commission's debt-management strategy, especially since the existing regulatory framework does not offer a comprehensive overview of whether debt-management objectives relating to NGEU and other EU borrowing programmes have been achieved. The auditors also call for transparency and accountability in connection with financial instruments and budgetary guarantees. They consider that the proposals to shorten the timeframe for ECA's audit activities on annual accounts require further reflection and should not be pursued at this moment in time, warning that the quality and rigour of statements of assurance could suffer if deadlines are shortened.

The auditors also welcome the Commission's proposal that programmes and activities should henceforth be implemented in such a way as to achieve their goals without doing significant harm to environmental objectives such as climate change and sustainability, as recommended in a

The purpose of this press release is to convey the main messages of the European Court of Auditors' opinion. The full opinion is available at eca.europa.eu.

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[recent ECA special report](#). The impact of this will depend on how ‘significant harm’ is interpreted in practice. This is still unclear, the auditors say.

Background information

On 16 May 2022, the Commission published its proposal to recast the Financial Regulation. Recasting a legal act involves changing the text to produce a new version which replaces all earlier versions of the act. The Treaty stipulates that the ECA must be consulted on proposals which affect the EU budget. In July 2022, the ECA also contributed to legislative negotiations on the Financial Regulation with another [Opinion](#).

Opinion No 06/2022 is available on the [ECA website](#) in English; other EU languages will follow shortly.

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