**Follow-up to the European Parliament non-legislative resolution on the protection of the European Union’s financial interests – combating fraud – annual report 2020**

1. **Rapporteur:** Katalin Cseh (Renew / HU)
2. **Reference number:** 2021/2234 (INI) / [A9-0175/20](http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&mode=XML&reference=A8-2016-0345&language=EN)22 / P9\_TA-(2022)0300
3. **Date of adoption of the resolution:** 7 July 2022
4. **Competent Parliamentary Committee:** Committee on Budgetary Control (CONT)
5. **Brief analysis/ assessment of the resolution and requests made in it:**

The resolution takes note of the Commission's efforts in the protection of the EU’s financial interests and recommends further action in a variety of fields related to the fight against fraud. It welcomes the start of the operations of the European Public Prosecutor’s Office (EPPO), the revised European Anti-Fraud Office (OLAF) Regulation, the joint efforts of OLAF and Europol (European Union's law enforcement agency) to assess the threats and vulnerabilities of the Recovery and Resilience Facility (RRF) instrument, as well as the NextGenerationEU – Law Enforcement Forum.

The resolution highlights the new risks of fraud emerging from the COVID-19 pandemic and calls for a high level of control over and monitoring of emergency spending. The European Parliament also considers that the adoption of the NextGenerationEU (NGEU) provides the EU’s anti-fraud architecture with additional challenges and states that OLAF, the EPPO, Europol and Eurojust are understaffed and lacking financial resources.

Regarding revenue fraud, the resolution calls on the Commission to help Member States to ensure the uniform implementation of customs controls. Regarding expenditure fraud, the resolution calls on the Commission to increase the transparency of beneficiaries, including contractors, sub-contractors and beneficial owners of EU funds.

The European Parliament states that more emphasis should be put on the funds spent in non-EU countries and calls on the Commission to ensure that anti-corruption measures are mainstreamed in all EU external action instruments.

The European Parliament calls for a greater degree of digitalisation, interoperability of comparable data and harmonisation of reporting, monitoring and auditing in the EU. It urges the Commission to make the use of the ARACHNE risk scoring tool mandatory and to extend the scope of the Early Detection and Exclusion System (EDES) to shared management.

The resolution calls on the Commission to report on the implementation of the remaining actions of its Anti-Fraud Strategy 2019 (CAFS), to assess the adopted national anti-fraud strategies (NAFS) and to provide support and advice to the Member States, by way of guidelines on drafting NAFS and advisory services on the setting-up and functioning of anti-fraud coordination services (AFCOS).

The European Parliament welcomes the adoption of Regulation 2020/2092 on a general regime of conditionality for the protection of the Union budget and the decision to trigger the Rule of Law Conditionality Mechanism against Hungary. The resolution asks to apply it to all Member States which fail to respect the rule of law without exception.

1. **Response to the requests and overview of the actions taken, or intended to be taken, by the Commission:**

***Paragraphs 1 to 8***

The Commission agrees that a proper **transposition** of thedefinitions, sanctions, jurisdiction rules, and limitation periods related to fraud and other offences affecting the EU's financial interests included in the **Directive on the fight against fraud to the Union’s financial interests by means of criminal law (PIF Directive)** is necessary to enable the EPPO to conduct effective investigations and prosecutions. The first implementation report adopted in September 2021 shows that transposition still needs to be improved, notably to ensure the consistent transposition of the definitions of criminal offences and the liability of – and sanctions for – legal persons and natural persons. These deficiencies potentially undermine the protection of the EU’s financial interests and the activities of the EPPO. The Commission has so far opened infringements proceedings against 17 Member States and will continue to take all necessary steps to ensure the correct and comprehensive transposition of the PIF Directive. The second transposition report on the PIF Directive will focus on the appropriateness of the EUR 10 million VAT (Value Added Tax) threshold and the effectiveness of the Directive’s provisions in the area of public procurement fraud and limitation periods **(paragraph 3)**.

As regards EU funds, including **emergency spending**, applicable rules require the setting-up of a robust control framework to prevent, detect and correct irregularities, fraud and corruption, as well as to investigate and prosecute them when appropriate. The Commission continuously monitors the national management and control systems established for the implementation of EU funds **(paragraphs 5 and 7)**.

Most programme-specific legislation has provisions requiring a **post-programme evaluation**. The timing and scope of such programme-specific evaluations will be conducted in respect of the provisions that are defined in the specific sectoral legislation. Conclusions and lessons learned from these evaluations will be taken into account by the Commission for the design of the programmes and funds for the Multiannual Financial Framework (MFF) post-2027 **(paragraph 6)**.

The Commission is fully committed to ensuring the highest level of **transparency and accountability** in the implementation of the RRF. The Commission has participated in a many meetings of the European Parliament’s RRF Working Group and in Recovery and Resilience Dialogues since 2021. Furthermore, the Commission provides the European Parliament with information as required under article 25(2) of the RRF Regulation and makes information publicly available through its RRF website (**paragraph 8**).

***Detected fraudulent and non-fraudulent irregularities (paragraphs 9 to 16)***

The PIF Directive sets common **minimum standards for Member States’ criminal laws**. These standards seek to protect the EU’s financial interests by harmonising the definitions, sanctions, and limitation periods of fraud, corruption, anti-money laundering and misappropriation. The Commission is taking all appropriate measures (notably infringements) to ensure the PIF Directive is properly transposed in the Member States. The Commission would only consider new harmonising measures if there would be evidence that the PIF Directive has not achieved its objective **(paragraph 11)**.

Regarding the fact that many Member States do not have specific **laws against organised crime**, Council Framework Decision 2008/841/JHA on the fight against organised crime aims at approximating definitions and sanctions for offences relating to the participation in a criminal organisation in all Member States. In order to address potential obstacles to cross-border cooperation specifically against organised crime structures, the Commission has commissioned a study to assess whether the 2008 Council Framework Decision is still fit for purpose. The Commission stands ready to support Member States to design and implement **mechanisms to fight corruption**. It encouraged Member States to address corruption related issues in their national Recovery and Resilience Plans (NRRPs). Moreover, the Financial Regulation provides solid rules on conflicts of interest (Article 61) which apply to all management modes, including to Member States’ authorities and any person implementing any of the EU funds including under shared management. The Commission issued a notice providing guidance on the avoidance and management of conflicts of interest under the Financial Regulation **(paragraphs 15 and 16)**.

***Revenue – own resources fraud (paragraphs 17 to 25)***

The most successful **method to detect and tackle fraud** depends on the type of fraud itself. For example, as highlighted by the Court of Justice of the European Union (CJEU) in its ruling C-213/19 *Commission v United Kingdom*, the most effective method to counter undervaluation fraud is to carry out pre-release controls. In other cases, controls at release may be less successful, though it should be considered that some risks can only be tackled at release. All methods heavily rely on EU support as a source of risk information which could trigger inspections **(paragraph 17)**.

In order to help Member States in the implementation of uniform controls within the EU, the Commission has established a Joint Analytics Capability (JAC). The initial task of the JAC relates to detecting financial risks, using import data available in surveillance, and providing Member States with information enabling them to make appropriate checks and controls **(paragraph 21)**.

The Commission welcomes the CJEU’s approval of the method used by the Commission for estimating the **amount of TOR** (traditional own resources) **losses**. The Court considered that certain additional elements should be taken into account for the recalculation of the estimated amount of TOR losses. This relates, in particular, to legitimate low-value imports by certain well-known high street retailers and additional customs debts established by the UK after releasing the undervalued goods for free circulation. The Commission is carefully assessing the legal and technical implications of this request, based on which it will provide a recalculation of the estimated amount of TOR losses in due course. The Commission will inform the discharge authority accordingly **(paragraph 24)**.

***Expenditure fraud (paragraphs 26 to 32)***

The Commission recalls that it has put forward proposals to improve the quality and interoperability of data on **recipients of EU funding** where the budget is implemented under shared management and under the RRF. Member States must collect and store data on recipients of EU funding and beneficial owners. For the common agricultural policy (CAP), in accordance with Article 59(4) of Regulation 2021/2116, Member States will collect data on groups in which the beneficiaries participate, as defined in Article 2 (11) of Directive 2013/34/EU. With the targeted amendment of the Financial Regulation, the Commission aims to improve the way information is provided to the public on the use of the EU budget and on recipients of EU funding (see replies to paragraphs 39 to 42) **(paragraph 28)**.

For the new CAP, in particular in Regulation 2021/2115, specific requirements for the respect of applicable working and employment conditions or employer obligations have been introduced as a condition to receive support in full (so-called **social conditionality**). These requirements are applicable from 1 January 2025. The slow start in reporting of fraud related to rural development for 2014-2020 may be linked to the composition of rural development expenditure in the beginning of a programming period where there are more area-based rural development payments and less expenditure for investment projects (**paragraph 29**).

The Commission agrees with the Parliament on the importance of **transparency of expenditure**. Under shared management, information on co-financed projects is available at Member States’ managing authority level. Additional to the Commission’s proposal in the targeted amendment of the Financial Regulation to publish centrally data on all recipients of EU funding, the existing transparency obligations for Member States and other bodies implementing the budget are maintained to ensure visibility to citizens on their particular use of the EU budget **(paragraph 32)**.

***External dimension of the protection of the EU’s financial interests (paragraphs 33 to 38)***

The Financial Regulation contains obligations and mechanisms to ensure that EU funds do not reach entities or persons that are in breach of the rule of law and democratic principles. These principles, together with the EU’s fundamental values, are further embedded in **external funding** related basic acts, including the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE) and the Instrument for Pre-Accession Assistance (IPA III).

The Commission has made continuous efforts to ensure that **anti-corruption measures** are mainstreamed into EU external action instruments. For example, the CAFS, but also the aligned Directorate-General-level anti-fraud strategies and action plans plan specific actions in particular in relation to external information or internal awareness-raising campaigns. The CAFS includes, among others, a specific action that aims at evaluating fraud risks (including corruption) and vulnerabilities with regard to spending in emergency situations. In addition, there is also a network (sub)group of External Action services dealing with overarching issues and common risks. The fight against corruption is a major priority in the pre-accession negotiations, with an embedded conditionality framework and a focus on capacity building. The Commission is notably encouraging the conclusion of bilateral working arrangements between the competent authorities of the Western Balkans and the EPPO, in order to facilitate its investigations and prosecutions into fraud under IPA III.

The Commission is sending clear signals to the **candidate countries** in case of limited progress made or results achieved. For example, the Commission suspended at the beginning of 2022 EUR 600 million investments for Bosnia Herzegovina. In its Special Report No 01/2022, the European Court of Auditors (ECA) recognises that progress has been made, but points out that progress is only made where there is a political will. The Court mentions positive examples, such as the vetting of the judiciary in Albania and the follow up of the wire scandal in North Macedonia. In both cases there was a clear political will to improve the rule of law, and fundamental reforms were implemented. The Commission has welcomed the ECA’s report and accepted most of its recommendations, which are in line with policy changes the Commission was already implementing:

* the new methodology for enlargement takes a more holistic view on the rule of law, democracy, corruption and fundamental rights by clustering negotiation chapters;
* the political dialogue under the new methodology allows for a better focus on key elements where the political will of the partners is required to make progress;
* the possibility to suspend funds under IPA III.

Anti-corruption measures are not limited to the trade part of EU bilateral relations, but relate to the overall governance of a third country. Most EU Free Trade Agreements (FTAs) place anti-corruption provisions within the general provisions. With certain trading partners, commitments on combating corruption has been identified as an essential element, in the political part of an agreement that may eventually lead to the suspension of an EU bilateral agreement. Unilateral action such as suspension or remedies linked to in-built conditionalities are difficult to negotiate, risk not being compatible with the World Trade Organisation (WTO) and are inconsistent with the way in which trade agreements are enforced.

The Commission notes that the European Parliament should be fully involved according to its rights and competences in the reporting concerning the spending of all grants, loans and other financial help that the EU provides to Ukraine (**paragraphs 33 to 38)**.

***Digitalisation in the service of the protection of the EU’s financial interests (paragraphs 39 to 42)***

With the targeted **amendment of the Financial Regulation**, the Commission has proposed to require Member States, persons and other entities implementing the EU budget under all management modes to transmit to the Commission information on their recipients and amounts of Union funding, including unique identifiers if recipients are legal persons, at least once a year. The Commission would add to that information the data it has at its disposal on direct management and would be responsible for consolidating, centralising and publishing the information in a database on a single website, in a format that is open, interoperable and machine-readable, which allows data to be sorted, searched, extracted, compared and reused. This would overcome the current fragmentation, enhance transparency and facilitate public scrutiny of recipients.

The Commission has proposed the mandatory collection of data on the recipients of EU funding including their beneficial owners and the use of a single integrated IT system for data-mining and risk-scoring in all methods of EU budget implementation to identify measures, contracts and recipients which might be susceptible to risks of irregularities, fraud, corruption and conflicts of interest. The system will be developed by the Commission and will allow a more accurate identification, filtering and grouping of recipients of EU funding. The use of and access to the data is limited to certain bodies within the exercise of their respective competences and must comply with applicable data protection rules.

The new provisions are proposed to apply to programmes adopted under and financed as from the MFF post-2027 to allow sufficient time for the necessary adaption of the data systems, as well as for guidance and training.

The voluntary application of the current system **Arachne** remains possible and will be encouraged during that transitional period, including for the RRF.

The Commission also proposes to extend the scope of **EDES** to beneficiaries under shared management with a proportionate and targeted approach: the Commission will be able to act on the most serious exclusion grounds. The objective is to make sure that exclusion decisions taken at EU level are enforced in the context of shared management. The Commission recalls that it already provides for all EU institutions and EU bodies protecting the EU funds directly to access the EDES database. In addition, and in line with the Financial Regulation (Article 142, paragraph 5), the Commission already enables the Member States authorities involved in the Union budget implementation to verify whether there is an exclusion in the system with a view to taking this information into account, as appropriate and on their own responsibility, when awarding contracts in budget implementation.

The proposed amendments to the Financial Regulation aim to increase the efficiency and quality of controls and audits with the help of **digitalisation** and emerging technologies such as machine learning, robotic process automation and artificial intelligence **(paragraphs 39 to 42)**.

***The Commission Anti-Fraud Strategy 2019 (paragraphs 43 to 46)***

The Commission will report on the implementation of the 2019 **CAFS Action Plan** in the 2021 Commission Report on the protection of the EU’s financial interests (PIF Report).

In close cooperation with the Member States, the Commission has considerably improved its irregularity reporting system over the past years, allowing for a better and more refined analysis. The Commission is committed to further **improving the reporting of irregularities and fraud** as well as the analysis of the nature of fraud on the basis of tailored data collection and a better understanding of the overall anti-fraud framework in the different Member States. However, it is not possible to establish an estimate of the scale of the undetected level of fraud, which is reliable and defendable enough for evidence-based policy, also taking into account the constraint of the efficient use of the limited resources available to the Commission. OLAF has developed and disseminated strategic analysis and anti-fraud guidance to help the Commission and national authorities to counter fraud risks **(paragraphs 44 and 45)**.

***Member State level: national anti-fraud strategies (NAFS) and anti-fraud coordination services (AFCOS) (paragraphs 47 to 50)***

The adoption of the **NAFS** can happen exclusively on a voluntary basis, as no obligation is imposed under EU law. Guidelines on NAFS were issued in 2015 and the Commission does not consider necessary to review them. OLAF develops knowledge and analysis of potential fraud risk and shares this knowledge with Member States and other Commission services. The Commission will continue promoting the need for Member States to adopt or update their NAFS, based on an up to date fraud risk assessment and taking new risks emerging from the COVID-19 crisis into account. OLAF also uses existing networks of the Advisory Committee on Fraud prevention, including the **AFCOS**, to exchange views and facilitate the dissemination of good practices and experiences among Member States. OLAF intends to work more closely with those AFCOS interested in reinforcing cooperation on preventing fraud to the RRF **(paragraphs 47 to 49)**.

***OLAF and EPPO (paragraphs 51 to 65)***

**OLAF and EPPO** work in close cooperation within their respective mandates, powers and competences for protecting the EU’s financial interests. For the EPPO, this means conducting criminal investigations (in the Member States participating in the EPPO), while OLAF conducts administrative investigations for the protection of the financial interests of the EU, including in the Member States not participating in the EPPO. There are currently no problems related to overlapping of competences or delays in proceedings for either Office **(paragraph 51)**.

The **Controller for procedural guarantees** was appointed by the Commission on 3 May 2022. The date when the Controller will assume her tasks has not been determined yet as the recruitment procedure is still ongoing. The Controller remains competent with regard to complaints lodged before her appointment, in accordance with Article 9(b) of the OLAF Regulation. Pursuant to Article 9(b) of the OLAF Regulation, a person concerned is entitled to file a complaint with the Controller on grounds of an infringement of procedural requirements and fundamental rights. Pursuant to Article 9(4) of the OLAF Regulation, the person concerned is also ‘given the opportunity to comment on facts concerning him’ once the investigation has been completed and before conclusions referring by name to this person are drawn up. The case-law of the General Court (case T-110/15, *IMG v Commission*, ECLI:EU:T:2016:322, paragraphs 34 and 36) has confirmed that, in the event that a competent authority adopts a decision adversely affecting a person concerned following an OLAF final report, that person would have the possibility to access OLAF’s final report in order to defend his procedural rights. Therefore, the persons concerned have the possibility to defend themselves **(paragraph 53).**

OLAF will continue to give an account of the results of its **judicial recommendations** in its annual reports based on the data made available by the Member States. The **indictment rate** following judicial recommendations by OLAF to Member States is indeed not satisfactory. It should, however, be noted that for its administrative investigations OLAF does not have at its disposal all the tools and powers characterising a criminal investigation. Therefore, follow-up will often depend on the outcome of further investigative action by Member States’ judicial authorities.

Several **actions** have been taken to improve the situation:

* OLAF has put much effort in working closely with the national judicial authorities in a number of Member States, already before recommendations are issued. Moreover, OLAF is in exchange with Eurojust with a view to further improving communication with the Member State authorities;
* OLAF fixes now a time-limit for recipients of recommendations to report on follow-up, and Member States will send OLAF final decisions of national courts;
* With its new Monitoring and Reporting Unit, OLAF is going to boost monitoring of its judicial recommendations, especially those issued to the five Member States that do not yet participate in the EPPO.

As above, OLAF has already been working on the implementation of the recommendations of the Supervisory Committee in its Opinion No 1/2021 **(paragraph 54)**.

The Commission monitors the follow-up of its **financial recommendations** through annual monitoring exercises, covering the entire implementation process until final recovery. In line with the Commission’s strategic goal to strengthen the follow-up of OLAF’s recommendations, OLAF and DG BUDG conducted an examination on the follow-up to OLAF’s financial recommendations issued between 2012 and 2020. A guidance document on the follow-up of recoveries as regards suspected fraud and other irregularities has been addressed by the Commission’s Accounting Officer to Commission departments on 10 February 2022 **(paragraph 55)**.

In its judgment in Case T-517/19, *Homoki v Commission*, the General Court ruled that OLAF cannot rely on the general presumption which allows non-disclosure of OLAF investigation documents where it would undermine the protection of inspections, investigations and audits, once all follow-up procedures are over. Thus, OLAF is obliged to examine specifically and individually the documents to which access has been requested, in line with the exceptions provided for by Article 4 of Regulation (EC) No 1049/2001. All the information collected by OLAF as part of its investigation - and which is ultimately reflected in the final report - is subject to strict rules of **confidentiality**, professional secrecy and protection of personal data, as stipulated in Article 10 of the OLAF Regulation. Setting up “a mechanism to publish [OLAF’s] reports and recommendations” – which is understood to imply, in principle, publishing such documents on a proactive and regular basis - is not in line with the legal framework applicable to OLAF’s investigations **(paragraph 57)**.

Like the European Parliament, the Commission encourages the **Member States that do not participate in the EPPO** to join the enhanced cooperation as soon as possible **(paragraph 59)**.

The Commission is also committed to ensuring that the EPPO is sufficiently equipped to perform its crucial tasks. For 2022, the **EPPO's budget** amounts to approximately EUR 57 million, which is more than the original amount envisaged for 2022. This allowed the EPPO to hire the needed staff **(paragraphs 62 and 64)**.

The Commission will forward an **evaluation report** in accordance with Article 119(1) of the EPPO Regulation together with its conclusions to the European Parliament and to the Council and to national parliaments after the review mechanism. Furthermore, the Commission has already engaged with the EPPO (three ad hoc meetings) and is further considering the EPPO’s requests. Under Article 119 (2) of the EPPO Regulation, the Commission submits legislative proposals to the European Parliament and the Council if it concludes that it is necessary to have additional or more detailed rules on the functioning of the EPPO **(paragraph 63)**.

The Commission is fully committed to ensuring an effective **protection of the environment**, including by means of criminal law. The Commission takes note of the European Parliament’s position on the need to extend the EPPO’s material competence to cross-border environmental crime and will explore the potential feasibility of such an extension in a mid-term assessment of the EPPO’s activities **(paragraph 64)**.

The Commission agrees with the European Parliament on the importance of strengthening the **exchange of information and complementarity between EU and national bodies** working in the field of the protection of the EU’s financial interests. The Commission welcomes the European Parliament’s acknowledgement of the progress made by several initiatives fostering cooperation, intelligence sharing and information exchange at national and EU level **(paragraph 67)**.

***Rule of Law and the fight against corruption (paragraphs 68 to 82)***

Since the entry into force, in January 2021, of the ‘**Conditionality Regulation**’, the Commission has monitored the situation in all Member States thoroughly to assess whether the conditions to apply the Regulation are fulfilled. As part of the on-going enforcement of the Conditionality Regulation, the Commission sent Hungary a written notification, the first act under the procedure set by the Conditionality Regulation, in April 2022. The Commission has informed the European Parliament of the state of the procedure. The information Poland provided in January 2022 in response to the Commission’s requests for information fed into the Commission’s assessment, including on whether the conditions to take further steps under the Conditionality Regulation are fulfilled. The Commission will continue monitoring the situation across the Union. The Commission also recalls that the Conditionality Regulation complements other tools and procedures established by Union legislation to protect the budget, including investigations by OLAF, checks and audits or financial corrections **(paragraphs 69 and 74)**.

Under the Framework agreement on relations between the European Parliament and the European Commission, the Commission is committed to **providing information** on actions taken in response to the European Parliament’s legislative and non-legislative resolutions, including those addressing issues related to the breaches of rule of law by the Member States (**paragraph 70**).

Under the Conditionality Regulation, the Commission informs the European Parliament and the Council of any **ongoing procedures**. However, the procedure is a bilateral process between the Commission and the Member State concerned. The Commission is under the obligation to fully protect the rights of defence of the Member States concerned by procedures under the Conditionality Regulation, throughout the procedure, so it cannot disclose any details in relation to ongoing discussions **(paragraph 73)**.

The Commission continues supporting Member States in meeting the needs of **people fleeing the war in Ukraine**. The flexibilities introduced in the context of the Home Affairs Funds for the period 2014-2020 and the Commission initiatives to activate emergency financial support for the most concerned Member States do not compromise the principles of budgetary discipline and sound financial management. The Commission reiterates that the Conditionality Regulation must be applied in full. The Commission informs the European Parliament about its initiatives and efforts to manage the inflow of people from Ukraine, including the implementation of the Temporary Protection Direction and the management of the Home Affairs Funds **(paragraphs 75)**.

The monitoring of **Member States’ efforts to prevent and fight corruption** is made in the context of the Commission’s Rule of Law Report. The third Rule of Law Report, published in July 2022, for the first time includes specific recommendations to Member States, including the fight against corruption. Fighting corruption is also a key element in the European Semester, as reflected in Country specific Recommendations. The Commission also made use of the 2022 Eurobarometer surveys on corruption in Member States and the Transparency International Corruption Perception Index **(paragraph 76)**.

The idea of the EU becoming a full member in the **Group of States against Corruption (GRECO)** remains on the table. As expressed by Executive Vice-President Timmermans in his letter to the Secretary-General in June 2019, the request to admit the EU as an observer does not preclude any developments as regards the EU’s possible participation in GRECO as a full member in the future **(paragraph 78)**.

The Commission has already put forward a set of measures to address some of the most pressing problems that media pluralism and journalists are facing today. In April 2022, the Commission adopted an initiative to protect journalists and human rights defenders in strategic lawsuits against public participation **(Anti-SLAPP initiative)**. In 2021, the Commission also adopted a recommendation on the protection, safety and empowerment of journalists which is part of the Commission's work to support media freedom and pluralism in the EU. These initiatives are complemented by a growing portfolio of projects co-financed by the Commission which provide legal and practical support to journalists under threat, monitor violations to media pluralism and freedom, aanalyse trends and conduct awareness raising campaigns. Furthermore, in the context of the Rule of Law Report and its follow-up, the Commission is monitoring developments pertaining to the legislative frameworks and related measures to guarantee media freedom and pluralism as well as frameworks for journalists’ protection.

The Commission follows the European Parliament’s work concerning the allegations of illicit use of this surveillance software, including the work of the recently created European Parliament Committee of Inquiry to investigate the **use of Pegasus** and equivalent surveillance spyware. The Commission stands ready to contribute to the activities of this Committee and looks forward to its conclusions. While national security remains the sole responsibility of each Member State, the Commission is particularly aware of the specific risks faced by journalists and human rights defenders and encourages Member States to implement legislation and safeguards to protect citizens from unlawful or unjustified surveillance, including any arbitrary or mass surveillance **(paragraphs 79 and 80)**.

***The anti-fraud architecture of the EU in the Commission’s annual reporting (paragraphs 83 to 89)***

The Commission is constantly trying to **improve the PIF Report** along the lines suggested by the European Parliament. The Commission intends to keep on improving the PIF Report also using information from the EPPO, Europol and Eurojust **(paragraph 86)**.

The 2020 PIF Report gave an **overview of the EU anti-fraud architecture** and an update of the relevant activities of the anti-fraud bodies of the EU, OLAF, EPPO, Europol and Eurojust and the 2021 PIF Report will keep on expanding along these lines. The Commission always attempts to take a broad and comprehensive view of the European anti-fraud landscape and will continue doing so **(paragraph 87)**.

The Commission agrees on the need to **adopt a holistic, coherent, systematic and consistent approach** to fight corruption. The proposed targeted amendment to the Financial Regulation covers several aspects addressed by the European Parliament **(paragraph 88)**.

The **annexes to the PIF Report** duly report about the information made available by Member States via the Irregularity Management System (IMS). The Commission will consider if any improvement can be introduced in relation to the next PIF Reports **(paragraph 89)**.