

2024

Annual reports

- on the implementation of the EU budget for the 2024 financial year and
- on the activities funded by the 9th, 10th and 11th European Development Funds (EDFs) for the 2024 financial year



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OF AUDITORS

EN



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NB: It should be noted that due to rounding, some totals in the figures in this document may not equal the sum of the individual items.

Pursuant to Article 287(1) and (4) of the TFEU, Article 264(4) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast), and Article 42(2) and Article 43 of Council Regulation (EU) 2018/1877 of 26 November 2018 on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323, read in conjunction with Article 279 of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast), and Article 92(4) of the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010.

the Court of Auditors of the European Union, at its meetings of 3 and 10 July 2025, adopted its

ANNUAL REPORTS

for the 2024 financial year

The reports, together with the institutions' replies to the Court's observations, have been sent to the authorities responsible for giving discharge and to the other institutions.

The Members of the Court of Auditors at the time these reports were adopted were:

Tony Murphy (President), Nikolaos Milionis, Klaus-Heiner Lehne, Iliana Ivanova, Bettina Jakobsen, Jan Gregor, Mihails Kozlovs, Ildikó Gáll-Pelcz, Annemie Turtelboom, Ivana Maletić, François-Roger Cazala, Joëlle Elvinger, Helga Berger, Marek Opióła, Jorg Kristijan Petrovič, Stef Blok, George Marius Hyzler, Lefteris Christoforou, Laima Liucija Andrikiienė, Keit Pentus-Rosimannus, Katarína Kaszasová, João Leão, Alejandro Blanco Fernández, Carlo Alberto Manfredi Selvaggi, Petri Sarvamaa, Hans Lindblad, Lucian Romaşcanu

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Annual report on the implementation of the EU budget for the 2024 financial year

The work on the annual report on the implementation of the EU budget for the 2024 financial year was led by Jan Gregor, the Member for the annual report. The reporting Members responsible for the individual chapters were Jan Gregor (chapters 1 and 11), Leteris Christoforou (chapter 2), Jorg Kristijan Petrovič (chapters 3 and 12), Katarína Kaszasová (chapter 4), Mihails Kozlovs (chapter 5), Stef Blok (chapter 6), Klaus-Heiner Lehne (chapter 7), Marek Opiola (chapter 8), Laima Liucija Andrikenė (chapter 9) and Ildikó Gáll-Pelcz (chapter 10).



From left to right: Ildikó Gáll-Pelcz, Mihails Kozlovs, Katarína Kaszasová, Jan Gregor, Laima Liucija Andrikenė, Stef Blok, Klaus-Heiner Lehne, Jorg Kristijan Petrovič, Leteris Christoforou and Marek Opiola.

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Introduction

0.1. The European Court of Auditors (ECA) is an institution of the European Union (EU) and the external auditor of the EU's finances. In this capacity, we act as the independent guardian of the financial interests of all EU citizens, notably by helping to improve the EU's financial management.

0.2. In line with the [Treaty on the Functioning of the European Union \(TFEU\)](#)¹, our annual report on the implementation of the EU budget covers both revenue and expenditure. It presents our *statement of assurance* as to whether the EU's accounts are reliable and whether the EU budget has been used in accordance with the applicable laws and regulations. This statement is supplemented by specific assessments for major areas of EU budget spending. This year, our annual report includes a new specific assessment for *multiannual financial framework (MFF)* heading 6 'Neighbourhood and the world'. A separate annual report covers the European Development Funds.

0.3. The EU's general budget is adopted annually by the Council of the European Union and by the European Parliament. In May 2020, the Council of the European Union adopted *NextGenerationEU (NGEU)*, a temporary instrument that was set up in response to the socio-economic impact of the COVID-19 pandemic and is financed through the issuing of bonds. NGEU provides funding for the Recovery and Resilience Facility (RRF)², accounting for about 90 % of NGEU funding, as well as for top-ups to existing 2021-2027 MFF programmes, which have to be spent in line with sector-specific rules. We present a separate opinion on the legality and regularity of RRF expenditure.

0.4. Both the EU's general budget and NGEU funding are subject to the *discharge procedure*. Through this procedure, the Parliament, acting on a recommendation from the Council, decides whether the European Commission has satisfactorily met its budgetary responsibilities. Our annual report, together with our other outputs, provides a basis for the discharge procedure. Upon publication, we forward our annual report to member states' national parliaments, the European Parliament and the Council.

¹ Articles 285 to 287 of the [TFEU](#).

² [Regulation \(EU\) 2021/241](#) establishing the Recovery and Resilience Facility.

0.5. This annual report is structured as follows:

- **chapter 1** contains the statement of assurance, a summary of the results of our audit on the reliability of accounts and the legality and regularity of revenue and expenditure transactions underlying the accounts, including the Commission's regularity information and a summary of our audit approach. Hereafter in this annual report, we use the term 'regularity' with the same meaning as 'legality and regularity';
- **chapter 2** presents our analysis of EU budgetary and financial management;
- **chapter 3** presents performance aspects (i.e. the *economy, efficiency* and *effectiveness*) of the budget's implementation, focusing on our analysis and synthesis of key performance information from special reports adopted in 2024, the performance of spending programmes under MFF heading 1, and our follow-up of recommendations made in our 2021 report on the performance of the EU budget;
- **chapter 4** presents the results of our testing of the regularity of EU revenue transactions, our examination of elements of internal control systems for managing revenue and our review of the Commission's *annual activity reports*;
- **chapters 5-10** show, for the different headings of the 2021-2027 MFF, the results of our testing of the regularity of transactions and our review of the Commission's annual activity reports, elements of its internal control systems and other governance arrangements;
- **chapter 11** presents our assessment of compliance with the RRF payment conditions, as well as our review of the Commission's *annual activity reports*, our examination of selected supervisory and control systems and our audit approach for the RRF;
- **chapter 12** presents our follow-up of the recommendations made in our special reports from 2021;
- **Appendix** reports on any contingent liabilities arising as a result of the performance by the Commission and by the Council, of their tasks under the Single Resolution Mechanism Regulation.

0.6. We aim to present our findings in a clear and concise way. We cannot always avoid using terms specific to the EU, its policies and budget, or to accounting and auditing. On our website, we have published a [glossary](#) with explanations of these specific terms. The terms defined in the glossary appear in *italics* when they first occur in each chapter.

0.7. The Commission's replies to our findings (and, where appropriate, the replies of other EU institutions and bodies) are presented together with this report.

Chapter 1

Statement of assurance and supporting information

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The ECA's statement of assurance to the European Parliament and the Council – independent auditor's report

Opinion

I. We have audited:

- (a) the consolidated accounts of the European Union, which comprise the consolidated financial statements¹ and the budgetary implementation reports² for the financial year ended 31 December 2024, approved by the Commission on 25 June 2025;
- (b) the legality and regularity of the underlying *transactions*, as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

Reliability of the accounts

Opinion on the reliability of the accounts

II. In our opinion, the consolidated accounts of the European Union (EU) for the year ended 31 December 2024 present fairly, in all material respects, the EU's financial position as at 31 December 2024, the *results* of its operations, its cash flows and the changes in its net assets for the year then ended, in accordance with the Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.

Legality and regularity of the transactions underlying the accounts

Revenue

Opinion on the legality and regularity of revenue

III. In our opinion, the revenue underlying the accounts for the year ended 31 December 2024 is legal and regular in all material respects.

¹ Regulation (EU, Euratom) No 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast) – OJ L 2024/2509, 26.9.2024, p. 1, Article 249.

² *Ibid.*, Article 250.

Expenditure

IV. For 2024, we continue to provide two separate opinions on the legality and regularity of expenditure. This reflects the fact that the *Recovery and Resilience Facility (RRF)* is a temporary instrument delivered and financed in a way that is fundamentally different to budget spending under the multiannual financial framework (MFF).

Adverse opinion on the legality and regularity of budget expenditure

V. In our opinion, owing to the significance of the matter described under ‘Basis for adverse opinion on the legality and regularity of budget expenditure’, the budget expenditure accepted in the accounts for the year ended 31 December 2024 is materially affected by error.

Qualified opinion on the legality and regularity of RRF expenditure

VI. In our opinion, except for the effects and the possible effects of the matters described under ‘Basis for qualified opinion on the legality and regularity of RRF expenditure’, the RRF expenditure accepted in the accounts for the year ended 31 December 2024 is legal and regular in all material respects.

Basis for opinions

VII. We have conducted our audit in accordance with the International Federation of Accountants (IFAC) International Standards on Auditing (ISAs) and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards and codes are described in more detail in the ‘Auditor’s responsibilities’ section of our report. In that section, we also provide more information on the basis for our opinion on revenue (see paragraph [XXXV](#)) and RRF expenditure (see paragraph [XXXVII](#)). We have also met independence requirements and fulfilled our ethical obligations under the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Basis for adverse opinion on the legality and regularity of budget expenditure

VIII. Our overall estimated level of error for budget expenditure accepted in the accounts for the year ended 31 December 2024 is 3.6 %. A substantial proportion of this expenditure is materially affected by error. This concerns expenditure subject to complex rules, mainly reimbursement-based, in which the estimated level of error is 5.2 %. Such expenditure amounted to €115.7 billion in

2024, representing 68.9 % of our audit population³. The effects of the errors we found are therefore both material and pervasive to the year's accepted expenditure.

Basis for qualified opinion on the legality and regularity of RRF expenditure

IX. We found the following quantitative and qualitative elements:

- six out of the 28 RRF payments to member states (and related clearings of pre-financing) were affected by quantitative findings. Five of these payments were affected by material error. We note that there is an increasing trend in the overall financial impact of quantitative findings;
- weaknesses in the *ex ante* assessment carried out by the Commission;
- cases of vaguely defined milestones/targets that contributed to a more discretionary assessment of their satisfactory fulfilment;
- persistent weaknesses in the member states' control systems; and
- problems with the reliability of information that member states included in their management declaration.

X. Furthermore, we found serious weaknesses in the appointment of judges connected with the reform to strengthen the independence and impartiality of courts in Poland by reforming the disciplinary regime for judges. There is an ongoing case at the Court of Justice of the European Union regarding a request for preliminary ruling directly related to this matter. Pending a final ruling by the CJEU on this matter, we do not conclude on the satisfactory fulfilment of the two related milestones at this stage. The satisfactory fulfilment of these milestones was a precondition for any RRF payment to Poland.

XI. Based on these elements, we consider that the overall effects of our findings are material, but not pervasive to the year's accepted RRF expenditure.

Key audit matters

We assessed the liability for pension and other employee benefits

XII. The EU balance sheet includes a liability for pension and other employee benefits amounting to €93.1 billion at the end of 2024 (2023: €90.8 billion).

³ We provide further information in our 2024 annual report, paragraphs [1.15](#) and [1.18](#).

XIII. Most of the liability for pension and other employee benefits relates to the Pension Scheme of Officials and Other Servants of the European Union, amounting to €84.8 billion (2023: €82.7 billion). The liability recorded in the accounts is an estimate of the present value of expected future payments the EU will have to make to settle its pension obligations.

XIV. The benefits paid under the pension scheme are charged to the EU budget. While the EU has not created a dedicated pension fund to cover the cost of future pension obligations, member states jointly guarantee the payment of the benefits, and officials contribute one third of the cost of financing the scheme. Eurostat calculates this liability annually on behalf of the Commission's accounting officer, using parameters such as the age profile and life expectancy of EU officials and assumptions about future economic conditions. These parameters and assumptions are also assessed by the Commission's actuarial advisors.

XV. In 2024, the pension liability remained stable, with the slight increase being attributed to the expected progression of service and interest cost. Additionally, the discount rate increased by 0.3 %.

XVI. The second largest part of the liability for pension and other employee benefits is the EU's estimated liability towards the Joint Sickness Insurance Scheme, which amounted to €6.9 billion at the end of 2024 (2023: €6.3 billion). This liability relates to EU staff members' healthcare costs payable during post-activity periods (net of their contributions).

XVII. As part of our audit, we assess the actuarial assumptions made for these schemes and the resulting valuation. We base our evaluation on work carried out by external, independent actuarial experts. We check the basic data underlying the calculations, the actuarial parameters and the calculation of the liability. We also examine the presentation of the liabilities in the consolidated balance sheet and the notes to the consolidated financial statements.

XVIII. In this context, we also examined the outstanding UK liability relating to the Pension Scheme of the European Officials and the Joint Sickness Insurance Scheme, amounting to €9.9 billion (2023: €10.2 billion). We verified the accuracy of the data used for the calculation and that only the relevant share of the overall liability was apportioned to the UK.

XIX. We conclude that the estimate of the overall liability for pension and other employee benefits, as well as the UK share of that liability, are presented fairly in the consolidated annual accounts.

We assessed significant year-end estimates presented in the accounts

XX. At the end of 2024, the estimated value of incurred eligible expenditure due to beneficiaries but not yet claimed was €160.7 billion (2023: €155.2 billion). These amounts were recorded as accrued expenses⁴.

XXI. The increase in the estimate across all programmes is mainly driven by the fact that the previous programming period is coming to an end and that the uptake of 2021-2027 MFF funds has been slower than anticipated. Thus, the value of actual claims submitted was lower than expected and a greater proportion had to be estimated at year-end. Accruals recorded in relation to the RRF, which are based on a forecast of future payments, amounted €7.9 billion (2023: €7.4 billion).

XXII. To assess these year-end estimates, we examined the system the Commission had set up for the cut-off calculations to ensure its correctness and completeness in the directorates-general where most expenditure was incurred. During our audit work on the sample of invoices and pre-financing payments, we examined the relevant cut-off calculations in order to address the risk of accruals being misstated.

XXIII. We conclude that the estimate of the overall amount of accrued charges and other advances paid to member states is presented fairly in the consolidated annual accounts.

We assessed the impact on the accounts of Russia's war of aggression against Ukraine

XXIV. As the EU provides assistance to Ukraine in the form of loans and grants, we assessed the Commission's calculations concerning the EU's related financial exposure, as well as their underlying basis, to ensure that the actual and potential consequences were reflected appropriately in the EU accounts. We, as well as an independent external expert, assessed the Commission's calculations to ensure that all relevant information was considered.

XXV. We conclude that the treatment of the impact of Russia's war of aggression against Ukraine on the consolidated accounts is presented fairly in the consolidated annual accounts.

⁴ These comprise accrued charges of €66.8 billion on the liabilities side of the balance sheet and, on the assets side, €93.9 billion reducing the value of pre-financing.

We assessed the impact of NGEU on the accounts

XXVI. With NextGenerationEU (NGEU), the EU mobilised substantial resources to mitigate the COVID-19 pandemic's socio-economic impact. To fund NGEU, the European Commission raises debt in the capital markets. These funds are being made available to the member states in the form of non-repayable grants or loans up to a previously agreed allocation. These activities have a significant effect on the financial statements. The most significant part of NGEU is the Recovery and Resilience Facility (RRF), through which €197.5 billion of grants and €108.7 billion of loans had been disbursed by the end of 2024.

XXVII. As part of our normal audit procedures, we audited the EU's assets, liabilities, revenue and expenses, including those related to NGEU. We conclude that they are presented fairly in the consolidated annual accounts.

Other matters

Information included in the 'Financial highlights of the year'

XXVIII. The Commission is responsible for providing 'other information'. This term encompasses the 'Financial highlights of the year', but not the consolidated accounts or our report on these. Our opinion on the consolidated accounts does not cover this other information, and we do not express any form of assurance conclusion on it. Our responsibility in connection with the audit of the consolidated accounts is to read the other information and consider whether it is materially inconsistent with the consolidated accounts or the knowledge we have obtained in the audit, or otherwise appears to be materially misstated. If we conclude that the other information is materially misstated, we are required to report this accordingly. We have nothing to report in this regard.

Treatment of proceeds from borrowing to finance NGEU

XXIX. We note that amounts borrowed to finance NGEU non-repayable financial support are presented differently in the budget and in the consolidated financial statements. The amounts borrowed to finance non-repayable financial support to member states in the context of NGEU, providing 29 % of EU revenue in 2024, are treated as external assigned revenue, which is additional to the voted budget, in line with the RRF regulation. The statement of financial performance does not include these amounts as revenue, but it does include the expenses related to NGEU non-repayable financial support, leading to a negative impact on the economic result for the year. Negative economic results increase the deficit in net assets as reflected in the EU's balance sheet and therefore must be funded by future budgets.

Responsibilities of management

XXX. In accordance with Articles 310 to 325 of the TFEU and with the Financial Regulation, the Commission is responsible for preparing and presenting the EU's consolidated accounts on the basis of internationally accepted accounting standards for the public sector, and for the legality and regularity of the underlying transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to *fraud* or error. Management is responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities (laws, regulations, principles, rules and standards) which govern them. The Commission is ultimately responsible for the legality and regularity of the transactions underlying the EU's accounts (Article 317 of the TFEU).

XXXI. When preparing the consolidated accounts, management is responsible for assessing the EU's ability to continue as a going concern, disclosing any relevant matters and using the going concern basis of accounting unless it either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

XXXII. The Commission is responsible for overseeing the EU's financial reporting process.

XXXIII. Under the Financial Regulation (Title XIII), the Commission's accounting officer must present for audit the consolidated accounts of the EU first as provisional accounts by 31 March of the following year and as final accounts by 31 July. The provisional accounts should already give a true and fair view of the EU's financial position. It is therefore imperative that all items of the provisional accounts are presented as final calculations, allowing us to perform our task in line with (Title XIII) of the Financial Regulation and by the given deadlines. Any changes between the provisional and final accounts would normally result from our observations only.

Auditor's responsibilities for the audit of the consolidated accounts and underlying transactions

XXXIV. Our objectives are to obtain reasonable assurance as to whether the EU's consolidated accounts are free from material misstatement and the underlying transactions are legal and regular, and on the basis of our audit, to provide the European Parliament and the Council with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions. Reasonable assurance is a high level of assurance, but it is not a

guarantee that the audit has necessarily detected all instances of material misstatement or non-compliance that may exist. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence any economic decisions taken on the basis of these consolidated accounts.

XXXV. For revenue, our examination of the own resources based on gross national income, value added tax and non-recycled plastic packaging waste takes as its starting point the statistics and data from which these are calculated, and assesses the Commission's systems for processing these up to the point at which the member states' contributions have been received and recorded in the consolidated accounts. For traditional own resources, we examine the customs authorities' accounts and analyse the flow of duties up until the amounts have been received by the Commission and recorded in the accounts. Customs duties are at risk of either not being declared or being declared incorrectly to the national customs authorities by importers. The actual import duties collected will therefore fall short of the amount that should theoretically be collected. This difference is known as the "customs gap". These evaded amounts are not captured in member states' traditional own resources accounting systems and do not fall within the scope of our audit opinion on revenue.

XXXVI. For expenditure, we examine payment transactions once expenditure has been incurred, recorded and accepted. This examination covers all categories of payments at the point they are made, except advances. We examine advance payments once the recipient of funds has provided evidence of their proper use and the institution or body has accepted that evidence by clearing the advance payment, which might not happen until a subsequent year.

XXXVII. For RRF expenditure, unlike other budget expenditure, the condition for payment is the satisfactory fulfilment of predefined milestones or targets. Further requirements are that targets or milestones that have previously been satisfactorily fulfilled should not have been reversed, and that there is no breach of the double-funding principle. The eligibility conditions laid down in the Regulation include compliance with the eligibility period, the 'Do No Significant Harm' (DNSH) principle, and non-substitution of recurring national budgetary expenditure. Consequently, our audit focuses on whether these payment and eligibility conditions were met. As compliance of expenditure incurred by final recipients with EU and national rules is not a condition for RRF payments, our audit opinion does not cover the regularity of expenditure incurred by final recipients. The RRF Regulation does not stipulate further criteria on how to interpret the word 'satisfactory', and, therefore, leaves the Commission with broad discretion when assessing the satisfactory fulfilment of milestones and targets. The assessment of qualitative achievements requires several judgements

to be made, leading to different possible interpretations. This risk is particularly present when milestones or targets are vaguely designed.

XXXVIII. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the consolidated accounts and of material non-compliance of the underlying transactions with the requirements of EU law, whether due to fraud or error. We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Instances of material misstatement or non-compliance resulting from fraud are more difficult to detect than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, there is a greater risk of such instances not being detected.
- (b) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (c) Evaluate the appropriateness of the accounting policies used by management and the reasonableness of management's accounting estimates and related disclosures.
- (d) Conclude as to the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether material uncertainty exists owing to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated accounts or, if these disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the consolidated accounts, including all disclosures, and assess whether the consolidated accounts fairly represent the underlying transactions and events.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information on the entities covered by the EU's scope of consolidation to express an opinion on the consolidated accounts and the underlying transactions. We are responsible for directing, supervising and carrying out the audit, and are solely responsible for our audit opinion.

XXXIX. We communicate with the Commission and other audited entities regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control.

XL. Of the matters discussed with the Commission and other audited entities, we determine which were of most significance in the audit of the consolidated accounts and are therefore the key audit matters for the current period. We describe these matters in our report unless law or regulation precludes public disclosure or, as happens extremely rarely, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh any public interest benefits.

10 July 2025

Tony Murphy
President

European Court of Auditors

12, rue Alcide De Gasperi – L-1615 Luxembourg

Introduction

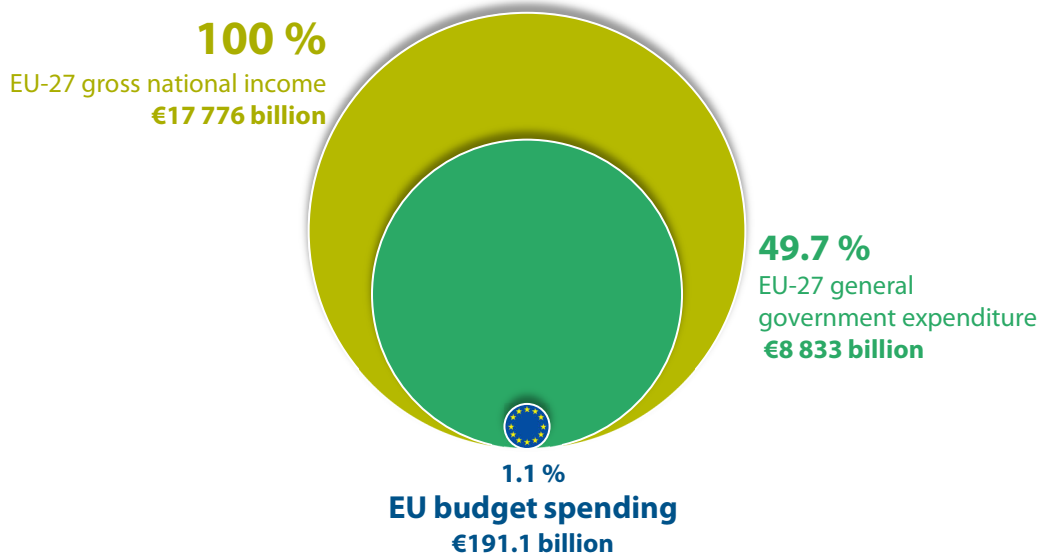
1.1. This chapter of the annual report:

- (a) sets out the basis for our *statement of assurance* and gives an overview of our observations and conclusions on the reliability of the EU's accounts and the regularity of the underlying *transactions* for revenue and *multiannual financial framework* (MFF) expenditure;
- (b) includes information on our reporting of cases of suspected fraud to the European Public Prosecutor's Office (EPPO) and the EU's Anti-Fraud Office (OLAF), and our audits on EU action to combat *fraud*;
- (c) summarises our audit approach (see [Annex 1.1](#)).

1.2. In 2024, member states' total general government spending (€8 833 billion) represented 49.7 % of their *gross national income (GNI)* (€17 776 billion). EU budget spending amounted to €191.1 billion, representing 2.2 % of the EU member states' total general government spending and 1.1 % of their GNI (see [Figure 1.1](#)). Taking into account additional payments from *assigned revenue* for *Recovery and Resilience Facility* (RRF) grants of €55.9 billion (see paragraph **2.22**) financed by EU debt, payments in 2024 totalled €247.0 billion⁵.

⁵ [2024 consolidated annual accounts of the EU](#), budgetary implementation reports and explanatory notes, section 6.3 'MFF: Implementation of *payment appropriations*'.

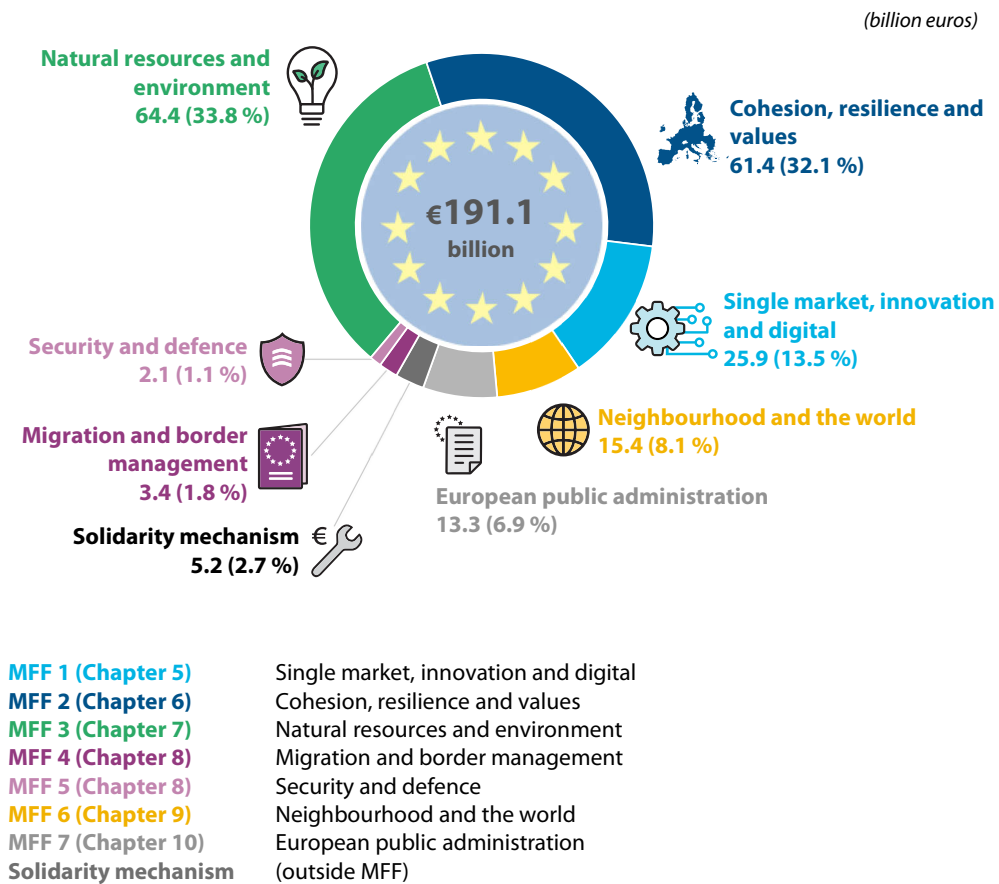
Figure 1.1 – 2024 EU budget spending and EU-27 general government expenditure in proportion to GNI



Source: ECA, based on data on EU-27 GNI from the 2024 consolidated annual accounts of the European Commission – Annex A – Revenue; EU-27 general government expenditure: Eurostat database — [Government revenue, expenditure and main aggregates](#) (data extracted on 28 April 2025); EU budget spending: European Commission - 2024 consolidated annual accounts of the European Union.

1.3. EU funds are disbursed to *beneficiaries* either through single payments/annual instalments or through a series of payments within multiannual spending schemes. Payments from the 2024 EU budget comprised €49.0 billion in pre-financing and €142.1 billion in other payments. As [Figure 1.2](#) shows, the largest shares of the EU budget went to ‘Natural resources and environment’ and ‘Cohesion, resilience and values’, followed by ‘Single market, innovation and digital’.

Figure 1.2 – 2024 EU budget spending per MFF heading



Source: ECA.

Reliability of the accounts

The accounts were not affected by material misstatements

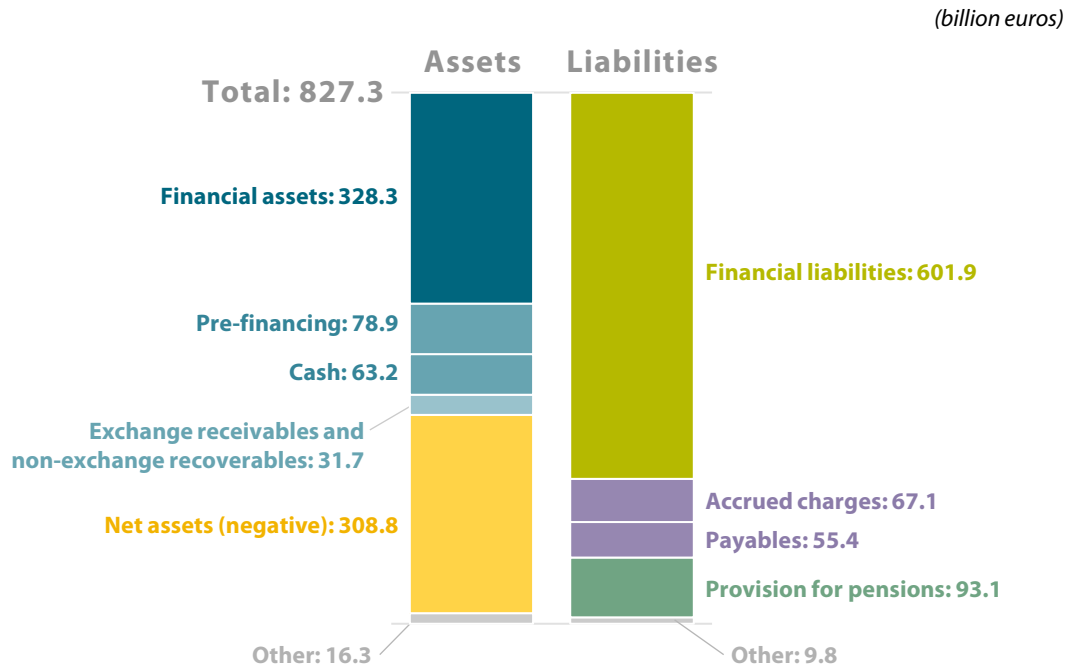
1.4. Our findings concern the EU's *consolidated accounts*⁶ (the 'accounts') for the 2024 financial year. We received them, together with the accounting officer's letter of representation, on 30 June 2025, the deadline for presentation set in the *Financial Regulation*. The accounts are accompanied by a 'Financial highlights of the year' section⁷, which is not covered by our audit opinion. In accordance with auditing standards, however, we have assessed its consistency with the information in the accounts.

1.5. The accounts published by the Commission show that, on 31 December 2024, total liabilities amounted to €827.3 billion, compared with €518.5 billion of total assets. The difference of €308.8 billion represented the (negative) net assets, comprising reserves and the portion of expenses already incurred by the EU up to 31 December that must be funded by future budgets. *Figure 1.3* shows a detailed breakdown of assets and liabilities. The (negative) *economic result* for 2024 was €97.2 billion. The amounts expensed for *NextGenerationEU* (NGEU) have contributed significantly to the negative net assets and economic result.

⁶ Article 247 of *Regulation (EU, Euratom) 2024/2509*.

⁷ *Recommended Practice Guideline 2 (RPG 2) – 'Financial Statement Discussion and Analysis'* of the International Public Sector Accounting Standards Board (IPSASB).

Figure 1.3 – Assets and liabilities of EU as at 31 December 2024



Source: ECA

1.6. Our audit found that the accounts were not affected by material misstatements. We present the results of our work on the financial and budgetary management of EU funds in **chapter 2**.

Key audit matters relating to the 2024 financial statements

1.7. Key audit matters are those matters that, according to our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters. We report on key audit matters in our statement of assurance.

Regularity of transactions

1.8. We examined the EU's revenue and expenditure to assess whether resources had been collected and spent in compliance with the applicable laws and regulations⁸. Below we summarise our audit results, which are presented in detail for revenue in **chapter 4** and for expenditure in **chapters 5-10**. The overview below does not include the results of our audit work on RRF expenditure, which are reported in **chapter 11**.

Our opinion covers budgetary revenue and expenditure transactions

1.9. For revenue, we obtained reasonable assurance for our audit opinion by assessing selected key systems, complemented by transaction testing. The sample of 65 transactions examined was designed to be representative of all sources of EU budgetary revenue, which comprises revenue from *own resources* (customs duties and resources based on value added tax (VAT), and the own resources based on GNI and non-recycled plastic packaging waste) and revenue stemming from other sources. Our sample also covered external *assigned revenue* used to finance the non-repayable (grant) component of the RRF, representing the amounts borrowed by the Commission under NGEU (see paragraphs **4.2-4.4**). The EU will have to repay these amounts in the future. In 2024, our audit population for revenue amounted to €250.6 billion (see **Figure 4.1**).

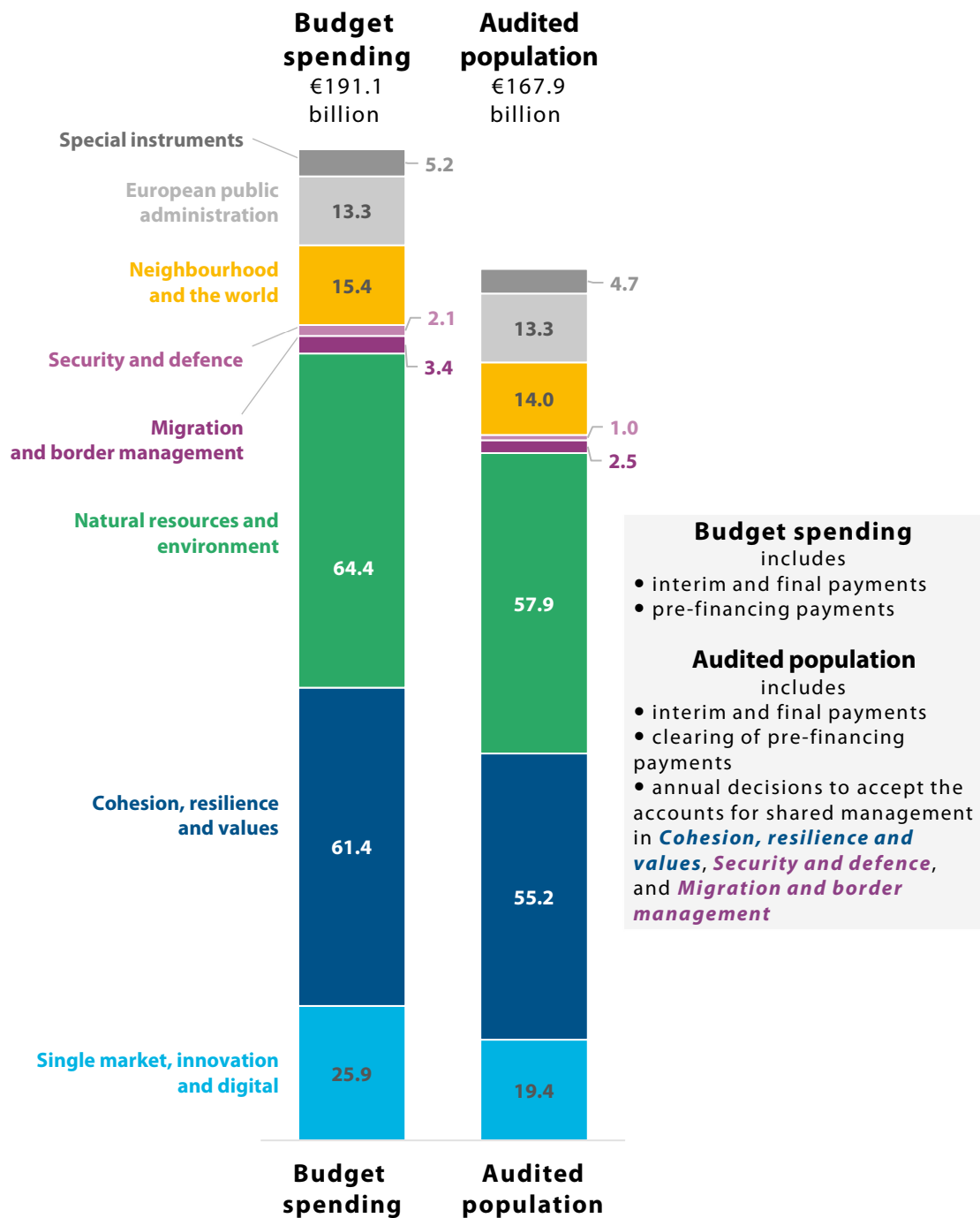
1.10. For expenditure, we selected a representative sample of 812 transactions from our audit population, comprising *clearings* of pre-financing payments as well as interim and final payments accepted by the Commission (or another institution or body managing EU funds) and paid from the EU budget to *final recipients*. Our testing of these transactions contributed to our statement of assurance and to our estimate of the proportion of irregular transactions in the overall audit population, in the parts of expenditure we consider to be affected by material error (see paragraph **1.15**) and in each MFF heading for which we provide a specific assessment (headings 1, 2, 3, 6 and 7). The transactions examined and the examples presented in this report do not provide a basis for drawing conclusions on the specific member states, beneficiary states or regions concerned (see paragraph **(22)** of **Annex 1.1**).

⁸ Including transactions from the 2014-2020 MFF and previous MFFs.

1.11. Our population for expenditure totalled €167.9 billion in 2024, including NGEU top-ups to existing 2021-2027 MFF programmes, which have to be spent in line with sector-specific rules. This amount includes both contributions from and payments to the United Kingdom, in line with the conditions outlined in the Withdrawal Agreement⁹. [Figure 1.4](#) shows the EU budget spending and our audit population for expenditure, broken down by MFF heading (budget area) and type of payment: *interim* and final payments; *clearing* of pre-financing; and annual decisions to accept the accounts (see paragraphs [\(19\)](#) and [\(20\)](#) of [Annex 1.1](#)).

⁹ Articles 136 and 138 of the [agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community](#).

Figure 1.4 – Comparison of our audit population (€167.9 billion) and EU budget spending (€191.1 billion) by MFF heading in 2024



Source: ECA.

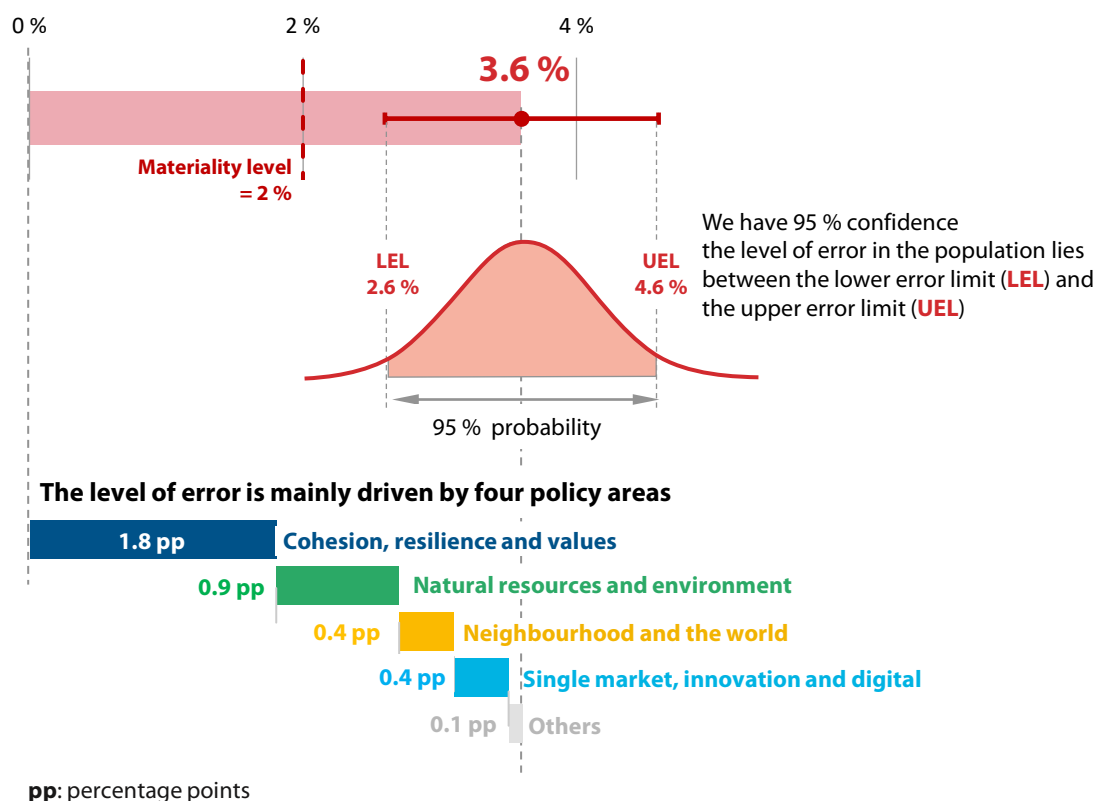
No material error in revenue, but a significant proportion of spending is affected by material error

1.12. In relation to the regularity of EU revenue and expenditure, our key findings were:

- (a) **Revenue:** The overall audit evidence indicates that the level of error in revenue was not material. The systems for managing the revenue we examined were generally effective. However, some elements of the control systems for managing VAT reservations and *traditional own resources (TOR) open points* were partially effective. In addition, the provision of information on *GNI reservations* and the reporting of data on the plastics own resource, as well as some elements of the key internal TOR controls we assessed in three member states, were partially effective (see **chapter 4**).
- (b) **Expenditure:** our audit evidence indicates that the overall level of error¹⁰ was material at 3.6 %. We have 95 % confidence that the *estimated level of error* in the population lies between 2.6 % (the lower error limit) and 4.6 % (the upper error limit). The level of error is mainly driven by ‘Cohesion, resilience and values’, which was the biggest contributor to this rate (1.8 percentage points), followed by ‘Natural resources and environment’ (0.9 percentage points), ‘Neighbourhood and the world’ (0.4 percentage points) and ‘Single market, innovation and digital’ (0.4 percentage points) (see **Figure 1.5**).

¹⁰ Definition of ‘error’ in **Annex 1.1**, paragraph (25)

Figure 1.5 – Estimated level of error in expenditure and biggest contributors in 2024

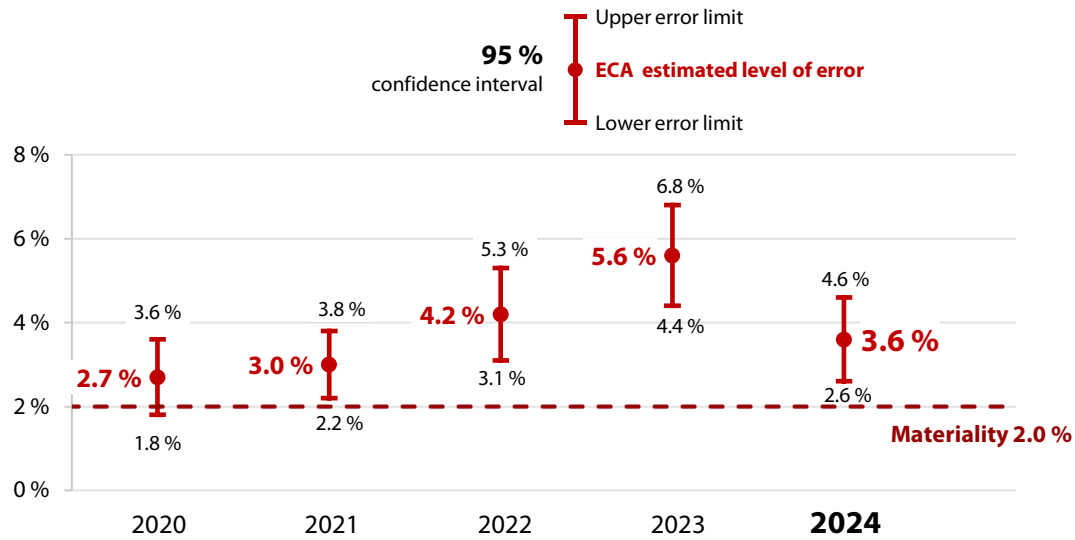


Source: ECA.

1.13. Since 2021, the lower limit of our 95 % *confidence interval*¹¹ for the estimated level of error has remained above the materiality threshold of 2.0 %. This means we have reasonable assurance that the level of error in the audit population is above the *materiality threshold* for each of these years. *Figure 1.6* compares the estimated levels of error between 2020 and 2024.

¹¹ See paragraph (27) of *Annex 1.1* for an explanation of the 95 % confidence interval.

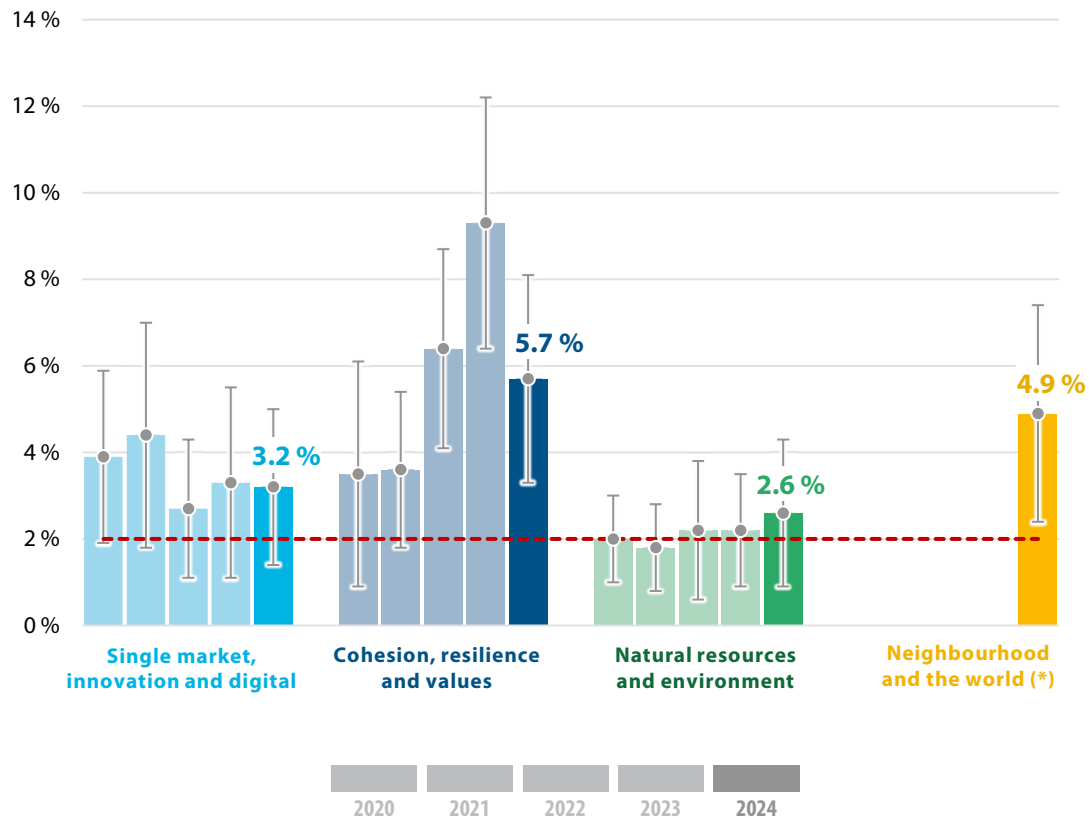
Figure 1.6 – Estimated levels of error (2020-2024)



Source: ECA.

1.14. *Figure 1.7* compares our estimated levels of error for ‘Single market, innovation and digital’, ‘Cohesion, resilience and values’, ‘Natural resources and environment’ between 2020 and 2024 and shows our estimated level of error for ‘Neighbourhood and the world’ in 2024. Paragraphs [1.19-1.22](#) and *chapters 5, 6, 7 and 9* provide further information.

Figure 1.7 – Estimated levels of error for MFF headings 1, 2, 3 and 6 (2020-2024)

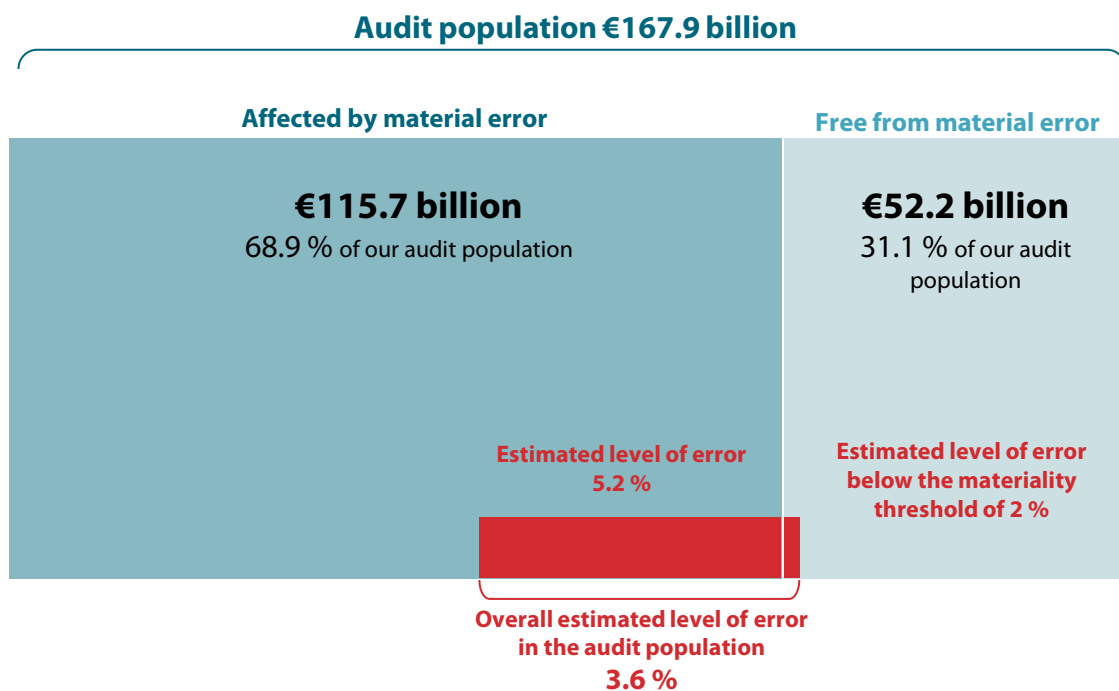


*We did not provide a specific assessment for 'Neighbourhood and the world' between 2020 and 2023.

Source: ECA.

1.15. Our 2024 audit results reaffirm our assessment, made in previous years, that the way funds are disbursed has an impact on the risk of error. [Figure 1.8](#) illustrates that the audited areas affected by material error represent 68.9 % of our audit population (2023: 64.4 %). Taking into account the results of our testing across all MFF headings, we estimate the level of error in this part of expenditure to be 5.2 % (2023: 7.9 %).

Figure 1.8 – Proportion of our 2024 audit population affected by material error



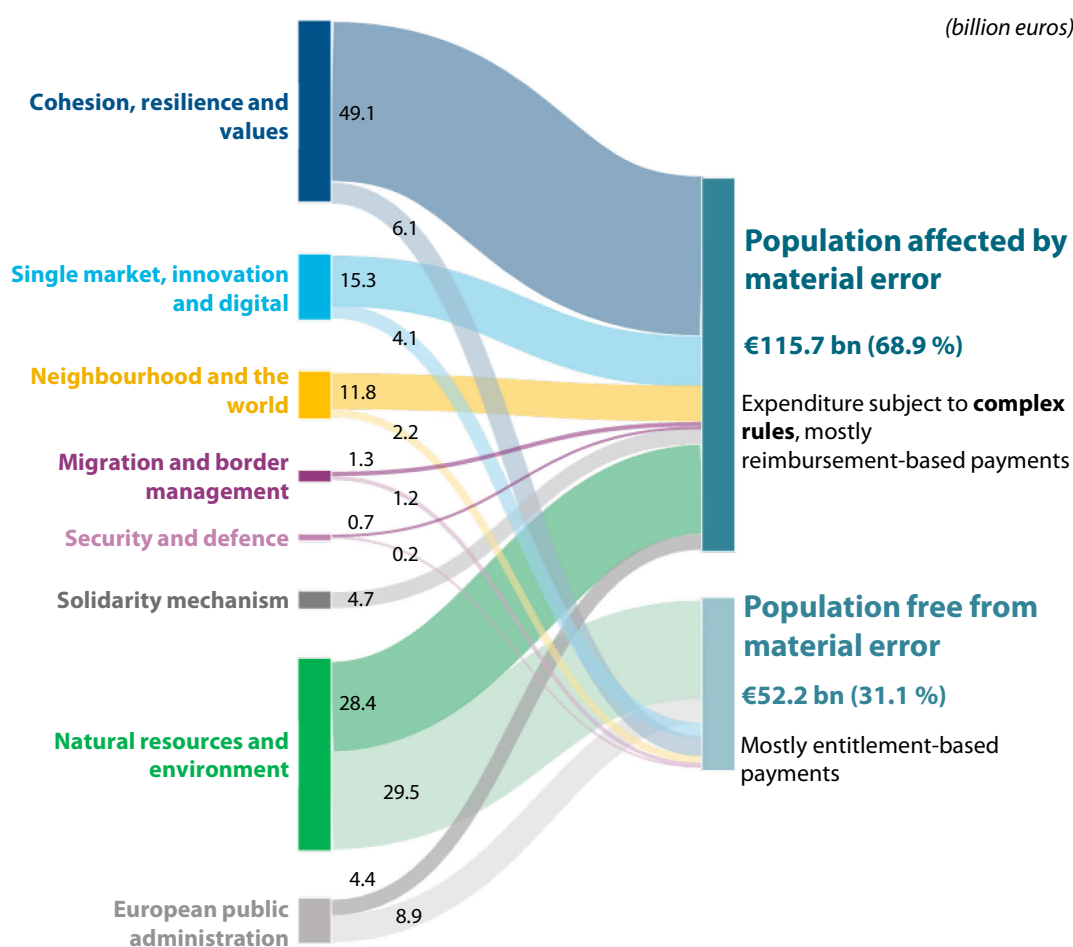
Source: ECA.

1.16. The audited areas affected by material error comprise mainly **reimbursement-based payments**, where beneficiaries have to submit claims for eligible costs they have incurred. To this end, as well as demonstrating that they are engaged in an activity eligible for support, they must provide evidence of the reimbursable costs they have incurred. In doing so, they must often follow complex rules regarding what can be claimed (eligibility) and how costs can be incurred properly (*public procurement* or *state aid* rules).

1.17. We conclude that 31.1 % of our audit population is free from material error, meaning that the estimated level of error in this part of expenditure is below the materiality threshold of 2 % (see [Figure 1.8](#)). This part of the population includes expenditure related to **entitlement-based payments** for which beneficiaries must meet certain conditions (e.g. *direct payments* for farmers, excluding *eco-schemes*), as well as part of administrative expenditure (salaries and pensions of EU staff), budget support for non-EU countries, and student and other mobility actions under *Erasmus+* (see [Figure 1.9](#)). This part of expenditure was also free from material error in previous years. We did, however, identify errors concerning ineligible costs.

1.18. As [Figure 1.9](#) shows, ‘Cohesion, resilience and values’ is the biggest contributor to the part of our audit population which is affected by material error (€49.1 billion), followed by ‘Natural resources and environment’ (€28.4 billion), ‘Single market, innovation and digital’ (€15.3 billion) and ‘Neighbourhood and the world’ (€11.8 billion). Paragraphs [1.19-1.22](#) summarise our findings for the main policy areas.

Figure 1.9 – Breakdown of our audit population by level of error and MFF heading



Source: ECA.

1.19.  ‘Single market, innovation and digital’ (**chapter 5**): as in previous years in this area, research and innovation expenditure (mainly Horizon 2020), representing the majority of payments under this heading, remains the main source of errors. Errors in this area include different categories of ineligible costs (in particular, ineligible amounts related to direct personnel costs, other *direct costs* and ineligible subcontracting). We also found ineligible indirect costs in a *Connecting Europe Facility* project.

1.20.  'Cohesion, resilience and values' (**chapter 6**): expenditure in this area is mainly implemented through the *European Regional Development Fund* (ERDF), the *Cohesion Fund* (CF) and the *European Social Fund Plus* (ESF+), and comprises mainly reimbursement-based payments. This year, both the estimated level of error and the number of errors we found for this heading remained significant but were lower than they had been last year. The main types of error we quantified were ineligible costs and projects, irregularities in public procurement procedures and absence of essential supporting documents.

1.21.  'Natural resources and environment' (**chapter 7**): our results indicate that the level of error was material for the following spending areas taken as a whole: eco-schemes, rural development, market measures, and other MFF heading 3 policy areas outside the *common agricultural policy* (CAP). These areas represent around 54 % of expenditure under this heading, which mainly takes the form of reimbursement. Administrative errors, ineligible expenditure, non-respect of agri-environmental/climate/eco-scheme commitments are the most common errors found in these areas.

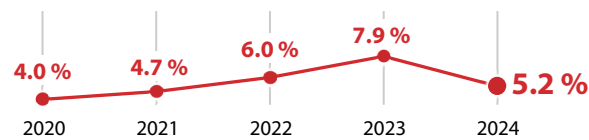
1.22.  'Neighbourhood and the world' (**chapter 9**): expenditure in this area is mostly reimbursement-based and covers *external action* funded by the EU budget. All types of expenditure under this heading were affected by material error, except for *budget support* payments and administrative expenditure, which represent around 15 %. Most errors found in this area concerned ineligible costs, non-compliance with public procurement rules, absence of essential supporting documents and ineligible projects or beneficiaries.

Eligibility errors are still the biggest contributor to the estimated level of error and have increased from last year

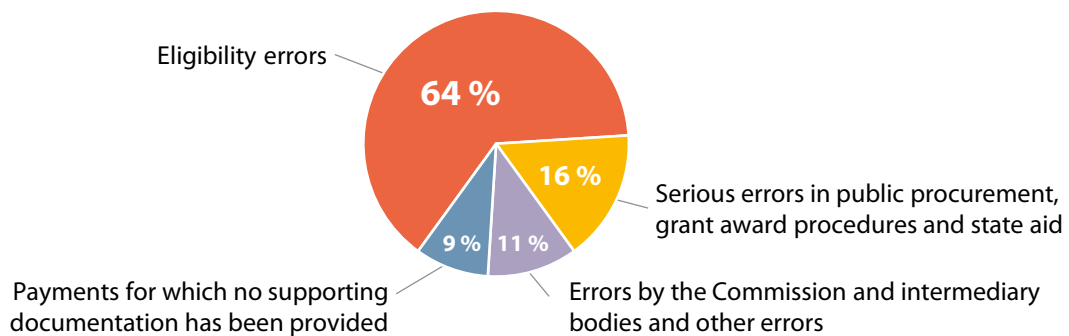
1.23. We describe in detail below the error types found in the part of the audit population in which material error persists. [Figure 1.10](#) compares the estimated levels of error for this part of the audit population and evolution of the main error types between 2020 and 2024 and shows the contribution of each error type to the estimated level of error in 2024.

Figure 1.10 – Estimated level of error for the part of expenditure affected by material error and contribution of each error type

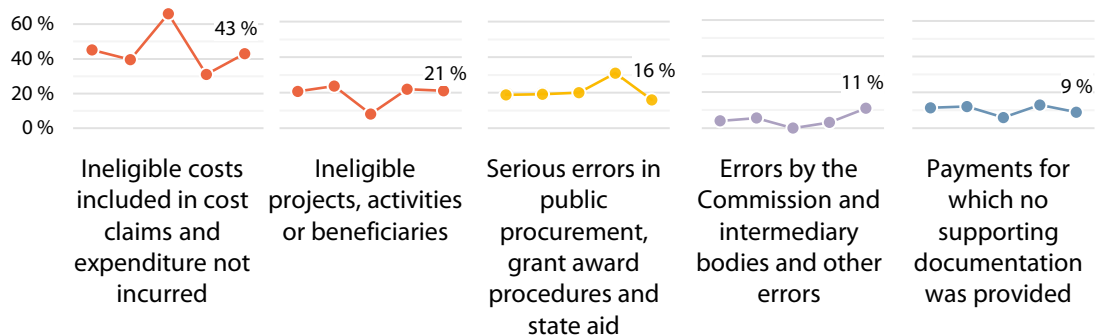
Estimated level of error



Proportions of error types in 2024



Evolution of the error types for 2020-2024

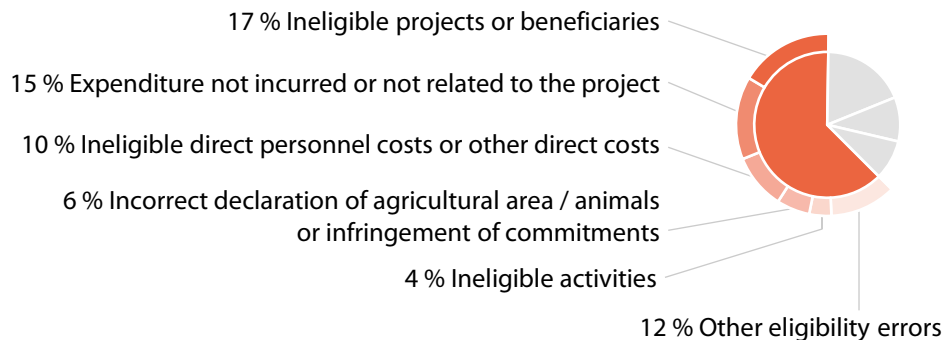


Source: ECA.

1.24. In 2024, we continued to find that eligibility errors, mainly in ‘Cohesion, resilience and values’, ‘Natural resources and environment,’ ‘Single market, innovation and digital’ and ‘Neighbourhood and the world’ were the biggest contributors to the estimated level of error for the part of our audit population affected by material error, at 64 % (2023: 53 %). Of these errors, ineligible projects or beneficiaries contributed 17 %, expenditure not incurred or not related to the project 15 %, ineligible direct personnel costs or other direct costs 10 %, incorrect declaration of agricultural area / animals or infringement of commitments 6 % and ineligible activities 4 % (see [Figure 1.11](#)).

Figure 1.11 – Breakdown of eligibility errors in 2024

Eligibility errors (64 %)

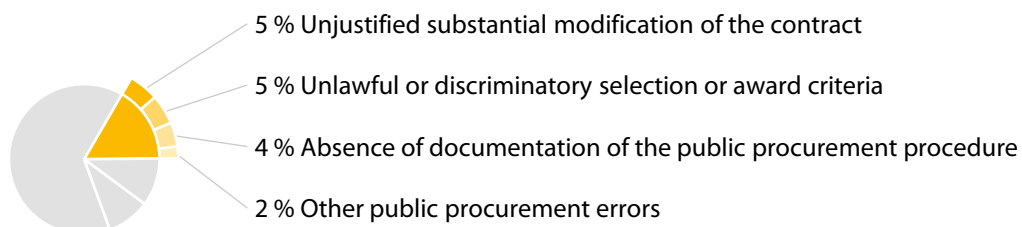


Source: ECA.

1.25. Errors relating to infringements of public procurement rules and grant award procedures, mainly in ‘Cohesion, resilience and values’ and ‘Neighbourhood and the world’, contributed 16 % (2023: 31 %) to the estimated level of error for this part of expenditure in 2024. The decrease was mainly due to the fact that we found fewer cases of non-compliance with state aid rules in ‘Cohesion, resilience and values’ in 2024. The main types of error found in public procurement were unjustified substantial modification of the contract without a new procurement procedure or call for proposal (which contributed 5 % to the level of error), unlawful or discriminatory selection or award criteria laid down in contract notices or tender documents (which contributed 5 %) and absence of documentation of the public procurement procedure (which contributed 4 %) (see [Figure 1.12](#)).

Figure 1.12 – Breakdown of serious errors in public procurement, grant award procedures and state aid in 2024

Serious errors in public procurement, grant award procedures and state aid (16 %)



Source: ECA.

1.26. In addition, two other error types affected the level of error in this part of expenditure. Firstly, errors by the Commission and intermediary bodies and other errors, mainly by member state authorities, for transactions relating to newly introduced eco-schemes in ‘Natural resources and environment’, contributed 11 %

(2023: 3 %) to the estimated level of error. Secondly, payments for which no essential supporting documentation was provided, mainly in 'Cohesion, resilience and values' and 'Neighbourhood and the world', contributed 9 % (2023: 13 %).

The Commission's regularity information

The level of error reported by the Commission is not directly comparable with our estimate of error and is likely to be underestimated

1.27. The Commission is ultimately responsible for implementing the EU budget¹², regardless of the management mode (i.e. *direct, indirect or shared management*).

1.28. In its *annual management and performance report* (AMPR), the Commission provides key aggregated information on internal control and financial management referred to in the *annual activity reports* (AARs) of the various Commission directorates-general. The directors-general are responsible for the reliability of the information provided in their respective AARs, while the college of Commissioners adopts the AMPR and therefore ultimately assumes responsibility for the report's production and for the information it presents.

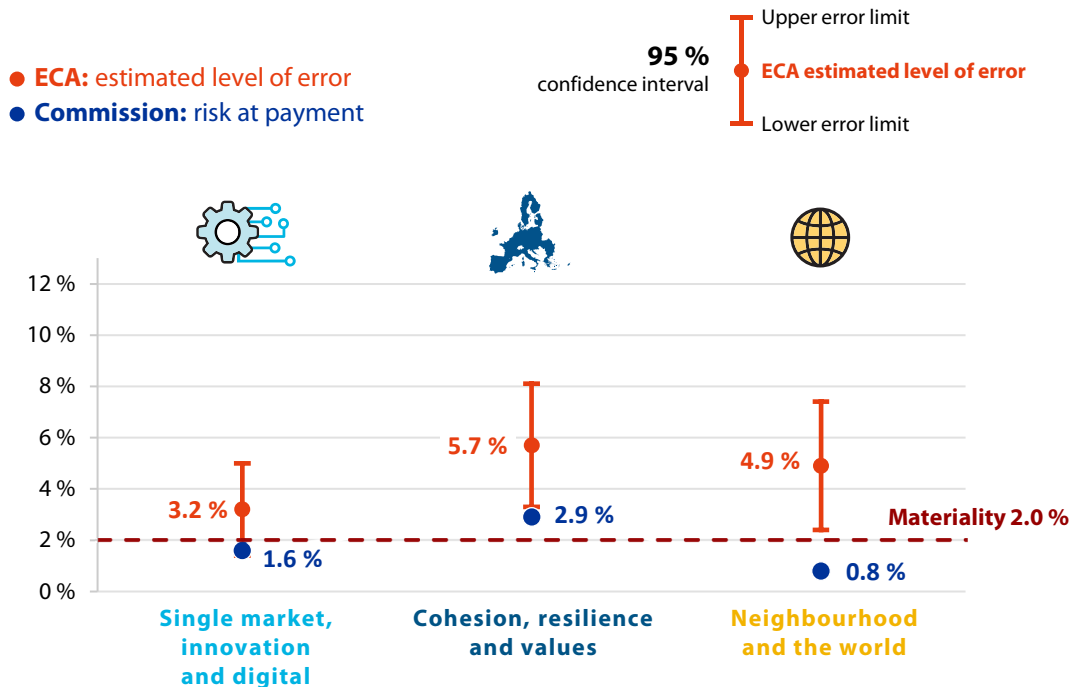
1.29. In the AMPR, the Commission presents its estimate of the risk at payment¹³ in 2024 for all MFF headings except heading 3 'Natural resources and the environment'. **Figure 1.13** presents the Commission's estimate of the risk at payment for the MFF headings for which we provide a specific assessment alongside the ranges of our 95 % confidence interval¹⁴ for the estimated level of error. The Commission's figures are below the range of our confidence interval for headings 2 and 6 and in the lower half of the range for heading 1.

¹² Article 317 TFEU

¹³ Article 253(1)(b)(i) of the [Financial Regulation](#) requires that the AMPR include an 'estimation of the level of error' in EU expenditure.

¹⁴ See paragraph (28) of [Annex 1.1](#) for an explanation of the 95 % confidence interval.

Figure 1.13 – Our estimate of the 2024 level of error and the Commission’s estimate of the risk at payment, for MFF headings 1, 2 and 6



Source: ECA.

1.30. There are various reasons why the Commission’s estimates are lower than our estimated levels of error. These reasons include inherent differences between the respective roles and mandates of the Commission and the ECA, but also limitations in *management and control systems* (see paragraph 1.34).

1.31. The ECA is the EU’s external auditor and provides an independent audit opinion on the *legality and regularity* of financial transactions in a given year. In doing so, the ECA is required to report on any cases of irregularity, regardless of whether a *financial correction* may be applicable. By contrast, the Commission focuses on cases of irregularity in which it sees legal grounds for the recovery of the amounts concerned. The Commission does not apply a financial correction if, for example, an irregularity found is due to a weakness in its own operations.

1.32. More concretely, the Commission’s estimate of ‘irregularities’ is based on the definition set out in the *Common Provisions Regulation*: “any breach of applicable law, resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget”.

1.33. We define an ‘error’ as an amount of money paid out from the EU budget for which the payment conditions were not met. Therefore, our definition includes not only breaches of applicable law resulting from acts or omissions by economic operators but also errors detrimental to the EU budget made by national and regional administrations or by the Commission itself. Moreover, the estimated level of error we report should not be interpreted as being equivalent to the amount of financial corrections the Commission can potentially impose in accordance with the applicable rules.

1.34. As in previous years, we found limitations in management and control systems that affect the Commission’s estimate of the risk at payment in different policy areas. An analysis of the limitations found in MFF headings 1, 2 and 6 is presented in the following paragraphs.

1.35. For heading 1 ‘**Single market, innovation and digital**’ (total relevant expenditure by the Commission: €24 billion): the Commission’s estimate of the risk at payment was 1.6 %, in the lower half of our error range (confidence interval) and below our estimated level of error of 3.2 % (see paragraphs **5.10** and **5.40**). This heading mainly comprises expenditure classified by the Commission as low-risk (56 % of this heading’s total expenditure). The Commission’s cumulative *residual error rate* for H2020, Horizon Europe and Digital Europe, taking into account corrective actions, is around 1.8 %. For H2020, it is based on detected error rates. For Horizon Europe and Digital Europe programmes the Commission does not yet have an error rate based on finalised *ex post* controls and therefore used the target rate of no more than 2 % to estimate the error rate (see paragraphs **5.41** and **5.42**).

1.36. For heading 2 ‘**Cohesion, resilience and values**’ (total relevant expenditure by the Commission: €62 billion): the Commission’s estimate was 2.9 %, significantly below our error range (see Figure **6.6**). This heading comprises *operational programmes* classified by the Commission mainly as either lower- or medium-risk (61 % of this heading’s total expenditure) depending on their confirmed error rates. For 2024, we estimated a level of error of 5.7 % in MFF heading 2 (see paragraph **6.10**).

The Commission calculates an error rate for management and control purposes. This error rate is derived from the rates reported by the *audit authorities*, which the Commission verifies through desk reviews and risk-based compliance audits. However:

- desk reviews have inherent limitations, in that they are not designed to detect irregular expenditure that has remained undetected by the member states¹⁵. They also fall short in terms of detecting system weaknesses in the audit authorities' work.
- the Commission continues to detect irregularities through its compliance audits¹⁶. However, as it performs only a limited number of such audits and does not extrapolate the results to the part of the cohesion spending population not covered by its audit, there is a high risk of many errors remaining undetected and subsequently not being taken into account in establishing the overall error rate. The top-ups and flat rates for unaudited programmes included in the Commission's maximum rate since 2021 only partially address this issue¹⁷.

Moreover, we regularly identify undetected errors due to weaknesses in the audit work of the Commission and audit authorities¹⁸. As a result, we conclude that the member states' management and control systems are still not always effective in preventing or detecting irregularities in expenditure declared by beneficiaries (see paragraph 6.65). Therefore, the Commission's risk at payment is underestimated, and the actual error rate is likely to be higher than the one reported by the Commission.

1.37. For heading 6 '**Neighbourhood and the world**' (total relevant expenditure by the Commission: € 20 billion): the Commission's estimate of the risk at payment (0.8 %) was below our error range (see paragraph 9.28). The Commission considers 92 % of expenditure under this heading to be low-risk. The outcome of the residual error rate (RER) study is the main element used to calculate the risk at payment for this heading. In 2024, the Commission decided to revise the RER study methodology with effect from 2025. However, our audit found that some shortcomings in the methodology still exist. For 2024, we estimated a level of error of 4.9 % in MFF heading 6, which indicates that the Commission continues to underestimate the risk at payment.

¹⁵ Review 03/2024, paragraphs VI and 65-66.

¹⁶ Ibid., paragraph 68.

¹⁷ Ibid., paragraphs 41 and 42.

¹⁸ Special report 26/2021: "Regularity of spending in EU Cohesion policy – Commission discloses annually a minimum estimated level of error that is not final".

We report suspected fraud to the EPPO and OLAF

1.38. Fraud is any intentional act or omission relating to the use or presentation of false, incorrect or incomplete statements or documents, the non-disclosure of required information and the improper use of EU funds¹⁹. Fraud has the effect of harming or potentially harming the EU's financial interests.

1.39. The primary responsibility for preventing and detecting fraud rests with both the management of an entity and those charged with its governance. Article 325 of the [Treaty on the Functioning of the European Union \(TFEU\)](#) requires the EU and its member states to counter fraud or other illegal activities affecting the EU's financial interests.

1.40. As the EU's external auditor, we do not have a mandate to investigate cases of suspected fraud against the EU's financial interests. We are, however, obliged to report such cases to the competent authorities, as part of our obligation under [Article 287\(2\) TFEU](#) to report on "any cases of irregularity" we detect while examining the legality, regularity and sound financial management of all EU revenue and expenditure. We take account of the risk of fraud before starting audits (see paragraphs [\(32\)-\(34\)](#) in [Annex 1.1](#)) and review our procedures regularly.

1.41. We forward to the European Public Prosecutor's Office (EPPO) any suspicions of criminal offences falling within its competence and involving participating member states, and forward to the European Anti-Fraud Office (OLAF) any suspicions of fraud, corruption or other illegal activity affecting the EU's financial interests. Such suspicions may arise either from our audit work (including performance audits) or from information reported to us directly by third parties. The EPPO and OLAF then follow up on these cases, decide whether to launch a criminal (in the case of the EPPO) or an administrative (in the case of OLAF) investigation and cooperate as necessary with member state authorities. Since March 2022, we have forwarded cases of suspected fraud to both the EPPO and OLAF where they concern matters falling within the competence of both bodies.

¹⁹ Article 3 of [Directive \(EU\) 2017/1371](#) on the fight against fraud to the Union's financial interests by means of criminal law (the 'PIF Directive').

1.42. In 2024, we reported to OLAF 19 cases (2023: 20 cases) of suspected fraud, of which 15 were identified during our audit of 2023 expenditure, 3 during our audit of 2022 expenditure and 1 in the context of a performance audit carried out in 2023 covering a programme period spanning from 2017 to 2025. Based on this reporting, OLAF has already opened six investigations. In parallel, we reported seven of these cases to the EPPO, all of which resulted in the EPPO opening investigations. Another two cases concerning Poland, which had originally been forwarded to OLAF only, were forwarded to the EPPO in early 2025, when the appointment of the Polish European Prosecutor to the EPPO took effect. Our audit of 2024 expenditure has already identified seven cases of suspected fraud.

1.43. The most frequent grounds for the suspicion of fraud were:

- intentional use or presentation of false, incorrect or incomplete statements or documents and/or non-disclosure of information in violation of a specific obligation, resulting in the misappropriation or wrongful retention of EU funds;
- artificial creation of conditions necessary for EU financing; and
- misuse of EU funds, i.e. for purposes other than those for which they were originally granted.

According to OLAF, it recommended the recovery of a total of €545.6 million from closed investigations based on information arising from our audit work between 2010 and 2024, having been forwarded 254 cases over the same period.

1.44. As well as reporting cases to the EPPO and OLAF, we provide information in this annual report on how the Commission and member states have implemented their fraud risk policies. In **chapter 6**, we report that we identified shortcomings in the planning and preparation of the audit authorities' audit work, such as weaknesses in the sampling approaches and incomplete checklists that did not include specific questions on double funding or fraud (see paragraph **6.46**). We also report that the Commission has implemented the recommendation 5.2 from our 2020 annual report on keeping track of the risk of fraud in audit authorities' audits of operations in most respects (see Annex **6.2**).

1.45. We also cover fraud in other, separate audits. In 2024, we published a special report on the recovery of irregular EU expenditure²⁰, in which we concluded that the Commission's systems for managing and monitoring irregular expenditure incurred by beneficiaries of EU funds were partially effective. Earlier in 2025, we also published a special report on VAT fraud on imports²¹. We concluded that the EU's financial interests were insufficiently protected against VAT fraud on imports when simplified import customs procedures were used. In addition, we found that there were serious weaknesses in member states' controls and shortcomings in cooperation between member states, at EU level and in the Commission's monitoring of member states' activities to combat abuse of these procedures. Furthermore, we concluded that existing measures were not adequate to prevent and detect VAT import fraud effectively under these procedures and maintain a balance between facilitating trade and protecting the EU's financial interests. We are currently conducting an audit on the Commission's and member states' control systems to prevent fraud in the RRF, as well as an audit on the set-up of the EU bodies fighting fraud and the way they cooperate.

²⁰ [Special report 07/2024](#): "The Commission's systems for recovering irregular EU expenditure – Potential to recover more and faster".

²¹ [Special report 08/2025](#): "Value Added Tax fraud on imports – The EU's financial interests are insufficiently protected under simplified import customs procedures".

Conclusions

1.46. This chapter supports the audit opinion presented in the statement of assurance. We present the related audit results in paragraphs [1.47](#) and [1.48](#).

1.47. We conclude that the accounts were not affected by material misstatements.

1.48. As for the regularity of transactions, we conclude that revenue transactions were free from material error. For expenditure, the results of our audit testing of a representative sample of 812 transactions show that the estimated level of error is 3.6 %. We conclude that a substantial proportion of this expenditure is affected by material error. This concerns expenditure subject to complex rules, mainly reimbursement-based, in which the estimated level of error is 5.2 %. Such expenditure amounted to €115.7 billion in 2024, representing 68.9 % of our audit population (2023: 64.4 %). Eligibility and procurement errors were the biggest contributors to our estimated level of error.

Annexes

Annex 1.1 – Audit approach and methodology

- (1) This annex outlines our approach and methodology for auditing the reliability of EU's accounts and the regularity of transactions underlying the accounts for revenue and for expenditure (budget spending) under the multiannual financial frameworks (MFFs). Our audit approach for expenditure under the Recovery and Resilience Facility (RRF), which is different and temporary, is outlined in **chapter 11**.
- (2) We design our audit approach in order to provide our intended users with reasonable assurance. Our [audit methodology](#) conforms to the international standards on auditing issued by the [International Federation of Accountants \(IFAC\)](#) and the [International Organization of Supreme Audit Institutions \(INTOSAI\)](#). It ensures that our audit conclusions are supported by sufficient and appropriate audit evidence.
- (3) We provide an audit opinion (the statement of assurance) on the reliability of accounts and the regularity of the underlying transactions, supplemented by specific assessments for major areas of EU activities. These assessments provide detailed audit results and conclusions on the underlying transactions and systems in those areas.

PART 1 – Audit approach for the reliability of accounts

- (4) We examine the EU's consolidated accounts to determine their reliability. These consist of:
 - (a) the consolidated financial statements; and
 - (b) the budgetary implementation reports.
- (5) The consolidated accounts should properly present, in all material respects:
 - (a) the financial position of the European Union at year end;
 - (b) the results of its operations and cash flows; and
 - (c) the changes in net assets for the year ended.

- (6) In our audit, we:
- (a) understand the internal control components;
 - (b) evaluate the accounting control environment;
 - (c) check the functioning of key accounting procedures and the year-end closure process;
 - (d) analyse the main accounting data for consistency and reasonableness;
 - (e) analyse and reconcile accounts and/or balances as well as the related disclosures;
 - (f) perform substantive tests of commitments, payments and specific balance sheet items, based on representative samples and materiality considerations;
 - (g) evaluate whether the overall presentation of the financial statements is in accordance with the applicable financial reporting framework;
 - (h) use the work of other auditors where possible, in accordance with international standards on auditing, particularly when auditing borrowing and lending activities managed by the Commission for which external audit reports are available.

PART 2 – Audit approach for the regularity of transactions

- (7) Underlying transactions are transfers of funds from the EU budget all the way to their final recipients, and transfers of revenue from member states and other sources to the EU budget.
- (8) Our audit approach for assessing whether the expenditure transactions underlying the accounts comply with EU rules and regulations is to rely mainly on direct testing of compliance for a representative sample of transactions. This may be complemented by an examination of selected management and control systems.
- (9) We organise our audit work around the various MFF headings and report our results accordingly, in line with the budget structure decided by the legislator.

Examination of management and control systems

- (10) The Commission, other EU institutions and bodies, member state authorities, beneficiary countries and regions establish control systems for managing the risks

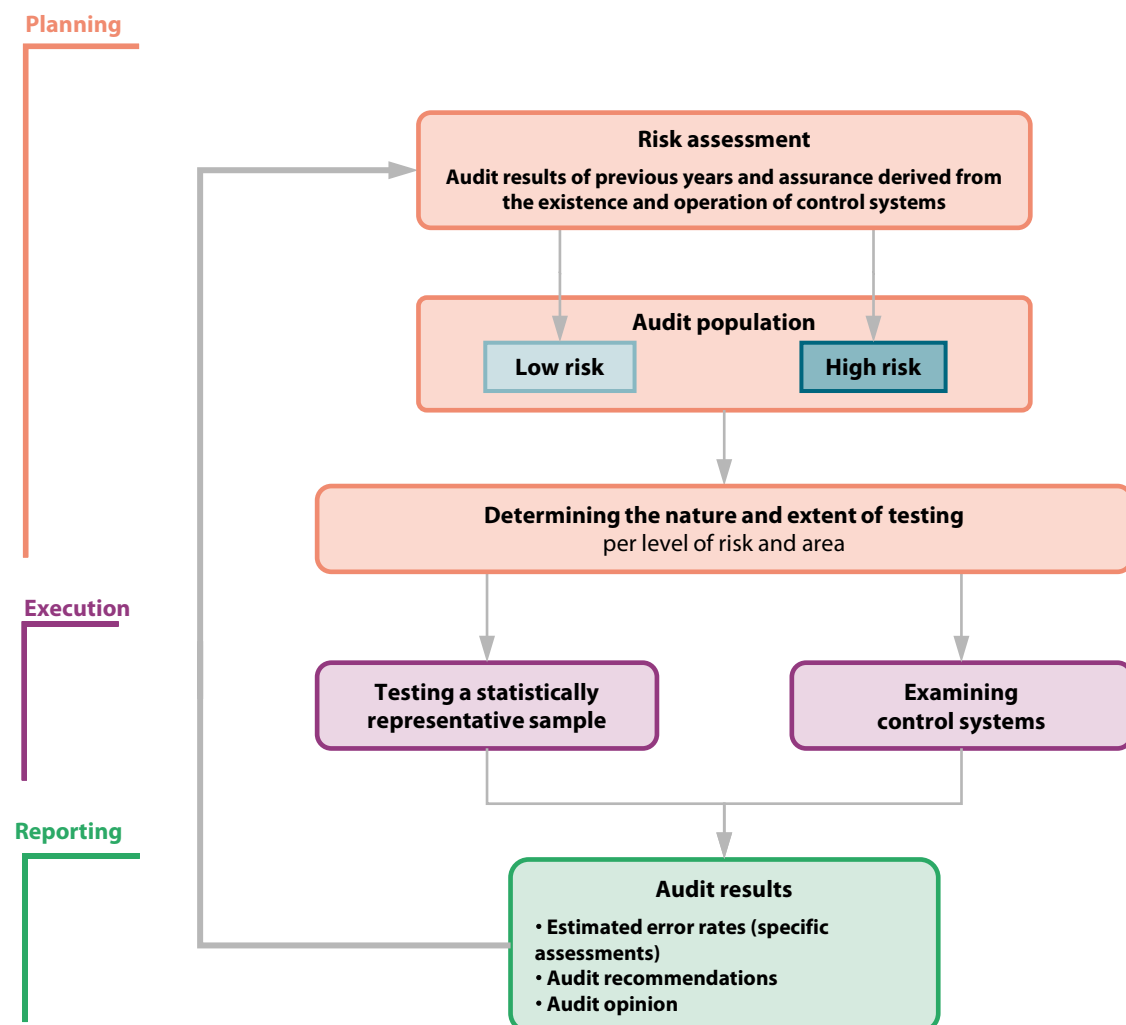
to the budget and overseeing and ensuring the regularity of transactions. Every year, we examine selected management and control systems and present the results of our systems work, together with recommendations for improvement, in *chapters 4-10*.

Testing of transactions

(11) Following our annual risk analysis, which is based on the way funds are disbursed, our past audit results and our assessment of management and control systems, we divide our audit population of underlying transactions into high-risk and low-risk expenditure to select our representative sample. We also use this classification at the reporting stage to determine, from our audit results, the proportion of our audit population affected by a material level of error.

Figure 1.14 illustrates how the annual risk analysis builds upon previous years' audit results.

Figure 1.14 – Annual audit process for expenditure



Source: ECA.

- (12) We first determine the overall size of our sample of transactions for all EU expenditure based on our categorisation of the audit population into low-risk (mainly entitlement-based expenditure) and high-risk (mainly reimbursement-based expenditure) expenditure and our assumptions regarding the estimated level of error and the standard deviation. The main reasons for this approach are to make our audit work more effective by focusing more on high-risk areas and to obtain a sufficient basis to conclude on whether the material error that we find through our work is pervasive (see paragraphs (37) and (38)).
- (13) We consider parts of the population to be low-risk (likely to be free from material error) when we have sufficient evidence that the estimated level of error is below the materiality threshold, based on the substantive testing we have carried out in previous years and, where available, the assurance we can derive from the existence and operation of control systems. We consider expenditure to be high-risk (likely to be affected by material error) when the results of our work in previous years indicate that the estimated level of error is above materiality and/or the evidence collected to date does not allow us to conclude otherwise.
- (14) To determine the sample sizes for each MFF heading, we consider the accepted expenditure amount, our division of the population into high-risk and low-risk expenditure and whether or not we provide a specific assessment. For this purpose, we use an assurance model which builds on our combined risk assessment of inherent and control risk and takes account of the assurance that can be derived from the management and control systems. Under each MFF heading for which we provide a specific assessment (**chapters 5, 6, 7, 9 and 10**), we test a representative sample of transactions, allowing us to provide an estimated level of error for this heading.
- (15) We also use a combined risk assessment to determine the sample size for revenue transactions.
- (16) We use stratified *monetary unit sampling* to select claims or payments and, at a lower level, individual items within a transaction). For each selected transaction, we examine how the claim or payment amount was calculated. This involves tracing the transaction from the budgetary accounts to the final recipient (e.g. a farmer, the organiser of a training course, or a development aid project), testing compliance at each level.
- (17) We determine whether the claim or payment was made for the purpose approved in the budget and specified in legislation and in compliance with applicable EU laws and regulations. These comprise the financial rules (TFEU, Financial Regulation), the basic legislation establishing the policy, programme or

activity concerned, any rules or regulations established in accordance with that basic legislation, and the contractual framework. In line with the principle of subsidiarity, many rules are set at national level. These include not only directives transposing EU law into national law (e.g. public procurement directives) but also eligibility criteria for many shared management schemes. Our assessment takes due account of the interpretation of EU and national law provided by national judicial courts or national independent and authoritative bodies and the Court of Justice of the European Union.

- (18) When testing revenue transactions (**chapter 4**), our examination of the own resources based on gross national income, value added tax and non-recycled plastic packaging waste takes as its starting point the statistics and data based on which these are calculated. For traditional own resources, we examine the customs authorities' account statements and the flow of duties – again up to the point they were received and recorded by the Commission.
- (19) We examine expenditure at the point it was incurred by final recipients of EU funds in undertaking activities and subsequently accepted by the Commission ('accepted expenditure'). This applies to all categories of payments. In practice, this means that our population of transactions covers interim and final payments. We do not examine pre-financing payments (advances) at the point they were made, but rather once:
 - (a) the final recipient of EU funds (e.g. a farmer, a research institute, a company providing publicly procured works or services) has provided evidence of their use, i.e. once progress has been made in the activities funded and/or costs have been incurred; and
 - (b) the Commission (or other institution or body managing EU funds) has accepted the final use of the funds (the progress made and/or the related costs) by clearing the advance.
- (20) Changes introduced since the 2014-2020 MFF legislation for 'Cohesion' have had an impact on what the Commission considers to be 'accepted expenditure' in this area. Since 2017, our audit population for this MFF heading has consisted of expenditure included in the accounts accepted annually by the Commission. This means our approach is to test transactions for which, according to the legislation, member states are supposed to have implemented all relevant actions to correct errors that they themselves have identified. The objective of our transaction testing in the area of 'Cohesion', in addition to contributing to the statement of assurance, is to review the work of audit authorities and conclude on the

reliability of the Commission's key regularity indicator for this area – the residual error rate.

- (21) Our audit sample is designed to provide an estimate of the level of error for expenditure as a whole rather than for individual transactions (e.g., a particular project). The error rates reported for selected cost items should not be seen as a conclusion on their respective transactions; rather, they contribute directly to the overall level of error for EU expenditure.
- (22) We do not examine transactions in every member state, beneficiary state and region in any given year. While we may name certain member states, beneficiary states and/or regions, this does not mean that similar examples do not occur elsewhere. The illustrative examples presented in this report do not provide a basis for drawing conclusions on the specific member states, beneficiary states and/or regions concerned.
- (23) We consider whether we can make efficient use of the checks on regularity already performed by other auditors. If we want to use the results of these checks in our audit work, in line with international standards on auditing, we assess the independence and competence of those other auditors and the scope and adequacy of their work.
- (24) For the part of our audit population concerning EU agencies and joint undertakings, we make use of the results of the audit work carried out for our respective specific annual reports on these agencies²² and undertakings²³.

Evaluation of the results of transaction testing

- (25) We define an 'error' as an amount of money that should not have been paid out from the EU budget. Errors occur when money is not used in compliance with the relevant EU legislation or with specific national rules.
- (26) An error may concern all or part of the amount involved in an individual transaction. We consider whether errors are quantifiable or non-quantifiable, i.e. whether or not it is possible to measure how much of the amount examined was affected by the error.
- (27) We determine the overall impact of errors by considering both qualitative and quantitative aspects. The qualitative evaluation takes into consideration the

²² [2023 annual report on EU agencies](#)

²³ [2023 annual report on EU joint undertakings](#)

importance of the rules which have been infringed and the seriousness of the facts and the actual or potential consequences. The quantitative assessment is based on quantifiable errors identified by testing a sample of transactions, which we extrapolate to provide a statistical estimate – the estimated level of error. Furthermore, we calculate a 95 % confidence interval for the level of error in the audit population. This means a range within which we are 95 % confident the audit population's level of error lies.

- (28) Errors detected and corrected prior to and independently of our checks are excluded from the calculation of error, since their detection and correction demonstrate that the management and control systems have worked effectively.
- (29) Our criteria for quantifying [public procurement errors](#) differ from those used by the Commission or member states. We quantify only serious breaches of procurement rules. We quantify as 100 % procurement errors only those infringements that have prevented the best bid from winning the tender, thereby rendering all expenditure under the contract ineligible. We do not use flat rates for the different types of infringement of procurement rules, unlike the Commission²⁴. We base our quantification of public procurement errors on the amounts of ineligible expenditure in the transactions examined. We have decided, from 2025 onwards, to align our method of quantifying procurement errors with the one used by the Commission in the area of cohesion.
- (30) For those MFF headings where we provide a specific assessment, as well as for revenue and for the EU budget as a whole, we present an estimated level of error, which takes account of quantifiable errors only and is expressed as a percentage. Examples of quantifiable errors are ineligible costs and projects, breaches of contract or grant conditions, non-compliance with public procurement and state aid rules and absence of essential supporting documents. We also estimate the lower error limit and the upper error limit.
- (31) Our approach is not designed to gather data on the frequency of error in the whole population. Therefore, figures presented on the number of errors detected in an MFF heading, in expenditure managed by a directorate-general or in spending in a particular member state are not an indication of the frequency of error in EU-funded transactions or in individual member states.

²⁴ [Decision C\(2019\)3452](#), which includes an annex laying down the guidelines for determining financial corrections to be made to expenditure financed by the EU for non-compliance with the applicable rules on public procurement.

PART 3 – Audit procedures in relation to fraud

- (32) We identify and assess the risks of material misstatement of the consolidated accounts and of material non-compliance of the underlying transactions with the requirements of EU law, whether due to fraud or error.
- (33) We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Instances of material misstatement or non-compliance resulting from fraud are more difficult to detect than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, there is a greater risk of such instances not being detected.
- (34) If we have reason to suspect that fraudulent activity has taken place, we report this to the EPPO and OLAF, based on their competence.

PART 4 – The statement of assurance – forming our audit opinion

- (35) We base our opinion on sufficient and appropriate audit evidence which we obtain through an examination of management and control systems and through transaction testing.
- (36) Our work allows us to arrive at an informed opinion as to whether errors in the population exceed or fall within the materiality limits. We use the level of 2.0 % as the materiality threshold for our opinion. We also take account of the nature, amount and context of errors and other information available (see paragraph [\(27\)](#)).
- (37) Where we find a material level of error and determine its impact on the audit opinion, we must determine whether the errors are ‘pervasive’²⁵ to the audit population. When errors are material and pervasive, we issue an adverse opinion.
- (38) Errors and/or absence of audit evidence are ‘pervasive’ if, in the auditor’s judgment, they are not confined to specific elements, accounts or items in the financial statements (i.e. they occur throughout the accounts or transactions tested). Even if they are thus confined, they are still pervasive if they represent, or could represent, a substantial proportion of the financial statements, or relate to

²⁵ International Standard on Auditing (ISA) 705 (revised), [Modifications to the Opinion in the Independent Auditor’s Report](#)

disclosures which are fundamental to users' understanding of the financial statements.

PART 5 – Link between the audit opinions on the reliability of accounts and on the regularity of transactions

- (39) International standards on auditing²⁶ specify that where auditors issue audit opinions on both the reliability of accounts and the regularity of transactions underlying those accounts, a modified opinion on the regularity of transactions does not, in itself, lead to a modified opinion on the reliability of accounts.

²⁶ ISSAI 4000, paragraph 16.

Chapter 2

Budgetary and financial management

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Introduction

2.1. This chapter presents the main issues in relation to budgetary and financial management of the 2024 EU budget and its additional financing. We also report on budgetary and financial risks and challenges that the EU may face in future years. The chapter is based on our review of the implementation of the EU budget, and reviews of documents published by the Commission and other stakeholders. It also takes account of our work, presented in our special reports and opinions.

Budgetary and financial management in 2024

Due to NGEU, payments exceeded commitments in 2024

2.2. In this section, we analyse EU budget implementation in 2024. This was the fourth implementation year of the 2021-2027 *multiannual financial framework* (MFF) and *NextGenerationEU* (NGEU).

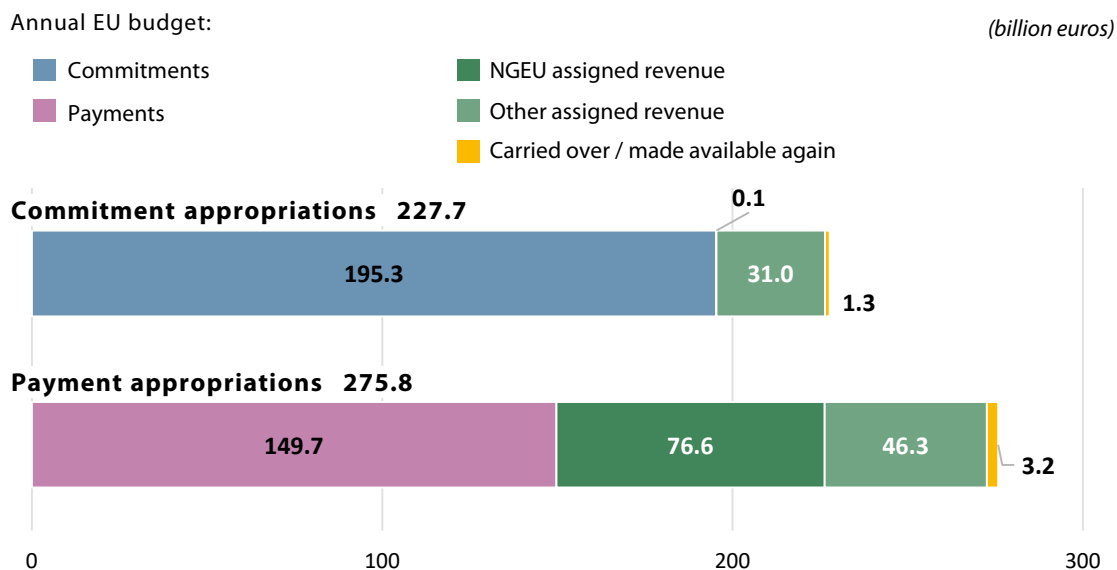
2.3. Since 2023, we have included all types of commitment and payment appropriations (annual budget appropriations, *carry-overs* and amounts made available again, NGEU assigned revenue and other types of assigned revenue) in our analysis. Loans are off-budget items and thus out of our scope.

2.4. The *mid-term revision* of the MFF, adopted in February 2024, introduced a revised technical adjustment¹ that, among other things, increased the 2024 MFF ceiling for commitment appropriations from €186.0 billion to €186.8 billion, while maintaining the 2024 MFF ceiling for payment appropriations at €170.5 billion. It also established the *Ukraine Reserve* and the *EURI Instrument* as new special instruments over and above the MFF ceilings.

2.5. *Figure 2.1* shows the total 2024 EU budget available for commitment and payment appropriations. The annual EU budget makes up 85.8 % of the total available commitment appropriations and 54.3 % of the total available payment appropriations, while NGEU assigned revenue, other assigned revenue and carry-overs and amounts made available again make up the remaining part. As of 2024, commitments from NGEU assigned revenue are limited to the Commission's administrative expenditure².

¹ COM(2024) 110.

² Article 12(4) of *Regulation (EU) 2021/241*.

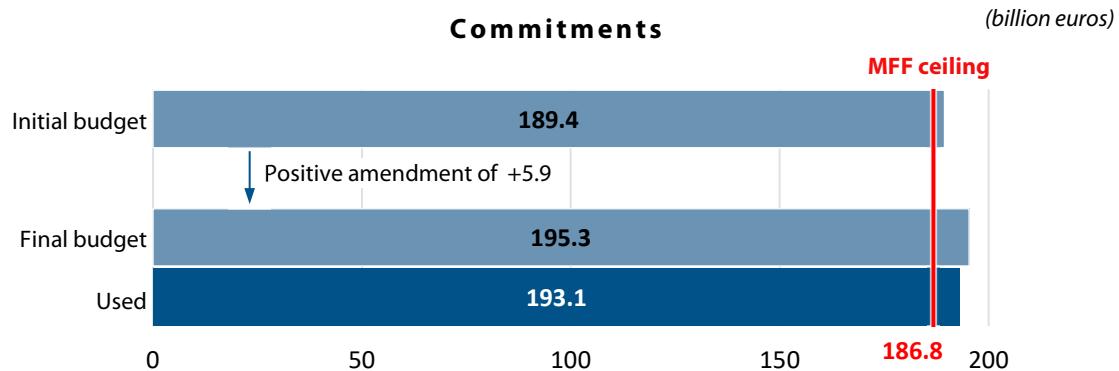
Figure 2.1 – Total available appropriations including NGEU grants in 2024

Source: ECA, based on the 2024 consolidated annual accounts of the EU and on other Commission data.

The recent trend of commitment appropriations being almost fully used continued in 2024

2.6. The budgetary authority approved an [initial annual EU budget for 2024](#) of €189.4 billion of commitment appropriations, see [Figure 2.2](#). Five amending budgets were adopted during 2024. The overall net effect of the amending budgets was an increase of €5.9 billion in commitment appropriations to €195.3 billion, which is above the MFF ceiling of €186.8 billion. This was made possible via MFF *special instruments*. These instruments provide additional funds over and above the MFF ceilings for new or unforeseen events.

2.7. Total commitments made under the 2024 final budget were €193.1 billion, 98.9 % of the available amount. The unused commitment appropriations of €2.2 billion were mainly from the *European Regional Development Fund (ERDF)* (€0.8 billion), the *Neighbourhood, Development and International Cooperation Instrument (NDICI)* (€0.5 billion), and the *Cohesion Fund (CF)* (€0.2 billion). Of the unused appropriations, €1.0 billion was carried over to 2025, of which €0.5 billion was for NDICI, and €0.3 billion for the *European Solidarity Reserve*. The remaining unused appropriations of €1.2 billion lapsed, of which €1.1 billion relates to suspended commitment appropriations following [Council Implementing Decision 2022/2506](#).

Figure 2.2 – Implementation of 2024 annual EU budget commitments

Source: ECA, based on the 2024 consolidated annual accounts of the EU.

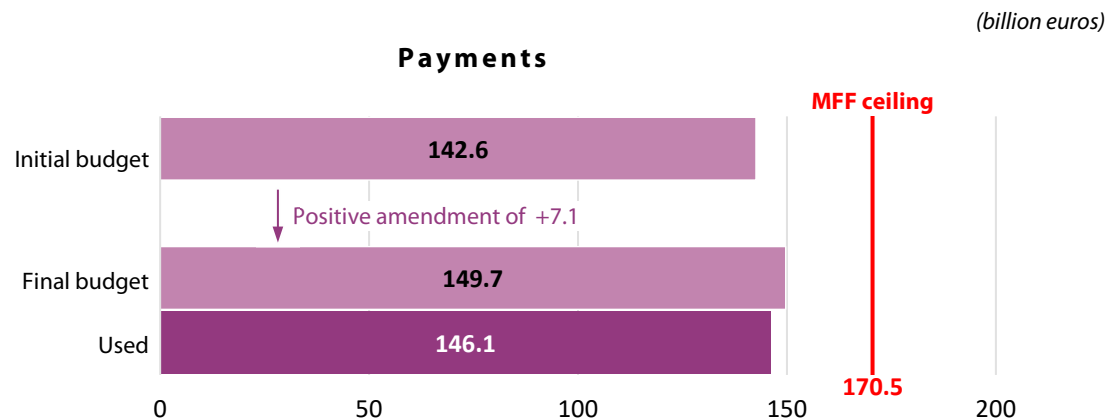
2.8. Including additional commitments of €19.7 billion from assigned revenue, plus €0.9 billion of carry-overs and amounts made available again, total commitments in 2024 reached €213.7 billion. Utilisation of the budget for commitments was 93.9 % of total commitment appropriations of €227.7 billion.

Payments executed were higher than initially planned and below the MFF ceiling

2.9. The 2024 initial voted budget for payment appropriations was €142.6 billion, below the MFF ceiling of €170.5 billion, see [Figure 2.3](#). Amending budgets increased payment appropriations by €7.1 billion, bringing the total final budget to €149.7 billion.

2.10. Total payments made under the final budget were €146.1 billion, 97.6 % of the available amount. Of the unused appropriations of €3.6 billion, a total of €3.5 billion was carried over to 2025, of which €1.9 billion was for NGEU borrowing costs. The remaining unused appropriations of €0.1 billion lapsed.

Figure 2.3 – Implementation of 2024 annual EU budget payments



Source: ECA, based on the 2024 consolidated annual accounts of the EU.

2.11. Including additional payments of €98.2 billion from assigned revenue (mainly NGEU and REPowerEU), plus €2.7 billion of carry-overs and amounts made available again, total payments in 2024 reached €247.0 billion. Utilisation of the budget for payments was 89.6 % of total payment appropriations of €275.8 billion.

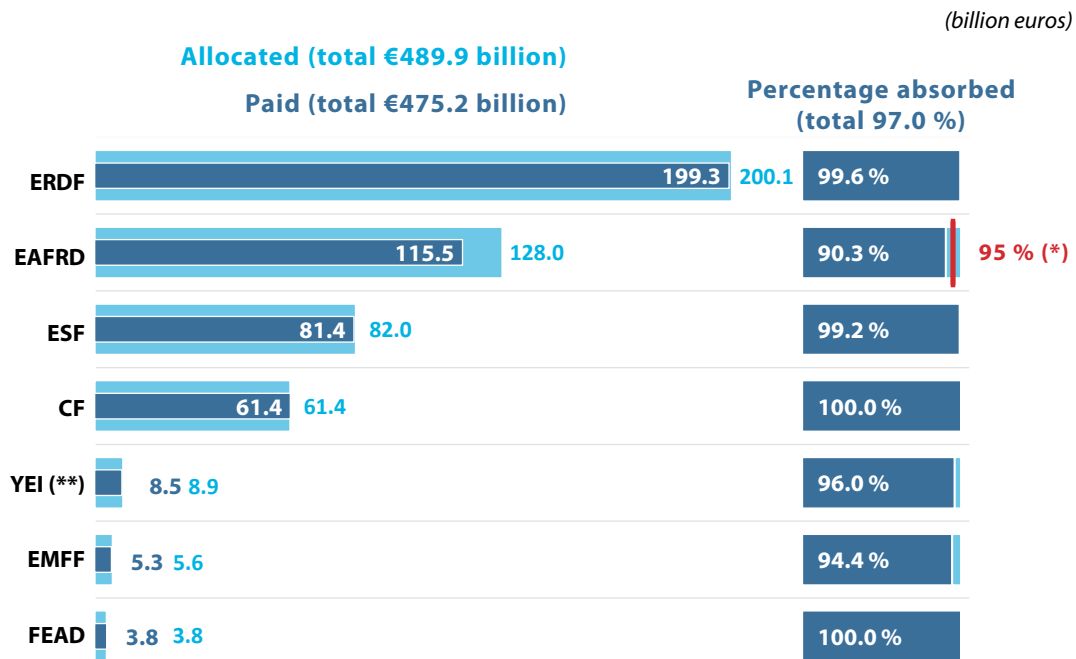
Absorption of shared management funds: 2014-2020 MFF nearly finalised, while 2021-2027 MFF levels remain low

Absorption of the 2014-2020 ESIF reached 97 %, with 21 member states exceeding 95 %

2.12. The *European Structural and Investment Funds* (ESIF) are jointly managed by the Commission and the member states. Data is reported on an [open data platform online](#). At the end of 2024, total payments for the 2014-2020 ESIF amounted to €475.2 billion, or 97.0 % of total available funds (€489.9 billion). Payments in 2024 amounted to €27.3 billion.

2.13. In [Figure 2.4](#), we present the cumulative absorption rates for each ESI fund, excluding NGEU resources, at the end of 2024. The absorption rate expresses, as a percentage, the *prefinancing* and *interim payments* made from the EU budget to member states for the declared expenditure compared to the total allocated amounts for a given period. The interim payments to member states are made after they have submitted payment requests to the Commission. As a result, the absorption rates we present do not necessarily show the full progress of project implementation nor the total amount that *beneficiaries* have already received from member states.

Figure 2.4 – Absorption of 2014-2020 ESIF (excluding NGEU), as at end 2024



ERDF: European Regional Development Fund
EAFRD: European Agricultural Fund for Rural Development
ESF: European Social Fund
CF: Cohesion Fund
YEI: Youth Employment Initiative
EMFF: European Maritime and Fisheries Fund
FEAD: Fund for European Aid to the Most Deprived

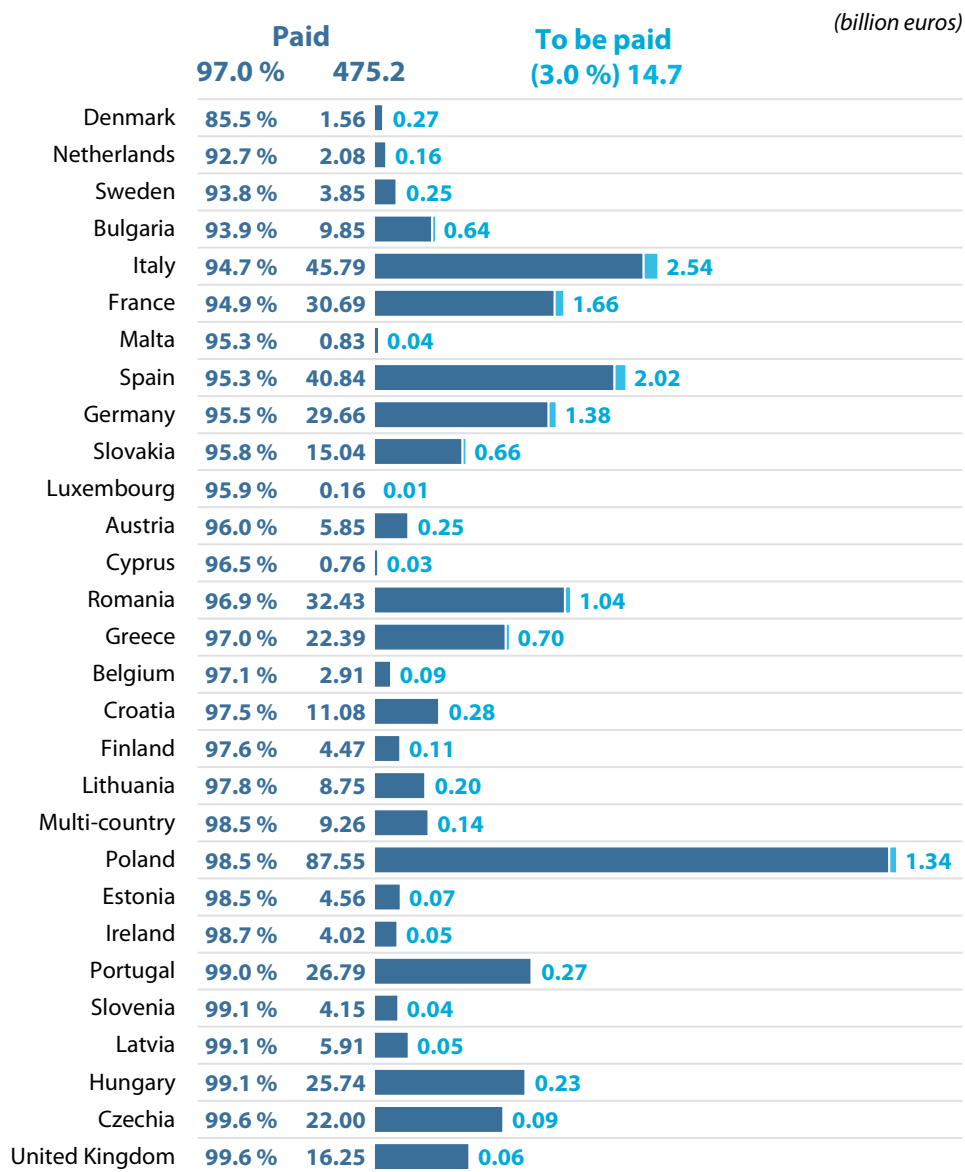
(*) The red line shows the absorption rate if the additional 2021 and 2022 allocations for the EAFRD of €28.1 billion from the 2021-2027 MFF had been excluded. The EAFRD received these additional allocations because of a 2-year transitional period, after which it fell fully under the common agricultural policy strategic plans for 2023-2027.

(**) YEI includes a specific allocation from the ESF.

Source: ECA, based on [Commission's open data platform](#) as at 6 January 2025 and on other Commission data.

2.14. Further progress with ESIF payments in 2024 resulted in 21 member states absorbing more than 95 % of their allocated ESI funds by the end of 2024, see [Figure 2.5](#).

Figure 2.5 – Absorption rates of 2014-2020 ESIF (excluding NGEU), as at end 2024



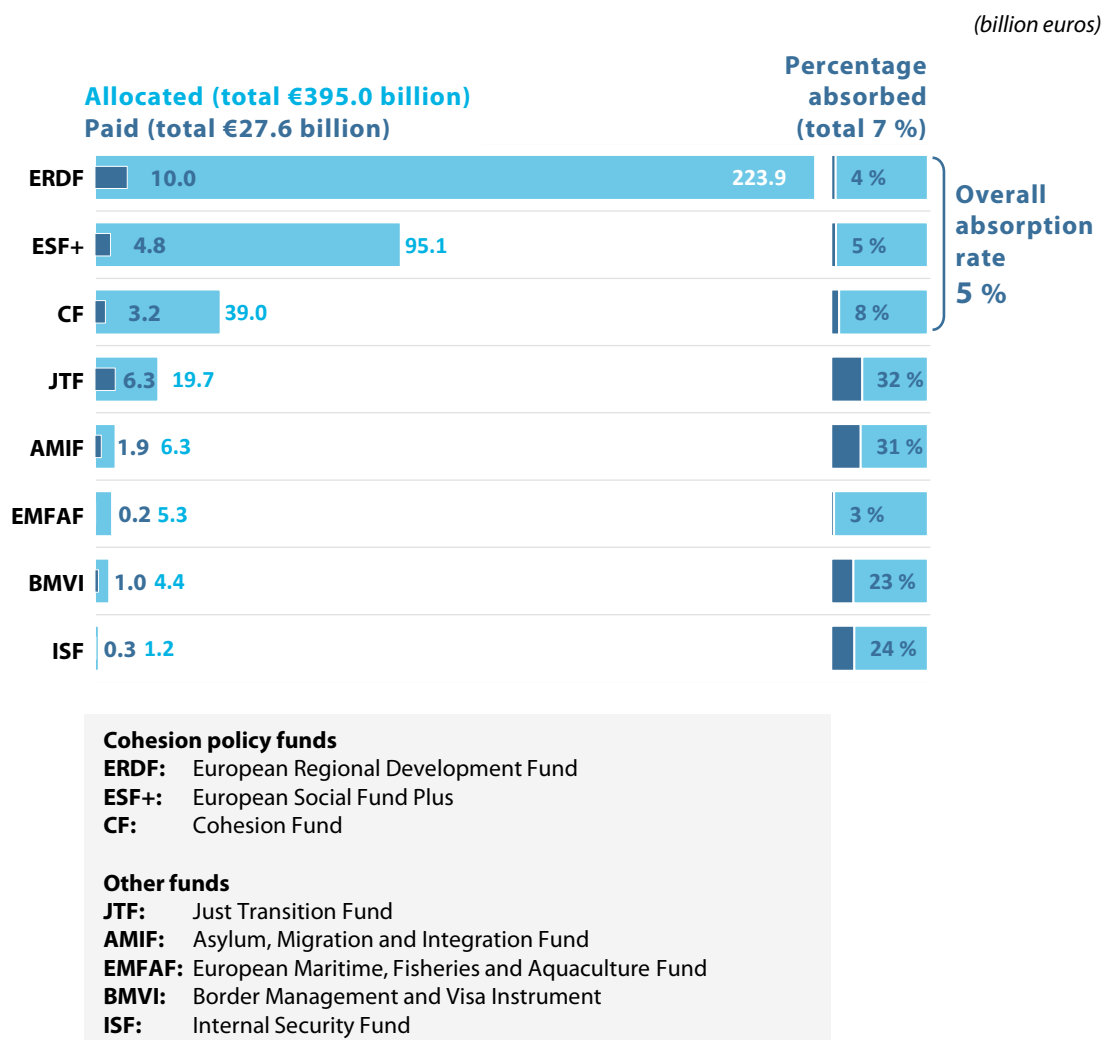
Source: ECA, based on [Commission's open data platform](#) as at 6 January 2025.

2.15. In 2024, the deadline for submitting final applications for interim payments under all ESI funds (except the *European Agricultural Fund for Rural Development (EAFRD)*) was extended by 1 year to 31 July 2025. The final balance will be settled by the end of 2026.

Absorption of 2021-2027 shared management funds under the CPR remains low

2.16. In 2024, the annual payments for the *shared management* funds under the *Common Provisions Regulation* (CPR)³ amounted to €14.7 billion (2023: €6.3 billion), of which €5.2 billion were prefinancing payments (2023: €4.1 billion) and €9.5 billion were interim payments (2023: €2.2 billion). By the end of 2024, total payments amounted to €27.6 billion, which was only 7 % of the amount for these funds in the 2021-2027 MFF (€395 billion), see [Figure 2.6](#).

Figure 2.6 – Absorption of 2021-2027 shared management funds under the CPR, as at end 2024



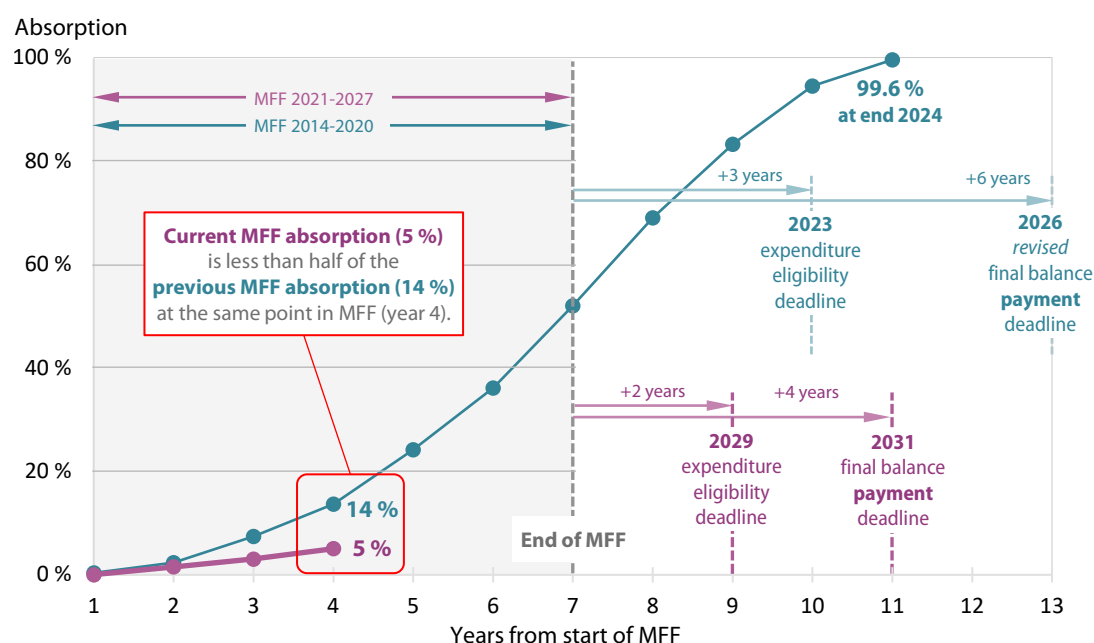
Note: The amounts for JTF include NGEU figures.

Source: ECA, based on [Commission's open data platform](#) as at 6 January 2025.

³ Regulation (EU) 2021/1060.

2.17. Implementation of the cohesion policy funds (ERDF, CF and ESF+), accounting for over 90 % of the shared management funds under the CPR for 2021-2027, remained low. When we compare their implementation (prefinancing and interim payments) with the previous *programming period* (see [Figure 2.7](#)), the overall absorption rate of these three funds was only 5 % by the end of 2024 compared to 14 % at the equivalent point of the previous MFF (end of 2017). As the end of the eligibility period for the underlying expenditure⁴ and the deadline for payment of the final balance⁵ for the 2021-2027 MFF are set 1 year earlier than in the previous programming period, the pressure to absorb EU funds will further increase.

Figure 2.7 – Implementation of cohesion funds in year 4: current MFF at less than half the rate of the previous MFF



Note: Including prefinancing and interim payments.

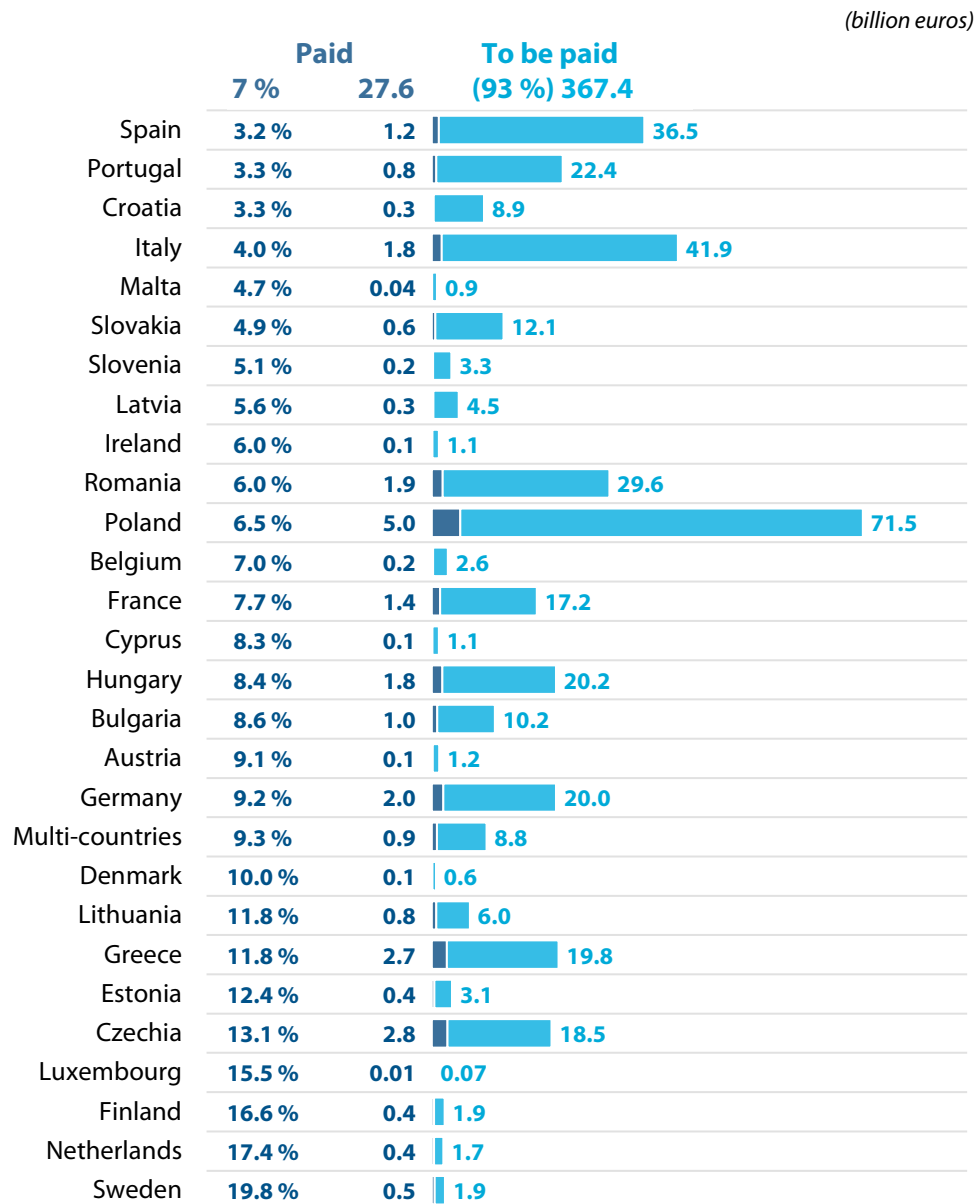
Source: ECA, based on [Commission's open data platform](#) as at 6 January 2025.

⁴ Article 63(2) of [Regulation \(EU\) 2021/1060](#).

⁵ *Ibid.*, Article 102(5).

2.18. Figure 2.8 shows the absorption rate per member state.

Figure 2.8 – Member state absorption rates of 2021-2027 shared management funds under the CPR, as at end 2024



Source: ECA, based on Commission's open data platform as at 6 January 2025.

EAFRD payments under the new CAP accelerated in 2024

2.19. Since 2023, the EAFRD has been covered by the new *common agricultural policy* (CAP) regulations⁶. Absorption of EAFRD funding for 2023-2027 began in 2023,

⁶ Regulation (EU) 2021/2115 and Regulation (EU) 2021/2116

after the 2021-2022 transitional period⁷. At the end of 2024⁸, EAFRD payments amounted to €6.3 billion (2023: €0.7 billion), with an absorption rate of 9.5 % compared to 1 % in 2023.

RRF grant implementation was lower than expected, while NGEU top-up absorption accelerated in 2024

2.20. In February 2023, the European Parliament and the Council amended the [RRF Regulation](#) so that a [REPowerEU chapter](#) could be included in member states' RRF plans in order to phase out the EU's dependency on Russian fossil fuel imports and tackle climate change. By the end of 2024, all member states other than Bulgaria had a REPowerEU chapter in their revised RRF plans.

2.21. The Commission will use revenues from the *emissions trading system (ETS)* of up to €19.5 billion to finance the 26 REPowerEU chapters adopted so far, plus allocations from the *Brexit Adjustment Reserve (BAR)*⁹ of up to €2.1 billion. With financing from the ETS and BAR, in addition to NGEU, the total amount of RRF grants, including REPowerEU, could reach €359.5 billion. This excludes administrative expenditures, where amounts are very small. Of the €359.5 billion, €0.6 billion remains to be committed.

2.22. Annual payments of RRF grants totalled €55.9 billion in 2024, of which €7.9 billion was financed from REPowerEU and €48.0 billion from NGEU grants. The annual payments for NGEU-financed RRF grants were only half what the Commission had expected in June 2023 (€96 billion)¹⁰. However, 15 member states had submitted payment requests totalling €58.5 billion in December 2024¹¹.

2.23. With payments by the end of 2024 of €197.5 billion out of €358.9 billion of commitments made, RRF grants of up to €161.4 billion remain available to be paid by the end of 2026, see [Figure 2.9](#).

⁷ [Regulation \(EU\) 2020/2220](#).

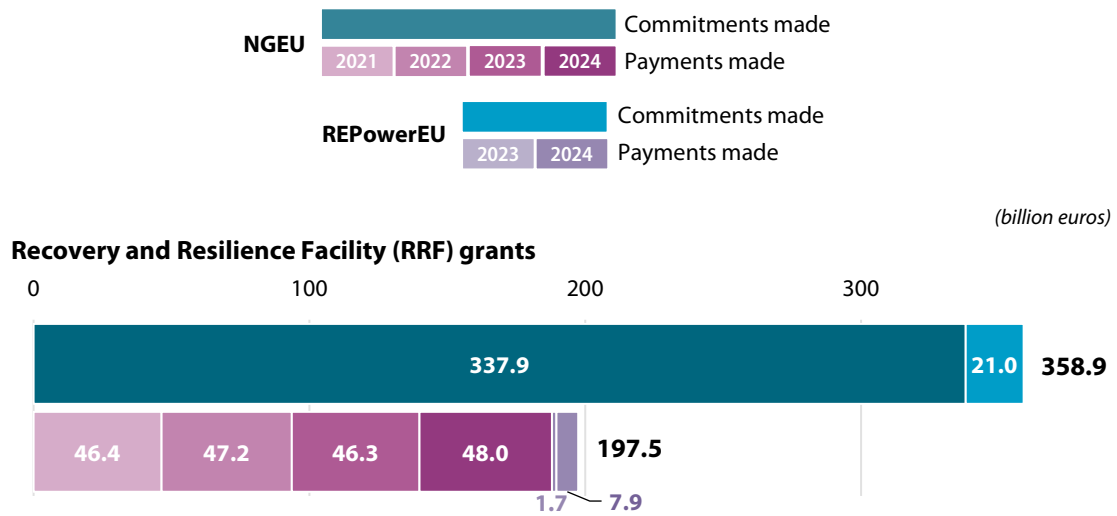
⁸ [Commission's open data platform](#) as at 31 March 2025.

⁹ Article 21 of [Regulation \(EU\) 2021/241](#), as amended by [Regulation \(EU\) 2023/435](#).

¹⁰ [COM\(2023\) 390](#), Table 3.

¹¹ [Commission's Recovery and Resilience Scoreboard timeline](#).

Figure 2.9 – Implementation of RRF grants by source, as at end 2024



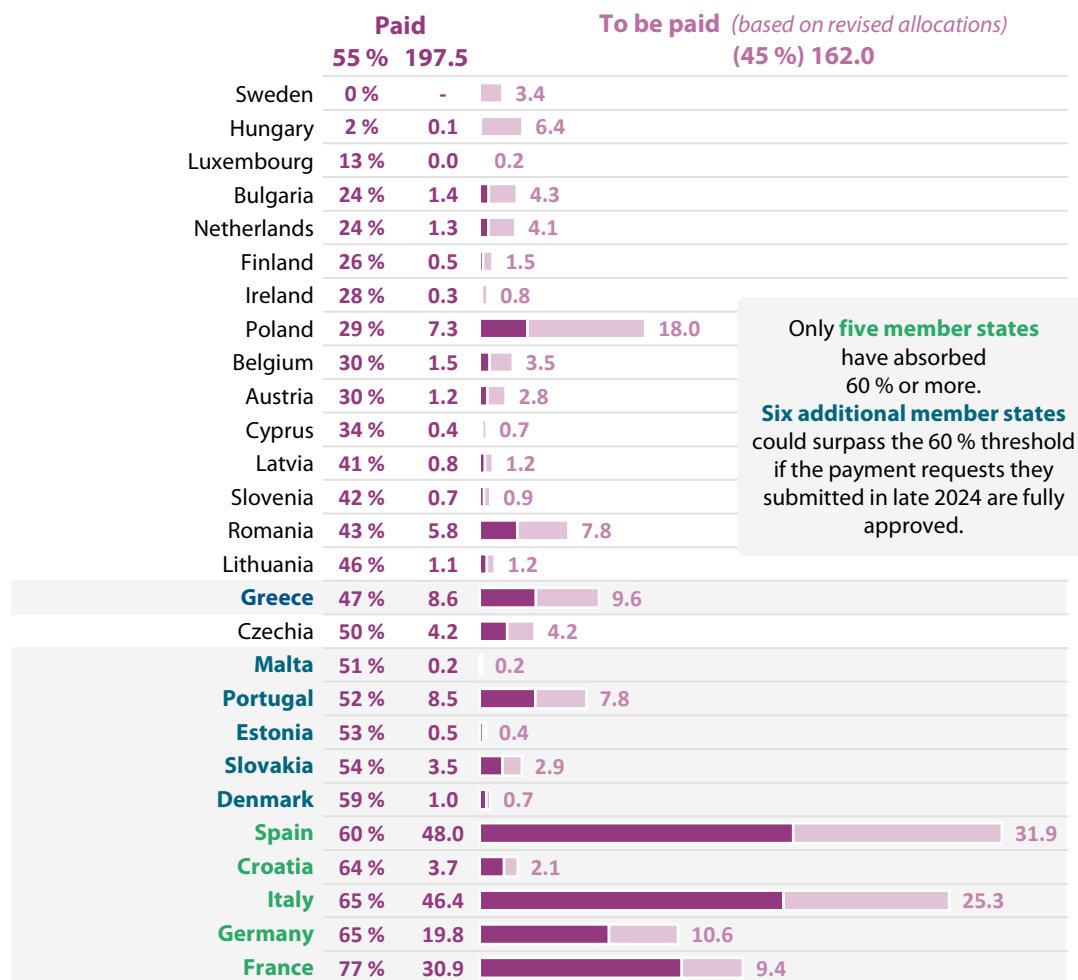
Note: Administrative expenditures are not included.

Source: ECA, based on the 2024 consolidated annual accounts of the EU and on other Commission data.

2.24. There are significant differences in the extent to which member states have absorbed RRF grants so far, see [Figure 2.10](#).

Figure 2.10 – RRF grants paid and amounts to be paid based on revised allocations by member states, as at end 2024

(billion euros)



Notes: Administrative expenditures not included.

The amount to be paid is based on revised allocation including €0.6 billion to be committed until the end of 2026.

Sweden submitted its first payment request (€1.6 billion) in December 2024. Hungary has received only prefinancing and has not yet submitted any payment request.

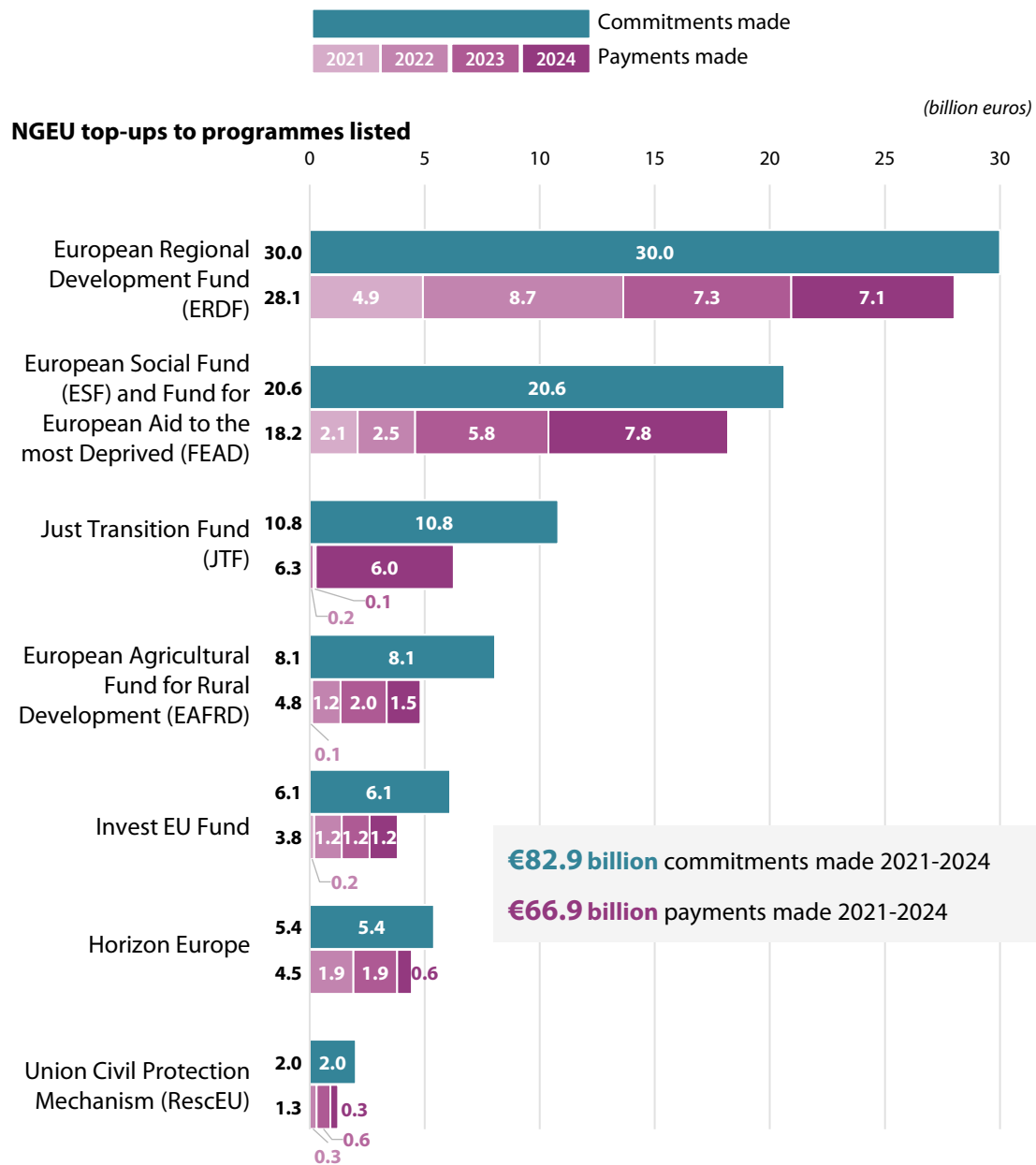
Source: ECA, based on [RRF scoreboard](#) and on other Commission data.

2.25. The total commitments of NGEU top-ups to MFF programmes amount to €82.9 billion¹², see [Figure 2.11](#). The annual payments of NGEU top-ups to existing MFF programmes amounted to €24.6 billion in 2024, marking a significant increase from previous years (2021: €7.2 billion; 2022: €16.1 billion; 2023: €19.0 billion), and reaching a total of €66.9 billion by the end of 2024. As a result, payments of up to €16 billion can be made until the end of 2026. The steep increase in *Just Transition*

¹² 2023 annual report, paragraph 2.26.

Fund (JTF) payments was mainly a result of the exceptional one-off prefinancing paid in March 2024 (€5.9 billion)¹³ after adoption of the STEP Regulation¹⁴, as described in our [2023 annual report](#)¹⁵.

Figure 2.11 – NGEU implementation related to top-ups to EU programmes, as at end 2024



Source: ECA, based on the 2024 consolidated annual accounts of the EU.

¹³ COM(2024) 276, p. 1.

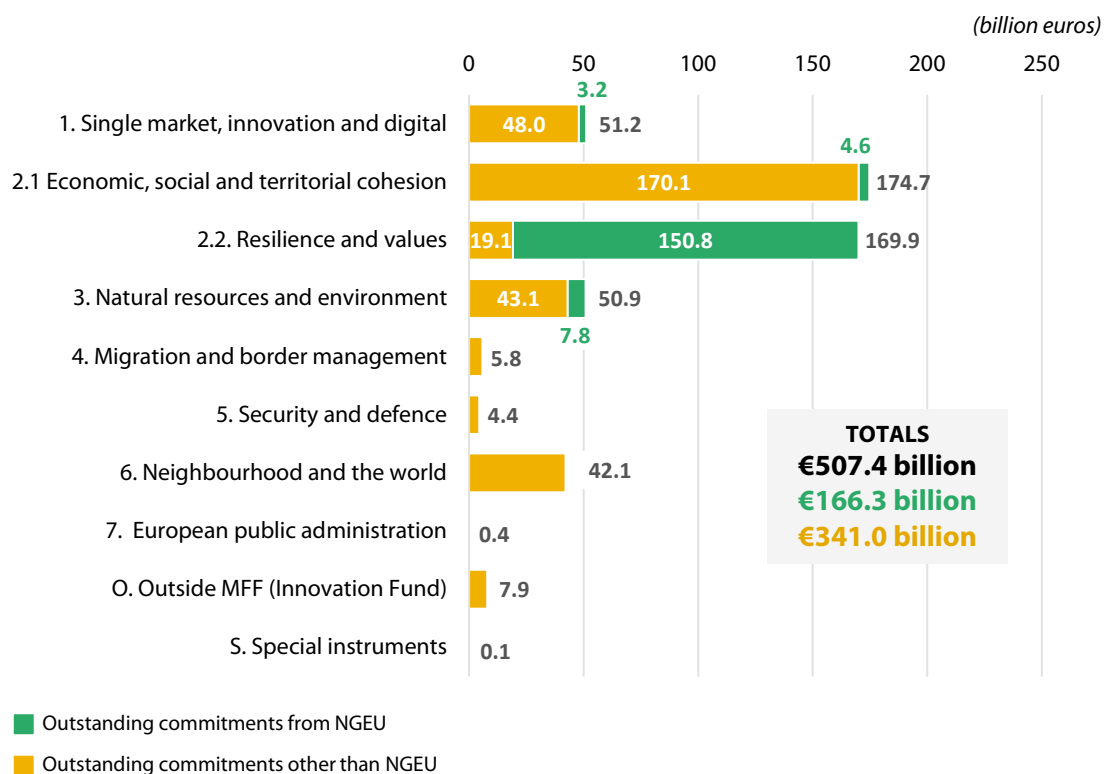
¹⁴ Article 11(3) of Regulation (EU) 2024/795.

¹⁵ [2023 annual report](#), paragraph 2.19.

Total outstanding commitments started to fall in 2024 but more slowly than expected

2.26. *Outstanding commitments* are the sum of commitments made but not yet paid. By the end of 2024, total outstanding commitments, which will have to be paid in the following years unless they are decommitted, amounted to €507.4 billion, of which €166.3 billion related to NGEU grant funding. Although outstanding commitments were lower than the 2023 record high of €543 billion, the total was still €33.5 billion above the Commission's June 2024 estimate of 473.9 billion¹⁶. **Figure 2.12** breaks down total outstanding commitments as shown.

Figure 2.12 – Total outstanding commitments by source and MFF heading, as at end 2024



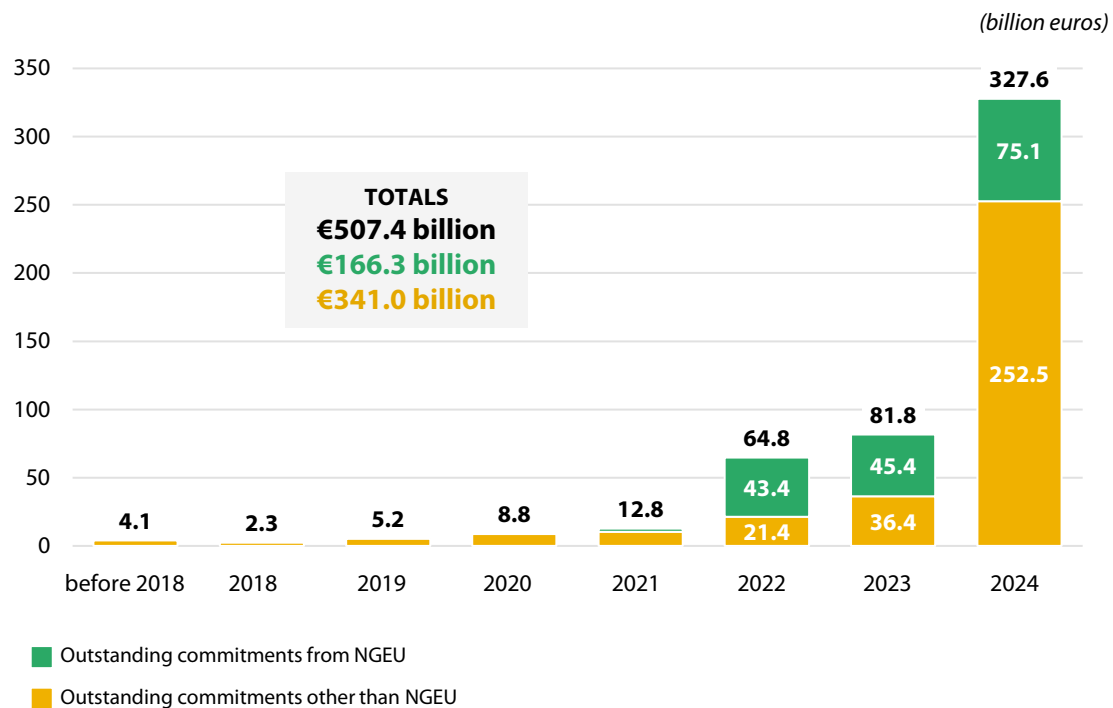
Note: The Innovation Fund is financed by assigned revenue and outside the MFF, but is disclosed in the EU accounts.

Source: ECA, based on the 2024 consolidated annual accounts of the EU and budgetary implementation reports from the Commission's accounting system.

¹⁶ COM(2024) 276, Table 4.

2.27. *Figure 2.13* shows the total outstanding commitments at the end of 2024 by year of origin.

Figure 2.13 – Total outstanding commitments by year of origin and type of funding, as at end 2024



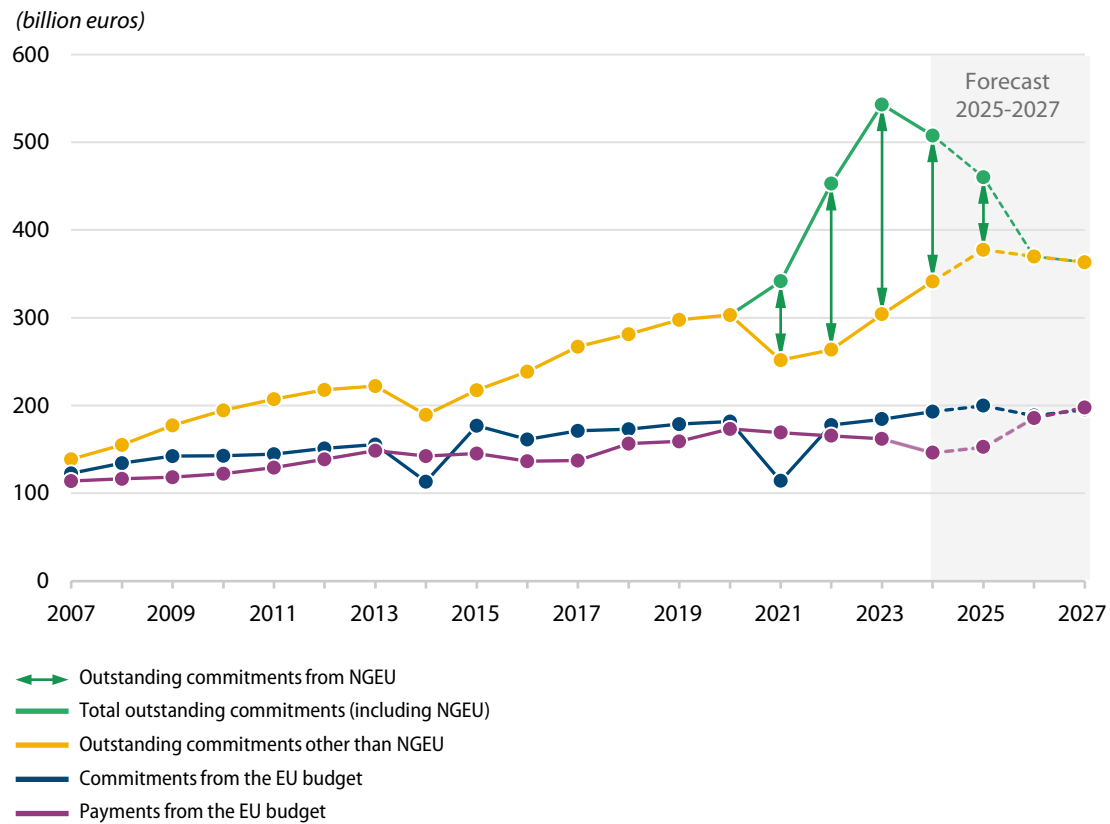
Source: ECA, based on the 2024 consolidated annual accounts of the EU and budgetary implementation reports from the Commission's accounting system.

2.28. NGEU outstanding commitments are expected to fall in 2025 and 2026 as payments will have to be made by the end of 2026 or the commitments will need to be decommitted. However, outstanding commitments from the current MFF are expected to rise in the coming years. In 2024, the Commission revised up its forecast of outstanding commitments from MFF implementation at the end of 2027 from €322.9 billion¹⁷ to €364.7 billion¹⁸, see *Figure 2.14*.

¹⁷ COM(2023) 390, Table 4.

¹⁸ COM(2024) 276, Table 4.

Figure 2.14 – Outstanding commitments, commitments and payments 2007 to 2024, and forecast for 2025 to 2027



Note: The forecasts from 2025 onwards do not include carry-overs or assigned revenue other than NGEU and Ukraine Facility appropriations.

Source: ECA, based on data from the consolidated annual accounts of the EU for 2007-2024, and COM(2024) 276.

Risks and challenges

Rising risk of decommitments and need for accelerated implementation

2.29. In 2024, the Commission forecast decommitments for the period 2025-2027 at €8.8 billion¹⁹ (2023 forecast: €8.1 billion for 2024-2027²⁰). This increase in estimated decommitments was mainly driven by the cohesion programmes under the current MFF and by the EAFRD. EAFRD decommitments are expected when the programmes of the previous MFF close in 2026, while cohesion programmes for the 2021-2027 MFF face significant risks of decommitments from 2027 onwards.

2.30. For the CF, ERDF, and ESF+, the Commission forecasts total decommitments of €2.7 billion. This is a significant increase from the 2023 forecast of €2.2 billion and nearly seven times the 2022 forecast of €0.4 billion²¹. The projection assumes a sharp acceleration in the implementation of these funds in 2026 and 2027. If this does not happen, the amounts at risk of decommitment will continue to rise, even if the expected impact of STEP²² is taken into account. To avoid this risk, member states need to use the funds at a much faster pace than in 2014-2020, see [Figure 2.7](#). In addition, under the current MFF, eligibility ends 1 year earlier and the final balance payment is also brought forward by 1 year, see [2.17](#). Our 2023 recommendation²³ that the Commission should take action regarding programmes at risk of decommitments, is thus still valid. However, we note that on 1 April 2025, the Commission made two legislative proposals in respect of the cohesion policy funds regulations for the 2021-2027 programming period²⁴ that, under certain circumstances, could reduce the risk of these funds being decommitted.

¹⁹ COM(2024) 276, Table 2.

²⁰ COM(2023) 390, Table 2.

²¹ COM(2022) 315, Table 2.

²² COM(2024) 276, 2.3. Decommitments.

²³ 2023 annual report, Recommendation 2.1.

²⁴ COM(2025)123 and COM(2025)164.

2.31. According to the Commission²⁵, most of these decommitments are eligible for the EURI Instrument²⁶, which is intended to finance cost overruns of NGEU borrowing above the budget availabilities, before mobilising member states' contributions²⁷.

Risks to the timely absorption of RRF funds

2.32. At the end of 2024, RRF grant payments to member states totalled €197.5 billion (55 % of the available total), see [Figure 2.9](#). However, these payments do not necessarily reflect the number or significance of the milestones and targets member states have reached, and the relationship between funds received and milestones achieved varies across member states.

2.33. In a special report on the RRF in 2024²⁸, we concluded there were risks to the timely absorption and completion of measures in the second half of the RRF implementation period. Furthermore, the concentration of milestones and targets during this phase, particularly for investments, poses a significant risk to full absorption, as investments typically require longer implementation times.

Future MFFs will have to consider the increasing burden from NGEU borrowing obligations

2.34. For our analysis of EU debt, we examined the borrowing from the financial markets, consisting mainly of long-term bonds. This borrowing funds NGEU and financial assistance to member states and non-EU countries. [Figure 2.15](#) gives a breakdown of EU programmes funded by EU borrowing.

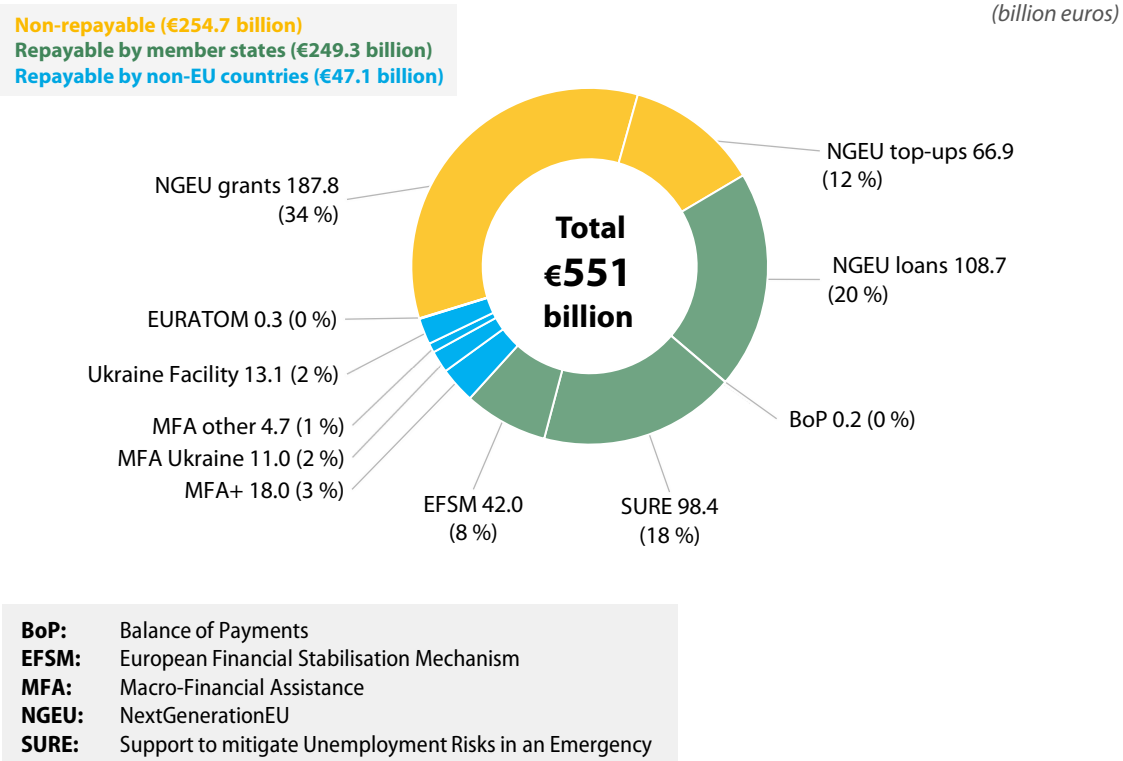
²⁵ COM(2024) 276, 2.3. Deccommitments.

²⁶ Article 1(6) of [Regulation \(EU, Euratom\) 2024/765](#).

²⁷ [2023 annual report](#), paragraph 2.32.

²⁸ [Special report 13/2024](#).

Figure 2.15 – Programmes funded by outstanding EU borrowing, as at end 2024



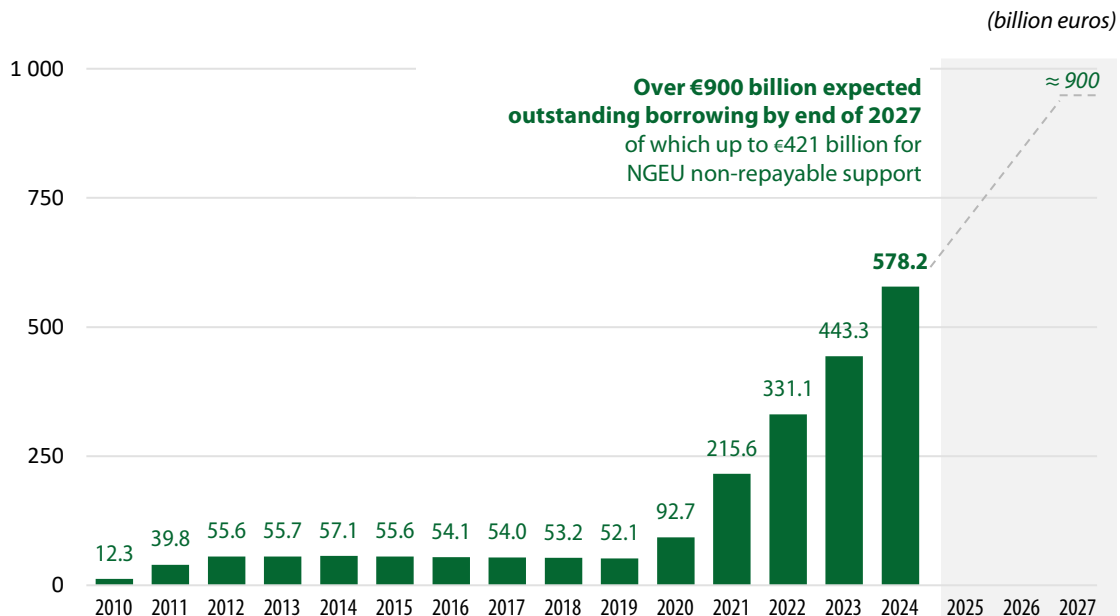
Note: The amounts do not include the part of RRF grants financed by BAR or the ETS.

Source: ECA, based on the 2024 consolidated annual accounts of the EU.

Outstanding EU borrowing increased by more than 30 % in 2024

2.35. In the past 5 years, the Commission has significantly increased bond issuances as it has been relying on capital markets to finance larger programmes, such as SURE and NGEU, see [Figure 2.16](#). By 2027, outstanding EU borrowing could exceed €900 billion, nearly 10 times the 2020 level prior to NGEU.

Figure 2.16 – Outstanding EU bonds since 2010



Note: EU bond issuance at gross debt nominal value. EU bills (€23.1 billion) are excluded.

Source: ECA, based on the 2024 consolidated annual accounts of the EU and information provided by the Commission.

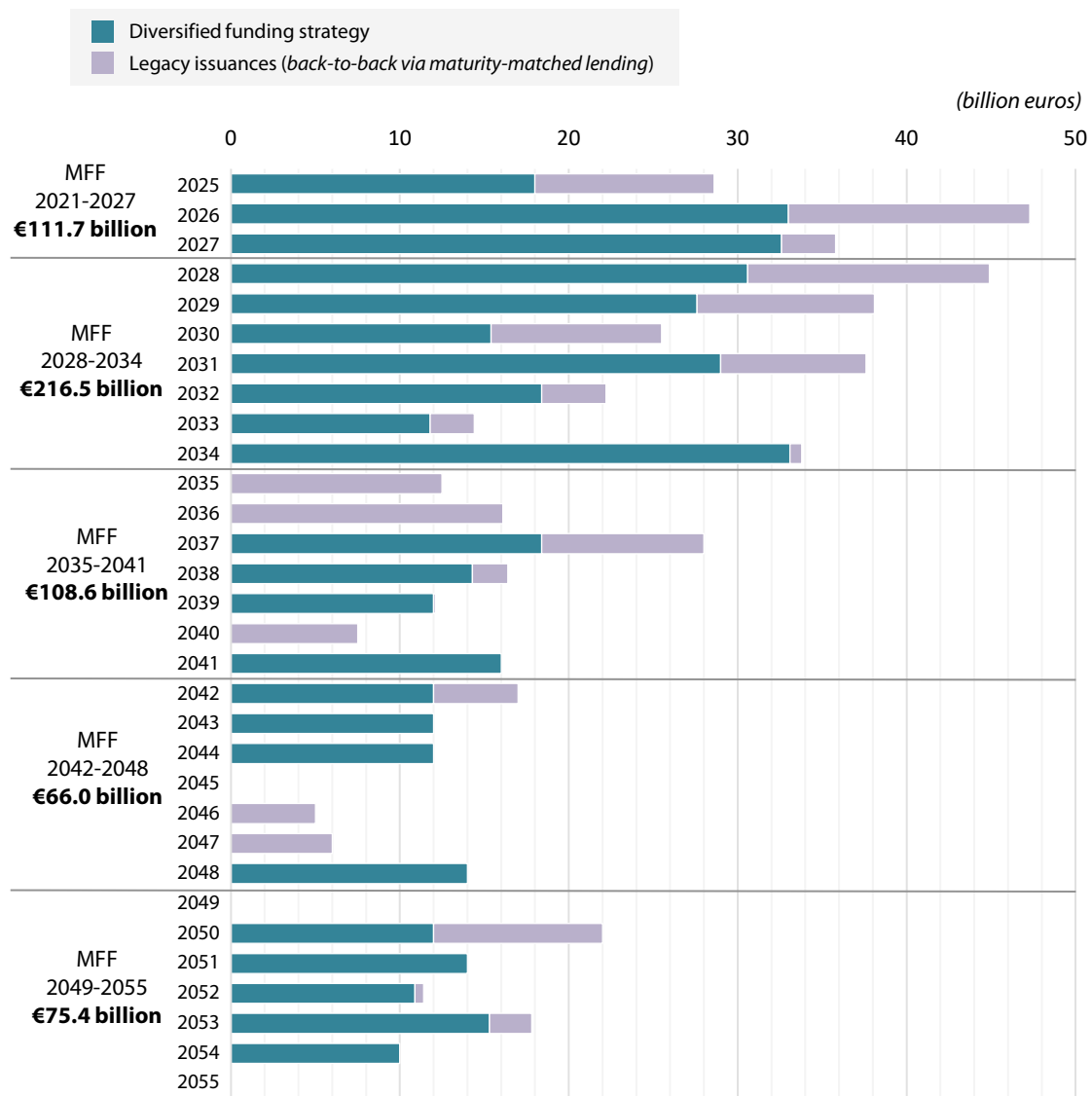
2.36. Of the €578.2 billion in outstanding EU bonds at the end of 2024, €254.7 billion (44 %) had been disbursed for NGEU *non-repayable support*, which is not tied to any repayment obligation for member states. This amount does not include the part of RRF grants financed by BAR or the ETS.

2.37. Since December 2022, the Commission has adopted a *diversified funding strategy*²⁹ as its standard approach for funding financial assistance programmes through borrowing³⁰. At the end of 2024, the nominal value of outstanding EU borrowing was €601.3 billion (2023: €458.5 billion). The outstanding borrowing included EU bills with a nominal value of €23.1 billion (2023: €15.2 billion). These have a maturity less than 1 year and are issued for liquidity management. [Figure 2.17](#) shows the maturities of EU borrowing, excluding EU bills, by programming period. The current maturity structure is distributed across the current and subsequent MFFs, ensuring that repayment obligations are spread over time rather than concentrated within a single MFF.

²⁹ 2023 annual report, paragraph 2.36.

³⁰ Article 224 of the [Financial Regulation](#).

Figure 2.17 – Annual volumes of outstanding EU bonds maturing, as at end 2024



Note: Amounts at nominal value. EU bills are not included.

Source: ECA, based on the 2024 consolidated annual accounts of the EU.

2.38. EU borrowing operations are backed by a guarantee mechanism designed to ensure that debt service obligations can always be met. This guarantee is provided through the headroom of the EU budget, which is the annual margin between the own resources ceiling (i.e. the maximum amount the EU may request from member states) and the own resources needed to finance the actual level of payment appropriations under the MFF. For 2021-2027, the permanent own resources ceiling is set at 1.4 % of the EU's *gross national income (GNI)*. The 2024 budget included own resources of

0.79 % of EU GNI to finance budget expenditure³¹, meaning that at year's end there was an available margin of 0.61 % to cover budget liabilities.

2.39. In practice, the headroom acts as a last-resort guarantee for investors: should the EU face difficulties in servicing its debt (e.g. due to delayed or incomplete repayments from loan beneficiaries), it enables the Commission to call for supplementary contributions from member states to meet those obligations. Before any such call is made, the Commission reports that it has risk mitigation and liquidity management measures in place³². The headroom is not a pre-funded reserve; it only results in payments by member states if the EU's standard budgetary resources and inflows from borrowers are insufficient to cover EU borrowing repayments. This mechanism³³ constitutes a binding legal commitment by member states.

2.40. The Commission reports annually to the EU legislator on the *contingent liabilities* arising from budgetary guarantees and financial assistance and the sustainability of those contingent liabilities³⁴. Based on data available at the end of 2023, the Commission estimates that the available headroom under the permanent own resources ceiling, after deducting the own resources needed to fund payment appropriations from the EU budget (excluding NGEU), amounts to €114.7 billion in 2025, €89.1 billion in 2026, and €86.9 billion in 2027³⁵, see [Figure 2.18](#). These figures correspond to 0.6 %, 0.5 %, and 0.4 % of EU GNI, respectively.

2.41. In addition to the headroom under the permanent own resource ceiling, the [Own Resources Decision](#) introduced, until 2058, an additional temporary and exceptional increase in the own resources ceiling of 0.6 % of EU GNI exclusively to guarantee the repayment of NGEU borrowing. The Commission estimates that for the period up to 2027, almost all the headroom under the temporary own resources ceiling will remain available³⁶, see [Figure 2.18](#).

³¹ 2024 consolidated annual accounts of the EU, Note 6.7.

³² Ibid.

³³ Council Decision (EU, Euratom) 2020/2053.

³⁴ COM(2024) 507.

³⁵ Ibid., Annexes.

³⁶ Ibid., Annexes.

Figure 2.18 – Headroom under the permanent and temporary own resource ceilings



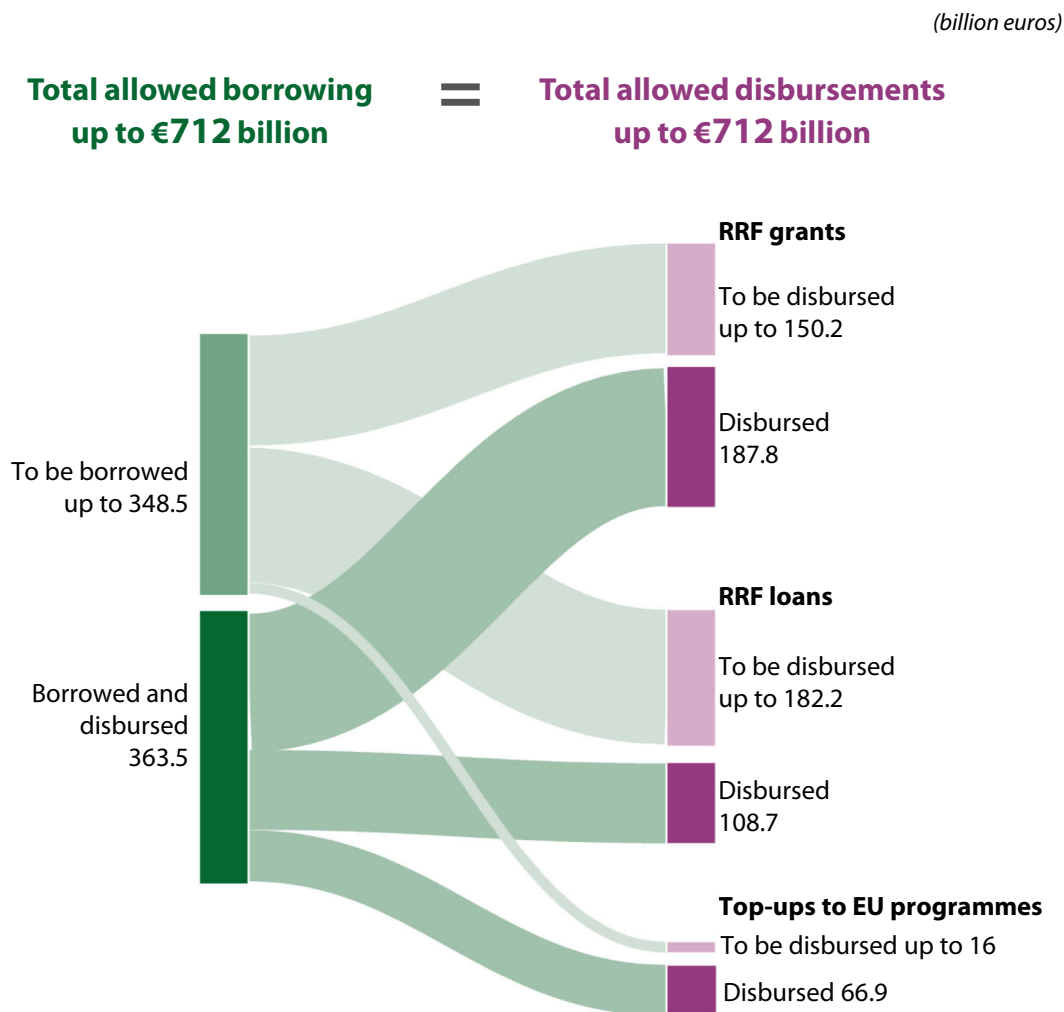
Source: ECA, based on [COM\(2024\) 507](#).

2.42. In order to safeguard the sustainability of future MFFs, there will be a need to consider the increasing burden of borrowing-related obligations, notably the repayment of principal and interest, and the availability of corresponding guarantees.

Repayment of NGEU borrowing is deferred to future MFFs

2.43. The NGEU programme was set up to provide funding to member states of up to €712 billion, of which up to €291 billion was for RRF loans and up to €421 billion for non-repayable NGEU support. By the end of 2024, the EU had disbursed €363.5 billion, see [Figure 2.19](#). The EU may still borrow up to €348.5 billion for NGEU before the end of 2026. After that date, borrowing must be strictly limited to refinancing³⁷.

Figure 2.19 – NGEU disbursements, as at end 2024



Note: The borrowing reported for NGEU represents only those funds specifically allocated to NGEU as at the end of 2024. It does not include the part of RRF grants financed by BAR/ETS.

Source: ECA, based on the 2024 consolidated annual accounts of the EU.

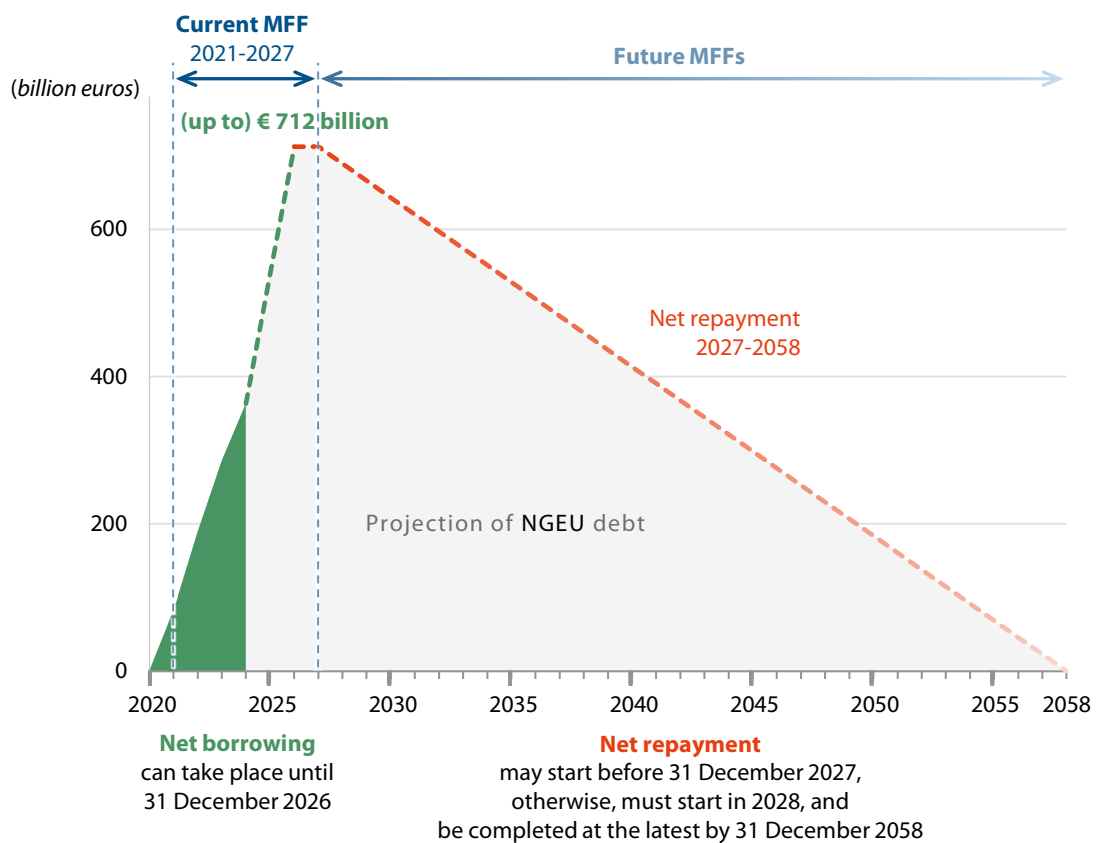
2.44. The repayment of NGEU borrowing may start before the end of 2027, if unused appropriations remain available in the budget line to cover NGEU financing

³⁷ Recital 18 of [Council Decision \(EU, Euratom\) 2020/2053](#).

costs. Otherwise, repayment must start in 2028 and be completed by 2058 at the latest³⁸. The bulk of the repayments is therefore deferred to future MFFs because the repayment schedule must be steady and predictable, and annual repayments of the NGEU borrowing are capped at 7.5 % of the maximum amount of non-repayable NGEU support³⁹ (i.e. €31.6 billion per year).

2.45. *Figure 2.20* presents a projection of NGEU debt, assuming maximum allowed borrowing under NGEU and linear repayment. However, in practice the borrowing and repayment are unlikely to follow such linear patterns.

Figure 2.20 – NGEU borrowing and repayment projection, as at end 2024



Note: The reported borrowing for NGEU represent only those funds specifically allocated to NGEU, as at the end of 2024.

Source: ECA, based on the 2024 consolidated annual accounts of the EU and [Council Decision \(EU, Euratom\) 2020/2053](#).

³⁸ Ibid., Article 5(2).

³⁹ Ibid.

2.46. To achieve the required steady and predictable reduction of liabilities⁴⁰, the Commission may need to rollover expiring debt by issuing new debt instruments to pay off the old ones as they mature⁴¹. Changes in market conditions could mean higher or lower borrowing costs that, for NGEU borrowing relating to grants and top-ups⁴², will have to be borne by the EU budget. The EU legislator and the Commission agreed that the expenditure from the EU budget related to the repayment of NGEU should not lead to an undue reduction in programme expenditure or investment instruments under the current MFF⁴³. Without prejudice to the size of future MFFs, the repayment schedule of borrowing for NGEU non-repayable support might affect the overall payment appropriations of future MFFs. All costs incurred by the EU in relation to borrowing for NGEU loans, including costs linked to managing interest rate and other financial risks, are borne by the beneficiary member states.

2.47. In February 2024, the European Council agreed to use the proceeds of any new own resources introduced after 2023 for the early repayment of NGEU borrowing⁴⁴. In our opinion on the Commission's proposal⁴⁵, we stated that the information available did not allow us to assess whether the expected annual revenues would also be sufficient to cover NGEU repayment needs as intended. Since the Commission's proposal in 2023, negotiations have not progressed to allow for the introduction of these new own resources. Nevertheless, the adoption of new own resources is not a precondition for the EU to be able to repay NGEU borrowing.

Expected NGEU borrowing costs for the current MFF were revised down in 2024, but could still be double the initial estimates

2.48. The overall allocation agreed in 2020 for the MFF 2021-2027 for the financing cost of NGEU amounted to €14.9 billion under MFF heading 2b to finance the interest and coupon payments for NGEU borrowings⁴⁶. The estimates for 2020 were based on expected interest rates for the borrowing ranging from 0.55 % in 2021 to 1.15 % in

⁴⁰ Ibid.

⁴¹ COM(2024) 93, Annex.

⁴² Commission Implementing Decision (EU, Euratom) 2023/2825, Article 11(1).

⁴³ Interinstitutional agreement of 16 December 2020, Annex II.

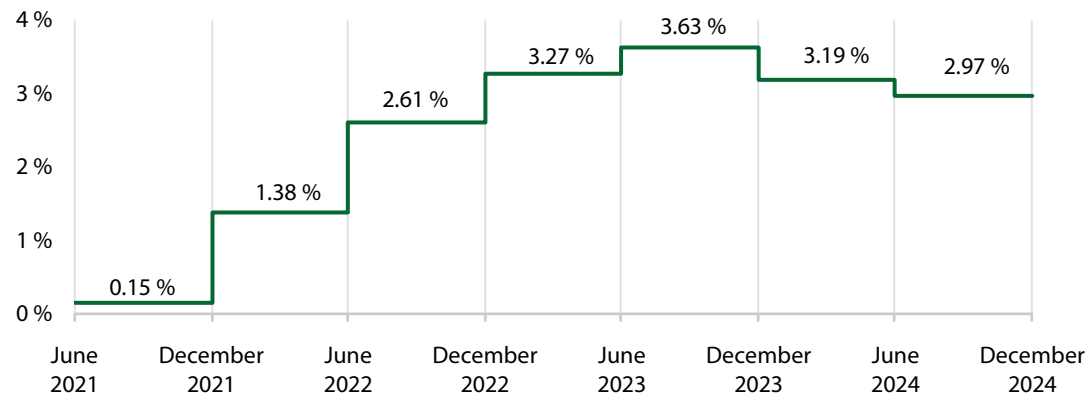
⁴⁴ EUCO 2/24.

⁴⁵ Opinion 04/2023, paragraph 20.

⁴⁶ Statement of estimates of the Commission for the financial year 2024 (section on Financial Programming 2025-2027, p. 9).

2027⁴⁷. However, actual interest rates rose significantly⁴⁸, which had an adverse effect on the EU's marginal cost of funding. The cost of funding peaked at 3.63 % in 2023, from 0.15 % in 2021. It started falling in the first half of 2024⁴⁹, see [Figure 2.21](#).

Figure 2.21 – Change in the EU's cost of funding



Note: The cost of funding for each time compartment reflects the rate at the time of the reporting but may fluctuate due to changing market conditions.

Source: ECA, based on [COM\(2025\) 70](#).

2.49. According to the Commission, interest rate expenditure for the non-repayable NGEU support amounted to €5.4 billion during 2021-2024 (€3.4 billion in 2024). This was almost 50 % higher than the initial forecast of €3.7 billion⁵⁰. The Commission expects to pay around €5 billion in interest in 2025⁵¹, €8 billion in 2026⁵² and between €10.5 and €11.9 billion in 2027⁵³. Total interest expenditure in the

⁴⁷ Briefing [Revision of the EU's long-term budget for 2021 to 2027](#) by the European Parliamentary Research Service, p. 7.

⁴⁸ [Key ECB interest rates](#).

⁴⁹ [COM\(2025\) 70](#).

⁵⁰ [Multiannual Financial Framework 2021-2027 \(in commitments\) – Current prices](#), line 2.6. Financing and repayment – NextGenerationEU.

⁵¹ [Statement of estimates of the Commission for the financial year 2026](#) (section on Policy highlights, 3.4.3. Recovery and resilience cluster).

⁵² *Ibid.*

⁵³ [Statement of estimates of the Commission for the financial year 2026](#) (section on Financial programming 2027, 2.2.2. Sub-Heading 2b – Resilience and values, and Annex 3.5).

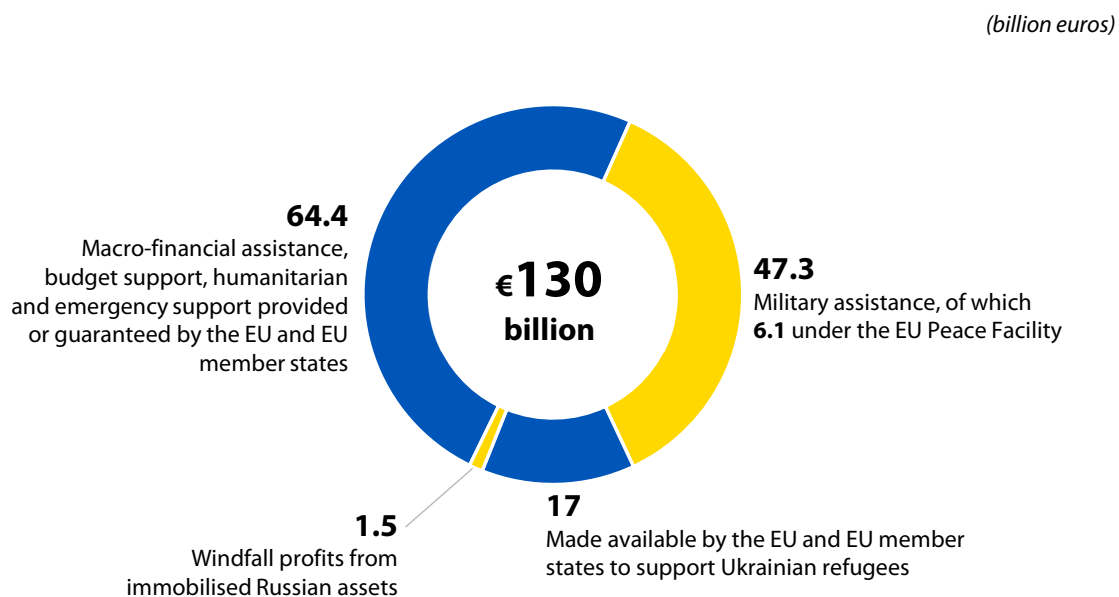
current MFF could thus range from €29 to €30.4 billion, around double the Commission's original forecast of €14.9 billion⁵⁴.

2.50. In 2024, a briefing commissioned by the European Parliament⁵⁵ estimated that total interest payments for the non-repayable NGEU support could range from €70.9 to €73.8 billion in the next MFF (2028-2034).

The EU budget has continued to provide support for Ukraine during Russia's war of aggression

2.51. According to the Commission, by the end of 2024, the EU and its member states had mobilised over €130 billion in support for Ukraine and its people since the start of Russia's war of aggression, see [Figure 2.22](#).

Figure 2.22 – EU support for Ukraine since the start of the Russian's war of aggression



Source: ECA, based on the 2024 consolidated annual accounts of the EU.

⁵⁴ Multiannual Financial Framework 2021-2027 (in commitments) – Current prices, line 2.6. Financing and repayment – NextGenerationEU.

⁵⁵ Management of debt liabilities in the EU budget under the post-2027 MFF.

2.52. In February 2024, the EU legislator established the [Ukraine Facility](#) to provide support to Ukraine of up to €50 billion between 2024 and 2027. By the end of 2024, €19.6 billion had been mobilised under the Ukraine Facility, of which €13.1 billion were loans.

2.53. Under Pillar III of the Ukraine Facility, the EU can subsidise Ukraine's borrowing costs during the current MFF period for both Ukraine Facility loans and the exceptional *macro-financial assistance (MFA)* loans provided in 2022. In 2024, the interest rate subsidy linked to the exceptional MFA loans amounted to €0.2 billion. Subsidies for Ukraine Facility loans will have a budgetary impact only from 2025 onwards. However, a briefing to the European Parliament⁵⁶ estimates that, assuming Ukraine pays no interest to the EU on loans over the next MFF, this could result in an additional burden on the EU budget of approximately €1.65 billion per year, or €11.5 billion in total between 2028 and 2034.

2.54. In October 2024, the European Parliament and the Council established the Ukraine Loan Cooperation Mechanism (ULCM)⁵⁷ to provide EU support to Ukraine under the G7 initiative, "Extraordinary Revenue Acceleration Loans for Ukraine". Under this initiative, the EU will disburse an exceptional MFA loan of €18.1 billion⁵⁸ in several tranches during 2025. As with the Ukraine Facility loans, and by way of derogation from the Financial Regulation⁵⁹, this loan does not require provisioning to the common provisioning fund (CPF)⁶⁰.

2.55. The repayment of this loan is expected to be covered by future inflows of extraordinary revenues from immobilised Russian sovereign assets, as part of EU sanctions imposed on Russia. However, we note the legal complexities associated with the freezing of Russian assets and the use of windfall profits⁶¹. Furthermore, the sanctions need periodic reapproval, which requires the unanimous agreement of all EU member states. This means that changes in the legal framework or a lack of consensus

⁵⁶ [Management of debt liabilities in the EU budget under the post-2027 MFF](#).

⁵⁷ [Regulation \(EU\) 2024/2773](#).

⁵⁸ [Annex to the G7 Finance Ministers' Statement on Extraordinary Revenue Acceleration \(ERA\) Loan initiative](#).

⁵⁹ Article 214(1) of the [Financial Regulation](#).

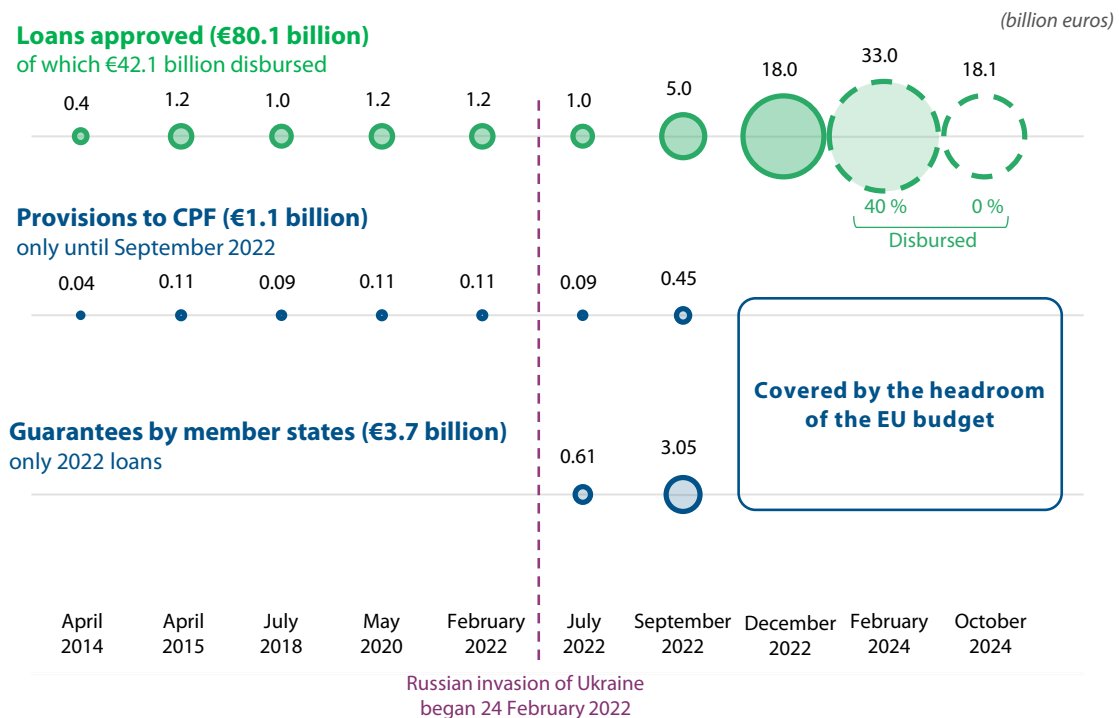
⁶⁰ Article 14(2) of [Regulation \(EU\) 2024/2773](#).

⁶¹ European Parliamentary Research Service, [Legal options for confiscation of Russian state assets to support the reconstruction of Ukraine](#), February 2024, p.41.

among member states may reduce this extraordinary revenue, with potential financial consequences for future EU budgets. As these loans are ultimately guaranteed by the EU budget and the headroom, any factors affecting windfall profits may require either a reduction in EU budget expenditure or increased financial contributions from member states to maintain fiscal stability in the event of a payment default by Ukraine.

2.56. At the end of 2024, the approved loans to Ukraine, either outstanding or yet to be disbursed, amounted to up to €80.1 billion, of which €42.1 billion had been disbursed. At the same time, the Commission recognised an impairment allowance in the annual accounts of the EU for the loans already disbursed to Ukraine of €15.8 billion (2023: €8.8 billion), which reflected the expected losses over the lifetime of the loans. [Figure 2.23](#) provides an overview of the approved loans to Ukraine outstanding at the end of 2024. In addition, Euratom granted 0.3 billion in loans to Energoatom, for which an impairment allowance of €0.1 billion was recognised. In April 2024, Ukraine repaid €0.6 billion on previous loans in accordance with the scheduled maturities.

Figure 2.23 – Timeline of approved loans to Ukraine, outstanding or to be disbursed, including provisions and member state guarantees



Notes: The €0.3 billion outstanding loan disbursed by Euratom to Energoatom is not included. At the end of 2024, €0.34 billion of the provisions to the CPF for the 2022 loans were still to be paid in.

Source: ECA, based on applicable legislation and the 2024 consolidated annual accounts of the EU.

EU budget exposure continues to rise

2.57. To analyse the exposure of the EU budget, we considered:

- (a) the EU budget guarantees for the borrowing from the markets that was a source of financing for loans disbursed to member states or non-EU countries in the event of defaults on these loans; and
- (b) liabilities that might arise in future if a specific event occurs, that are disclosed in the annual accounts as *contingent liabilities* and are composed of *budgetary guarantees* that have already been extended for amounts disbursed⁶².

2.58. The resulting exposure of the EU budget totalled €342 billion at the end of 2024, an increase of 14.8 % from €298.0 billion at the end of 2023. [Figure 2.24](#) illustrates the current exposure of the EU budget and the protection system in place to ensure the EU can meet its debt obligations.

⁶² Note 4.1.1 of the 2024 consolidated annual accounts of the EU.

Figure 2.24 – Total exposure of the EU budget at the end 2024, with source of exposure and risk coverage

(billion euros)	EU budget exposure		System of protection BEFORE recourse to the EU budget	System of protection AFTER recourse to the EU budget
	2023	2024		
NGEU Loans	79.2	108.7	n/a	Headroom under the temporary own resource ceiling (0.6 % of EU GNI)
SURE Loans	98.4	98.4		Headroom under the permanent own resource ceiling (1.4 % of EU GNI) + Guarantee from member states (25 %)
EFSM loans	42.8	42.0		Headroom under the permanent own resource ceiling (1.4 % of EU GNI)
BoP loans	0.2	0.2		
MFA+ loans to Ukraine	18.0	18.0		
Ukraine Facility loans	-	13.1		
Exceptional MFA Loans to Ukraine	6.0	6.0	Common provisioning fund (9 %) + Voluntary guarantee from member states (61 %)	n/a
MFA loans to Ukraine	5.6	5.0	Common provisioning fund (between 9 % and 70 %)	
Ukraine Guarantee	-	0.1		
Euratom loans to Energoatom	0.3	0.3		
EFSD guarantee	21.6	21.0		
External Lending Mandate guarantee	19.9	19.2		
EFSD guarantee	0.5	0.5		
NDICI-EFSD+ guarantee	0.6	1.3		
InvestEU guarantee	1.4	3.5		
Other MFA loans	3.6	4.7		
Total	298	342		

Notes: The figure follows the approach outlined in paragraph 2.57.

The provisioning rates of the member states' compartments under the InvestEU guarantee may differ from the standard rate. Any amount not covered by provisioning is covered by counter-guarantees from member states.

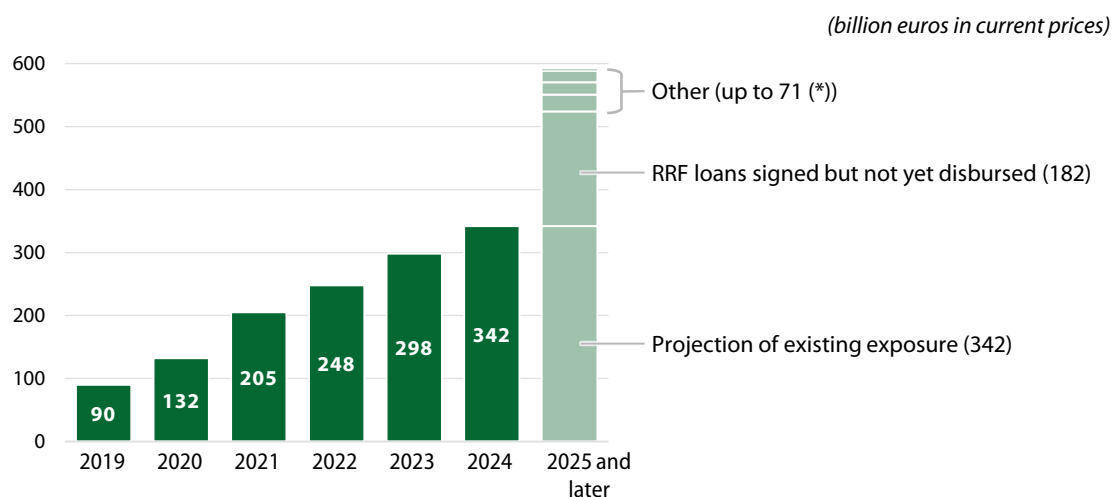
Source: ECA, based on the 2024 consolidated annual accounts of the EU.

2.59. In October 2024, the Commission concluded⁶³ that, based on data at the end of 2023, the headroom available until the end of 2027 would be sufficient to cover potential losses from headroom-backed liabilities, whether these were from NGEU or non-NGEU operations, see [Figure 2.18](#).

EU budget exposure is projected to rise further

2.60. EU budget exposure is expected to rise further, reaching up to €567 billion by 2027, see [Figure 2.25](#).

Figure 2.25 – Past and projected exposure of the EU budget



(*) Other up to 71:

- Budgetary guarantees for operations signed but not yet disbursed (up to 27)
- Ukraine Facility (up to 19.9)
- Ukraine Loan Cooperation Mechanism (up to 18.1)
- Western Balkans Facility (up to 4)
- Moldova Facility (up to 1.5)
- Macro-Financial Assyst to Jordan (up to 0.5)

Note: The figure follows the approach outlined in paragraph [2.57](#), but for 2025 and later does not take into account repayment of loans maturing in 2025-2027.

Source: ECA, based on the 2024 consolidated annual accounts of the EU.

2.61. Total exposure can be broken down into annual exposure, which is the maximum amount that needs to be covered by the EU budget, or by the headroom, if there are payment defaults in any given year⁶⁴. The Commission provided us with data based on figures on annual EU budget exposure at the end of 2023, from financial assistance to member states and non-EU countries plus the *External Lending Mandate*

⁶³ COM(2024) 507, Conclusions.

⁶⁴ Special report 05/2023, Figure 2.

(ELM). For 2025, we have calculated that total exposure amounts to €14.5 billion. However, this figure does not include the annual exposure from the remaining programmes covered by budgetary guarantees (EFSI, InvestEU, EFSD and EFSD+). We made a recommendation in 2022⁶⁵ that the Commission should make public its estimate of total annual exposure.

The cumulative financial performance of the common provisioning fund turns positive for the first time

2.62. Since 2021, the assets of the *common provisioning fund* (CPF) have pooled all the provisions for the EU's financial liabilities arising from budgetary guarantees, loans for financial assistance and the Euratom loan facility⁶⁶.

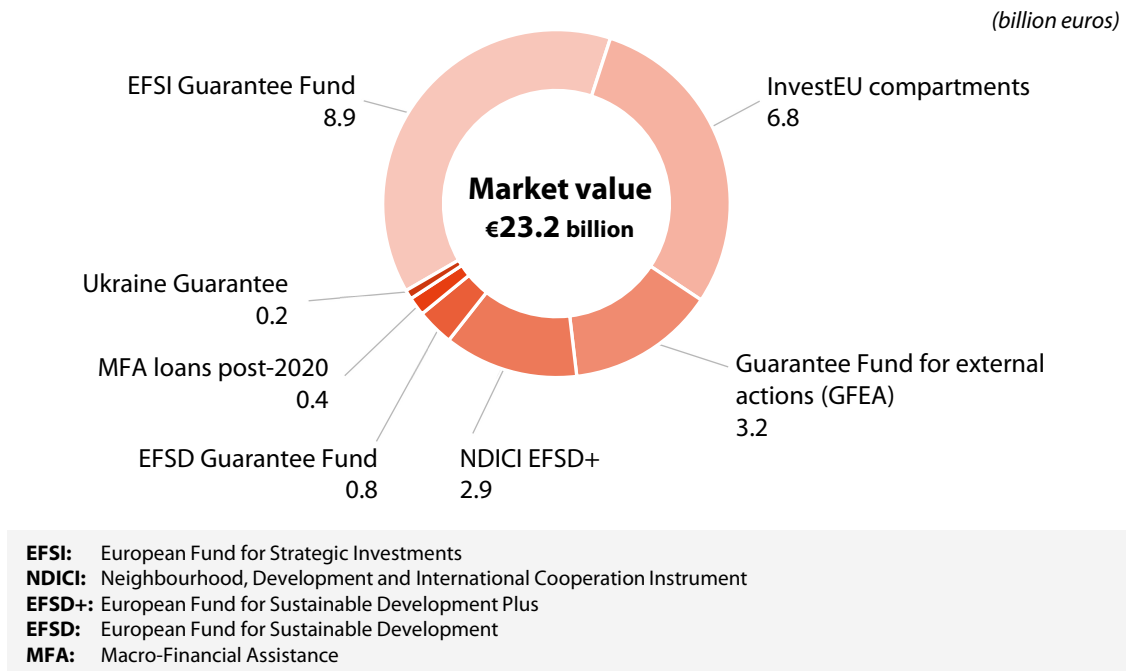
2.63. At 31 December 2024, the market value of CPF assets amounted to €23.2 billion (2023: €18.8 billion). The resources of the CPF are allocated in compartments corresponding to the various contributing instruments⁶⁷, see [Figure 2.26](#).

⁶⁵ 2022 annual report, Recommendation 2.3.

⁶⁶ Article 212 of the [Financial Regulation](#)

⁶⁷ C(2020) 131/03, Article 3.

Figure 2.26 – Common provisioning fund and its components, as at end 2024



Note: €0.6 billion of the assets disclosed under the InvestEU compartments is allocated to member state compartments (Czechia, Finland, Romania, Malta, Bulgaria, Greece), which are funded separately by national or regional contributions.

Source: ECA, based on the 2024 consolidated annual accounts of the EU.

2.64. The Commission's objective in managing the CPF is, at least, to safeguard the contributed capital (capital preservation)⁶⁸. After a positive performance of €0.8 billion in 2024, the portfolio's cumulative (unrealised) financial performance since its inception in 2021 was also positive for the first time (1.4 % or €0.3 billion).

2.65. The Commission can draw on the CPF to cover outflows required for guarantee calls related to operations in both EU and non-EU countries, and for defaults of non-EU countries, before recourse to the EU budget. While there has never been a payment default on macro-financial assistance (MFA) and Euratom loans, at the end of 2023, cumulative net calls on defaulted operations and value reductions in equity investments under the budgetary guarantees amounted to €1.2 billion, of which €0.9 billion related to the ELM⁶⁹, whose provisioning is in the Guarantee Fund for external actions (GFEA) compartment.

⁶⁸ COM(2024) 180, part 2.

⁶⁹ 2025 Draft general budget of the European Union – Working Document Part XI, p. 67.

EU inflation is falling back towards 2 %, which limits its additional adverse impact on the current MFF

2.66. The MFF Regulation sets the maximum annual ceilings (commitment and payment appropriations) at 2018 prices⁷⁰. Adjustment to current prices in the annual EU budget is done with a fixed 2 % annual percentage increase (deflator). EU budget purchasing power is reduced (or increased) by the difference between the fixed deflator and the average inflation rate.

2.67. Average inflation in the EU increased significantly in 2022 to 9.2 % before falling back to 6.4 %⁷¹ in 2023 and 2.6 %⁷² in 2024, see [Figure 2.27](#). The Commission is forecasting a further fall in that rate, to 2.3 % in 2025 and 1.9 % in 2026⁷³. For the euro area, the Commission is forecasting average inflation at 2.1 % in 2025 and 1.7 % in 2026⁷⁴. This is broadly in line with current European Central Bank forecasts for the euro area of 2.0 % in 2025 and 1.6 % in 2026⁷⁵.

⁷⁰ Annex I to [Regulation \(EU, Euratom\) 2020/2093](#).

⁷¹ [Eurostat – Harmonised index of consumer prices – inflation rate](#).

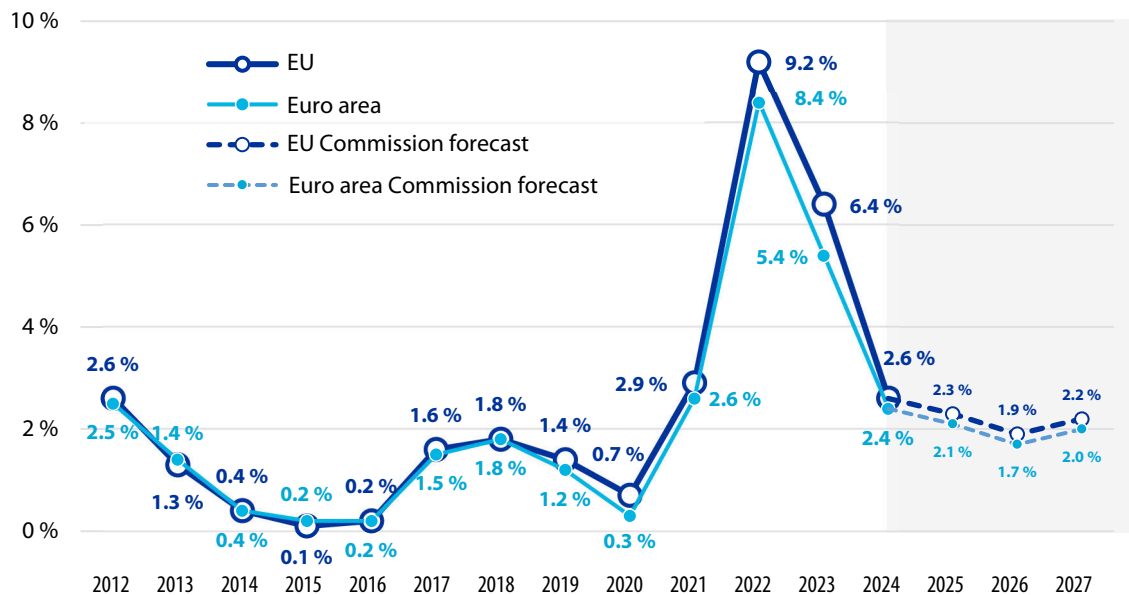
⁷² [European Economic Forecast – Spring 2025](#).

⁷³ [Ibid.](#)

⁷⁴ [Ibid.](#)

⁷⁵ [European Central Bank’s macroeconomic projections as at June 2025](#).

Figure 2.27 – Annual average inflation rate in the EU and the euro area (2012-2027)



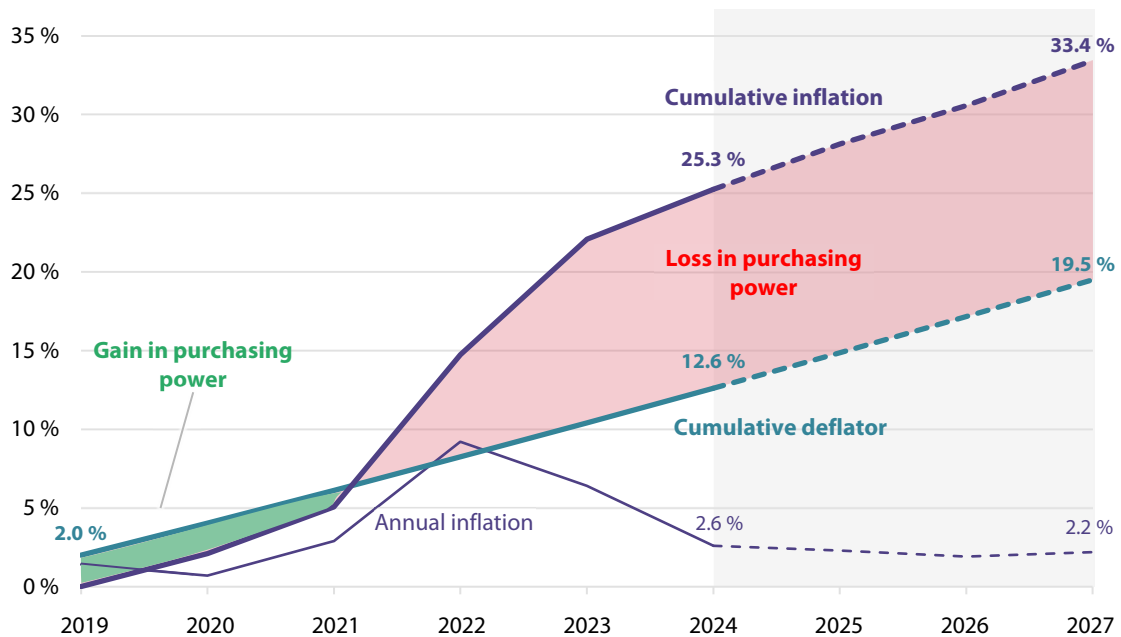
Source: ECA, based on Eurostat and the Commission's European Economic Forecast – Spring 2025, and, for 2027, IMF Inflation rate, average consumer prices.

2.68. The inflationary shocks of 2022 and 2023 have far exceeded the 2 % annual deflator used by the Commission, and this has negatively impacted the purchasing power of the EU budget. Given the inflation forecasts from the Commission⁷⁶ and the IMF⁷⁷, we estimate that the EU budget could lose around 13.9 percentage points of its purchasing power by the end of 2027, see [Figure 2.28](#). Our estimate takes into account recent and projected inflation rates, which are falling back towards 2 %.

⁷⁶ European Economic Forecast – Spring 2025.

⁷⁷ IMF – Inflation rate, average consumer prices.

Figure 2.28 – Changes in EU budget purchasing power (2019-2027)



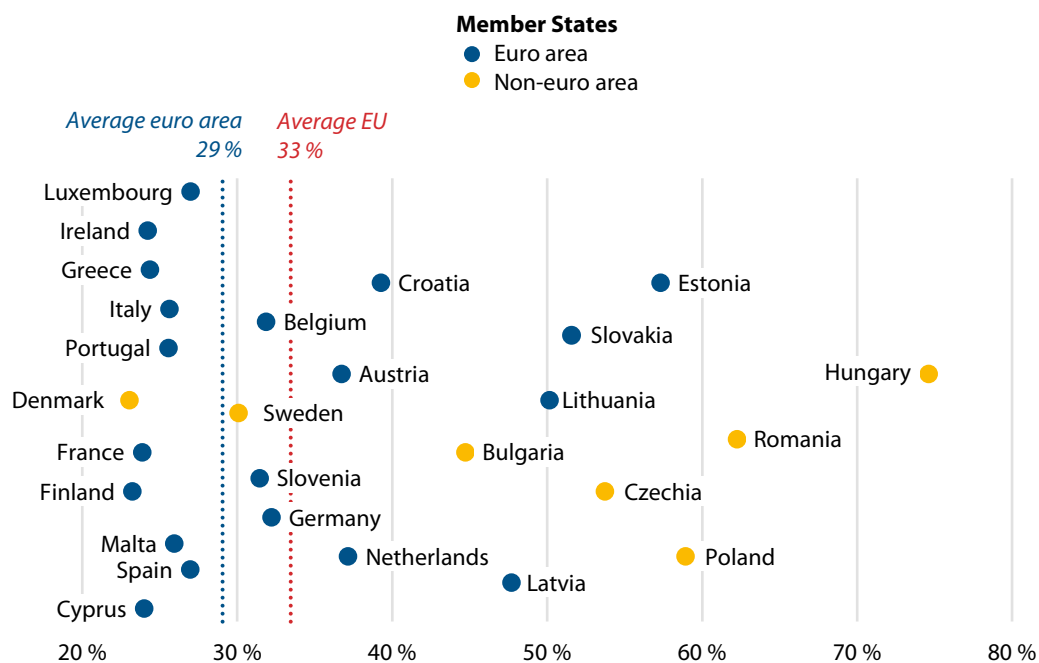
Note: Based on 2018 values.

Source: ECA, based on Eurostat, Commission's European Economic Forecast – Spring 2025 and, for 2027, IMF Inflation rate, average consumer prices.

2.69. The 2 % annual fixed deflator provides a straightforward and predictable framework for budget planning over the whole MFF. Until the end of 2021, it had been broadly in line with the historic evolution of price levels⁷⁸. However, the fixed deflator does not allow the EU budget to be adapted to unexpected economic conditions, in particular inflationary spikes. Furthermore, inflation does not affect all member states to the same extent, see [Figure 2.29](#).

⁷⁸ The impact of inflation on the EU budget, November 2022.

Figure 2.29 – Expected cumulative inflation by member state for the period 2019-2027



Source: ECA, based on [Eurostat](#), Commission's European Economic Forecast – [Spring 2025](#) and, for 2027, [IMF Inflation rate, average consumer prices](#).

Conclusions and recommendations

Conclusions

2.70. In 2024, almost all commitment and payment appropriations of the EU annual budget were used. Due to NGEU, total payments in 2024 were higher than total commitments. Absorption of the 2014-2020 ESIF reached 97 %, while total payments for shared management funds under the CPR was only 7 % of the amount of these funds in the 2021-2027 MFF. The cumulative absorption gap of the cohesion policy funds (ERDF, CF and ESF+), which together account for over 90 % of these funds, corresponds to an implementation delay of more than 1 year compared to the 2014-2020 MFF. See paragraphs [2.2-2.19](#).

2.71. Annual payments of RRF grants totalling €55.9 billion in 2024, were half of what the Commission had anticipated in June 2023 (€96 billion). However, 15 member states submitted payment requests amounting to €58.5 billion in December 2024. Out of €358.9 billion in RRF grant commitments, €197.5 billion (55 %) were paid by the end of 2024, leaving €161.4 billion (45 %) to be paid by the end of 2026. Annual payments of NGEU top-ups to existing MFF programmes reached €24.6 billion in 2024, a significant increase compared to previous years, bringing the total to €66.9 billion (81 %) by the end of 2024. See paragraphs [2.20-2.25](#).

2.72. By the end of 2024, total outstanding commitments, including NGEU grant funding, amounted to €507.4 billion. This represents a decrease from the record high of €543 billion of last year, but €33.5 billion higher than the Commission's June 2024 estimate. See paragraphs [2.26-2.28](#).

2.73. Decommitment risks have increased in 2024, with forecasts rising to €8.8 billion for the period 2025-2027. Without a sharp acceleration in fund implementation by member states, the amounts at risk will continue to rise. See paragraphs [2.29-2.31](#).

2.74. At the end of 2024, RRF grant payments to member states totalled €197.5 billion (55 %). However, the concentration of milestones and targets, particularly for investments, in the later phase of the RRF implementation period poses risks to timely and full absorption. See paragraphs [2.32-2.33](#).

2.75. Total NGEU interest expenditure in the current MFF could range from €29 to €30.4 billion, around double the Commission's original forecast of €14.9 billion. EU borrowing, both related and un-related to NGEU, is expected to increase significantly until the end of the current MFF, with the bulk of the repayments deferred to future MFFs. In order to safeguard the sustainability of future MFFs, there will be a need to take into account the growing burden of borrowing-related obligations, the availability of adequate guarantees and the need to ensure sufficient resources for the implementation of EU programmes. Without prejudice to the size of future MFFs, the repayment schedule of borrowing for NGEU non-repayable support might affect the overall payment appropriations of future MFFs. See paragraphs [2.34-2.50](#).

2.76. By the end of 2024, the EU and its member states had mobilised over €130 billion in support for Ukraine and its people since the start of Russia's war of aggression. Of this, the EU disbursed €42.1 billion in loans, with an additional €38 billion still to be disbursed. See paragraphs [2.51-2.56](#).

2.77. The exposure of the EU budget from EU budgetary guarantees and contingent liabilities increased from €298 billion in 2023 to €342 billion in 2024, and it is expected to rise to €567 billion by 2027. At the end of 2024, an additional €182 billion of RRF loans had been granted but not yet disbursed, see [Figure 2.25](#). In 2024, the CPF's cumulative financial performance turned positive for the first time since its inception. At 31 December 2024, the market value of CPF assets amounted to €23.2 billion. See paragraphs [2.57-2.65](#).

2.78. While the inflationary shocks of 2022 and 2023 have eroded the EU budget's purchasing power, the situation has somewhat stabilised with recent and projected inflation rates nearing 2 %. See paragraphs [2.66-2.69](#).

Recommendation

Recommendation 2.1 – Ensure that the repayment of NGEU does take into account the implementation of EU programmes.

The Commission should design and implement appropriate repayment schedules of the borrowing for NGEU non-repayable support, so that it takes into account the implementation of the existing and future EU programmes.

Target implementation date: by end of 2026.

Chapter 3

Getting results from the EU Budget

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The design of performance indicators improved, but there are still gaps in the traceability of reported results	3.47.-3.62.
Performance indicators are better designed in the current MFF period, with some exceptions	3.47.-3.52.
There are gaps in the traceability of reported results	3.53.-3.62.

A clear methodology to assess progress in meeting key performance indicators targets existed, but the assessment was optimistic 3.63.-3.77.

We consider that progress in achieving KPI targets is lower than in the Commission's assessment 3.63.-3.68.

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Annex 3.1 – Discussion of special reports in European Parliament committees

Annex 3.2 – Examples of early actions taken by the Commission following the recommendations in the ECA's 2024 special reports

Annex 3.3 – MFF heading 1 – Single Market, Innovation and Digital for 2021-2027 (in commitments)

Annex 3.4 – Programmes' management and implementation structure

Annex 3.5 – Key performance indicators' status as at 31.12.2023, based on the ECA's assessment

Annex 3.6 – Follow-up of previous recommendations for the 'Report of the European Court of Auditors on the performance of the EU budget – status at the end of 2021'

Introduction

3.1. This year, our chapter on *performance* covers the following topics:

- Part 1 – *results* and key messages from our 2024 special reports on performance, as well as related information from the Commission and the budgetary and legislative authorities (the European Parliament and the Council);
- Part 2 – analysis of how the Commission reported performance related information in its 2023 AMPR, for *multiannual financial framework* (MFF) heading 1 ‘Single market, innovation and digital’;
- Part 3 – implementation of the recommendations made in our [2021 report on the performance of the EU budget](#).

Part 1 – Results of our performance audits: key messages

Introduction

3.2. Our special reports examine how well the principles of *sound financial management*¹ have been applied in implementing the EU budget. They address key performance and *compliance* objectives. In 2024, we published 28 special reports addressing many of the challenges the EU is facing across its different spending areas and policies.

3.3. Our audit work targeted the following strategic areas, which we consider to be priorities that are in line with our [2021-25 strategy](#):

- o the EU's response to post-crisis recovery;
- o increasing the EU's economic competitiveness for the benefit of all citizens;
- o resilience to EU security threats, and respect for the European values of freedom, democracy and the rule of law;
- o climate change, the environment and natural resources; and
- o fiscal policies and public finances in the EU.

3.4. [Figure 3.1](#) gives an overview of all the special reports we published in 2024, by strategic area.

¹ Article 33 of the [Financial rules applicable to the general budget of the Union](#), September 2024.

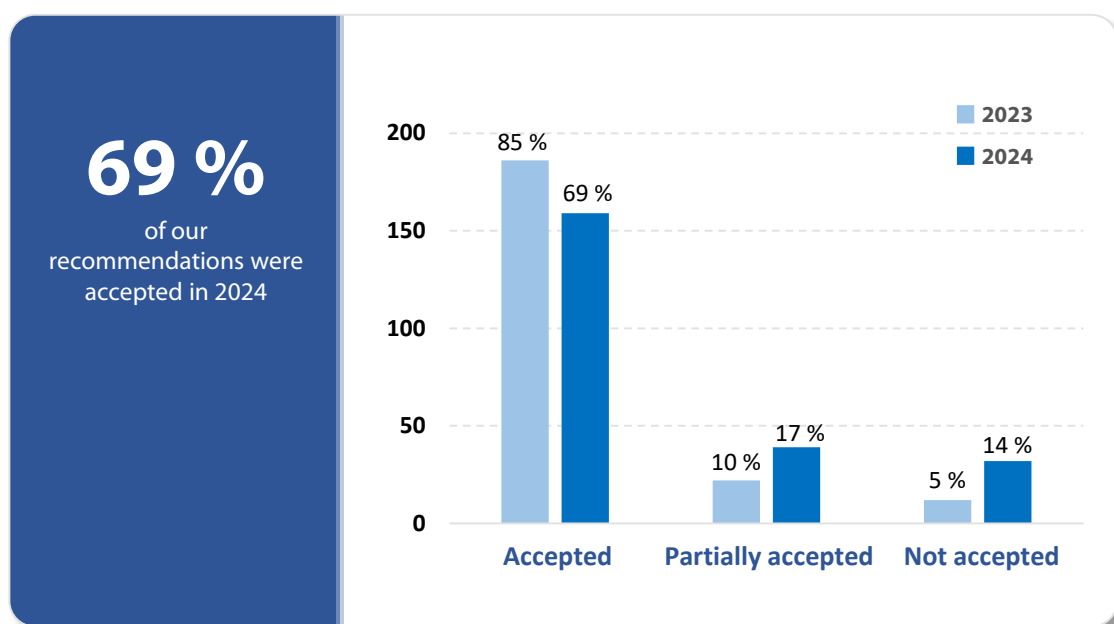
Figure 3.1 – ECA strategic areas covered by special reports in 2024

 EU response to post-crisis recovery	▪ SR 12/2024: The EU's response to the COVID-19 pandemic ▪ SR 13/2024: <i>Absorption of funds from the Recovery and Resilience Facility</i> ▪ SR 25/2024: Digitalisation of healthcare
 Competitiveness	▪ SR 04/2024: Reaching EU road safety objectives ▪ SR 08/2024: EU Artificial intelligence ambition ▪ SR 10/2024: The recognition of professional qualifications in the EU ▪ SR 11/2024: The EU's industrial policy on renewable hydrogen ▪ SR 21/2024: State aid in times of crisis ▪ SR 23/2024: Food labelling in the EU
 Resilience and European values	▪ SR 02/2024: The coordination role of the European External Action Service ▪ SR 03/2024: The rule of law in the EU ▪ SR 05/2024: EU Transparency Register ▪ SR 06/2024: The Facility for Refugees in Turkey ▪ SR 17/2024: The <i>EU trust fund</i> for Africa ▪ SR 18/2024: EU financial support for health systems in selected partner countries ▪ SR 26/2024: Integration of third-country nationals in the EU ▪ SR 28/2024: Enforcing EU law
 Climate change, environment and natural resources	▪ SR 01/2024: Reducing carbon dioxide emissions from passenger cars ▪ SR 09/2024: Security of the supply of gas in the EU ▪ SR 14/2024: Green transition ▪ SR 15/2024: Climate adaptation in the EU ▪ SR 19/2024: Organic farming in the EU ▪ SR 20/2024: Common Agricultural Policy Plans
 Fiscal policies and public finances	▪ SR 07/2024: The Commission's systems for recovering irregular EU expenditure ▪ SR 16/2024: EU revenue based on non-recycled plastic packaging waste ▪ SR 22/2024: Double funding from the EU budget ▪ SR 24/2024: EU Civil service ▪ SR 27/2024: Combatting harmful tax regimes and corporate tax avoidance

Source: ECA.

3.5. Our auditees have the right to provide replies to our observations². These replies, which also indicate whether or not they accept our recommendations, are published together with our special reports. Our 2024 special reports contained 230 recommendations (220 in 2023) on a wide range of topics. Our auditees fully accepted 69 % of our recommendations, while 17 % were partially accepted (see [Figure 3.2](#)). Almost half of the non-accepted recommendations were concentrated in three³ of our special reports.

Figure 3.2 – Acceptance of 2024 special report recommendations compared with 2023



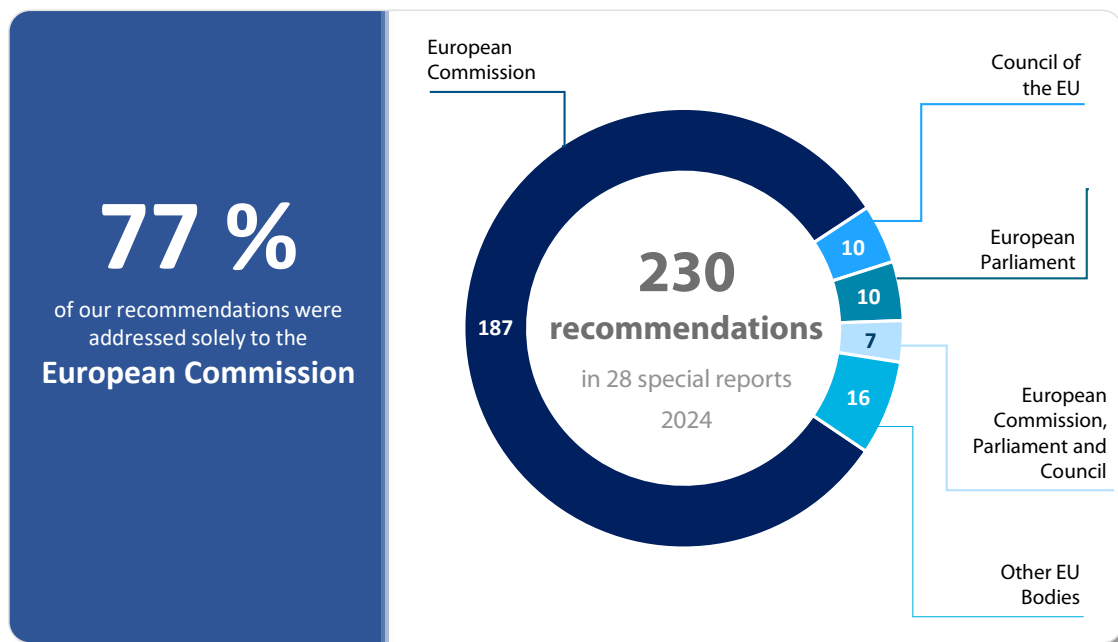
Source: ECA.

3.6. We addressed most of our recommendations to the European Commission (see [Figure 3.3](#)).

² Ibid., Article 265.

³ Special reports: [05/2024](#), [08/2024](#) and [22/2024](#).

Figure 3.3 – Breakdown of recommendations by auditee



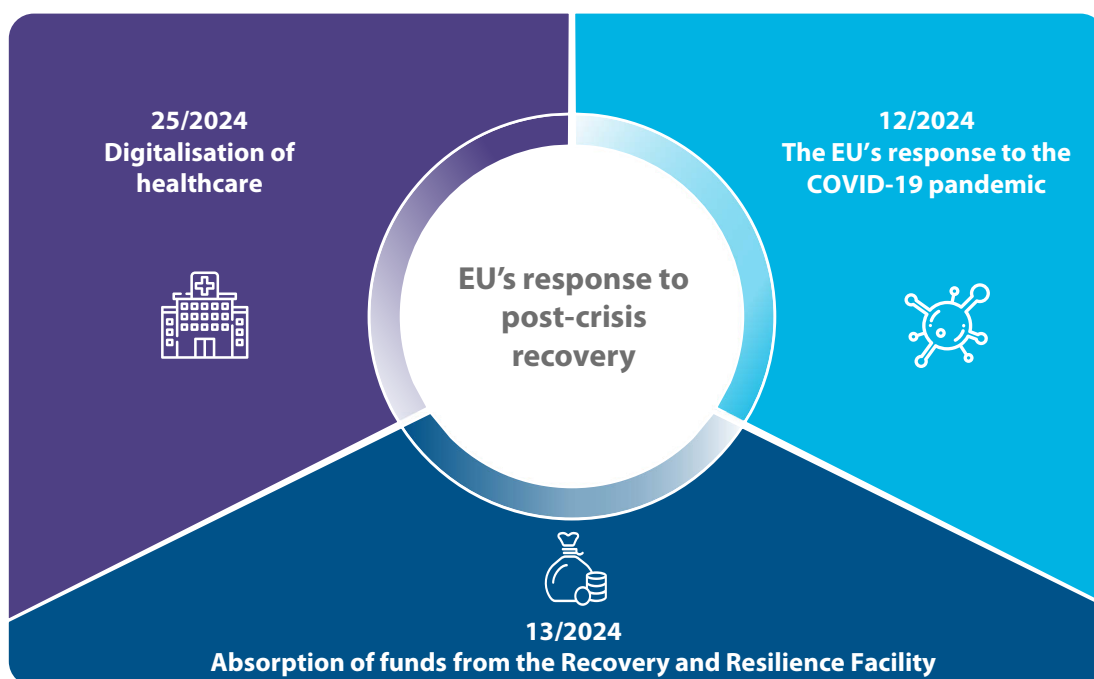
Source: ECA.

3.7. In the following paragraphs, we present our special reports' key messages by strategic area. We complement this with an overview of the references made to our special reports by the Council, and by the European Parliament in its *discharge* resolution. We also refer to the discussion of special reports in the Parliament's committees up to end of May (see [Annex 3.1](#)) and give examples of early actions taken by the Commission (see [Annex 3.2](#)). This information is in addition to the Commission's position as set out in its replies to our special reports, and is without prejudice to the regular follow-up exercise we carry out after 3 years.

EU response to post-crisis recovery

3.8. In 2024, we published three special reports on topics in this strategic area (see [Figure 3.4](#)).

Figure 3.4 – Special reports published in 2024 in the strategic area of the EU’s response to post-crisis recovery



Source: ECA.

3.9. Alongside the Commission, the two EU medical agencies – the European Centre for Disease Prevention and Control and the European Medicines Agency – played an important role in the EU’s response to the **COVID-19 pandemic**. We concluded⁴ that while not fully prepared for a protracted health crisis, both agencies generally managed the COVID-19 crisis well. We also found that the Commission and the agencies were implementing the lessons learnt from the pandemic.

3.10. The COVID-19 pandemic accentuated the relevance of **healthcare digitalisation**. We found⁵ that the Commission effectively supported member states in digitalising their healthcare systems within its mandate. Following the pandemic, the EU policy framework was strengthened and the Commission provided member states with guidance on EU funds while monitoring progress. However, member states faced obstacles in using EU funds, and neither the Commission nor most member states had a comprehensive overview of how the funds were used.

⁴ Special report 12/2024.

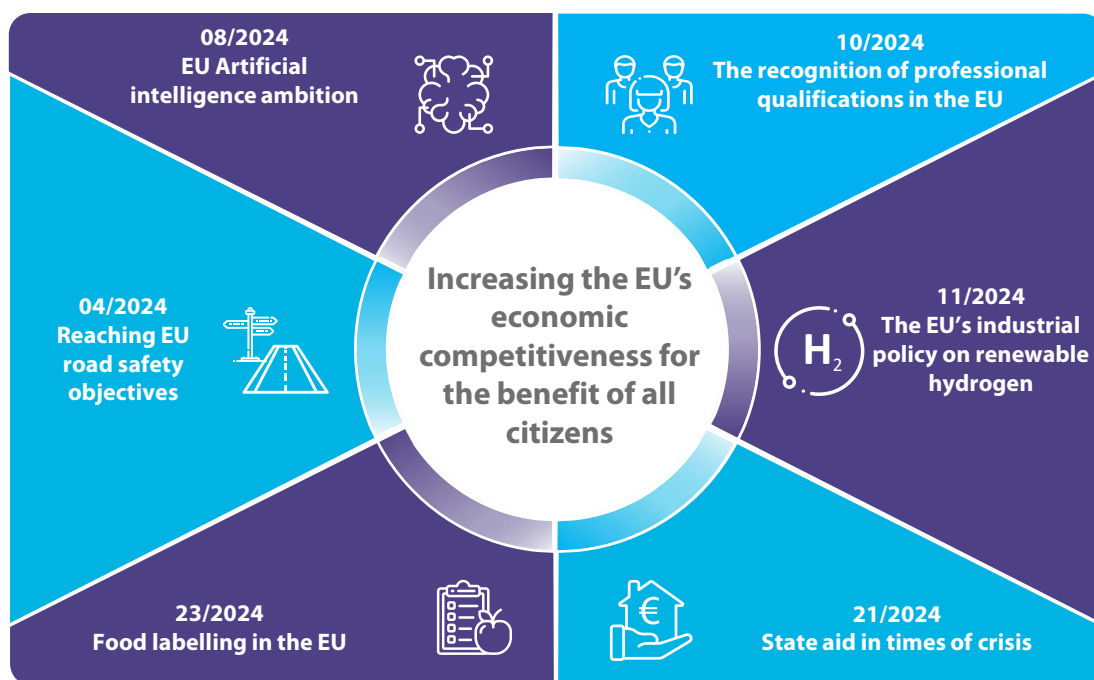
⁵ Special report 25/2024.

3.11. As regards the absorption of the [Recovery and Resilience Facility \(RRF\)](#), we concluded⁶ that it was progressing with delays. While the Commission and member states took actions to address these delays, risks remained regarding the completion of measures and the achievement of the RRF's objectives.

Increasing the EU's economic competitiveness for the benefit of all citizens

3.12. In 2024, we published six special reports on topics in this strategic area (see [Figure 3.5](#)).

Figure 3.5 – Special reports published in 2024 in the strategic area of EU economic competitiveness



Source: ECA.

3.13. In the area of **road safety**, we found⁷ that as part of its coordination role, the Commission had set up the EU Safe System approach with the ambitious objectives of halving road fatalities and serious injuries by 2030 and getting close to zero by 2050. However, the Commission faced challenges in monitoring member states' progress. We also identified shortcomings in the Commission's actions and in the selection of

⁶ Special report 13/2024.

⁷ Special report 04/2024.

co-funded projects. At the current rate of progress, and without additional efforts from the EU and from member states, we found that these ambitious objectives were unlikely to be reached.

3.14. While the Commission's actions covered key dimensions that are important to develop an EU ecosystem for **artificial intelligence** (AI), we found⁸ that, by the time of the audit, these actions had limited effect and did not accelerate AI investment in line with global leaders. The Commission and national measures were not effectively coordinated, as the Commission lacked the necessary governance tools and information.

3.15. We found⁹ that the recognition of **professional qualifications** in the EU was an essential mechanism, but used sparsely and inconsistently when citizens exercise their right to pursue a profession in another member state. The application of the related [EU directive on recognition of professional qualifications](#) still displayed shortcomings, and information provided to citizens was not always reliable. Member state authorities did not integrate the alert mechanism in the recognition procedure.

3.16. The Commission set the course for creating a **renewable hydrogen** market in its Hydrogen Strategy and the *REPowerEU* plan, with funding of €18.8 billion for the 2021-2027 period. We concluded¹⁰ that the Commission was partially successful in creating the right conditions for the emerging hydrogen market and associated value chain. The legal framework had mostly been adopted, but challenges remained, such as making future strategic choices about how to move forwards without creating new strategic dependencies.

3.17. Following the economic disturbance caused by the COVID-19 pandemic and Russia's war of aggression against Ukraine, we found¹¹ that the Commission reacted swiftly to member states' needs for **state aid**, but there were shortcomings in the monitoring of aid and in the consistency of rules.

⁸ [Special report 08/2024.](#)

⁹ [Special report 10/2024.](#)

¹⁰ [Special report 11/2024.](#)

¹¹ [Special report 21/2024.](#)

3.18. We found¹² that **food labelling** in the EU can help consumers make better-informed decisions when purchasing food, but there were notable gaps in the EU legal framework as well as weaknesses in the monitoring, reporting, control systems and sanctions. This led to consumers being confronted with labels that could be confusing or misleading, or labels that they did not always understand.

Resilience to EU security threats and respect for the European values of freedom, democracy and the rule of law

3.19. In 2024, we published eight special reports on topics in this strategic area (see [Figure 3.6](#)).

Figure 3.6 – Special reports published in 2024 in the strategic area of resilience and European values



Source: ECA.

¹² Special report 23/2024.

3.20. The European External Action Service (EEAS) is the diplomatic service of the European Union. We found¹³ that **EEAS's coordination**, both internally and with the Commission and Council, was mostly effective, allowing it to properly support the EU's High Representative for Foreign Affairs and Security Policy in delivering their mandate. However, we identified some weaknesses in information management, staffing and reporting.

3.21. We found¹⁴ that together with specific provisions of the RRF and the Common Provisions Regulation for cohesion policy, the 2020 *Conditionality* Regulation better protected the EU's financial interests against breaches of the **rule of law** principles, and that the measures taken for one country so far were in line with the Regulation. However, certain aspects of the Regulation were difficult to apply, and a number of risks existed that could significantly undermine the *effectiveness* of measures taken.

3.22. We concluded that¹⁵ the Commission had improved its management to detect and correct **infringements of EU law**, but still took too long to close infringement cases.

3.23. We concluded¹⁶ that the 2021 interinstitutional agreement on the **Transparency Register** contained the main elements required by international principles for a lobbying framework, and that the Transparency Register provided useful information for citizens to follow lobbying practices. However, weaknesses and gaps in that information reduced the transparency of lobbying activities in the three signatory institutions.

3.24. In the area of migration and support to refugees, we found the following.

- o The **Facility for Refugees in Turkey** provided relevant support under difficult circumstances, and the Commission had improved the Facility's management by implementing our previous recommendations. However, the Facility could have achieved greater value for money and demonstrable *impact*¹⁷.

¹³ Special report 02/2024.

¹⁴ Special report 03/2024.

¹⁵ Special report 28/2024.

¹⁶ Special report 05/2024.

¹⁷ Special report 06/2024.

- o The projects supported by the **European Union Emergency Trust Fund for Africa** had reported the delivery of many results. Nevertheless, the support from the Fund remained insufficiently focused on the agreed priorities¹⁸.
- o The support from the **Asylum, Migration and Integration Fund** played a relevant role in the integration of third-country nationals in the EU, but its impact could not yet be demonstrated¹⁹.

3.25. The EU provides **funding to its partner countries'** health systems. We concluded²⁰ that the Commission allocated funding according to its broad priorities. However, the allocation methodology was affected by shortcomings, the effectiveness of projects was hampered by issues of coordination and sustainability, and monitoring did not provide a full picture of the Commission's activities in the health sector.

Climate change, the environment and natural resources

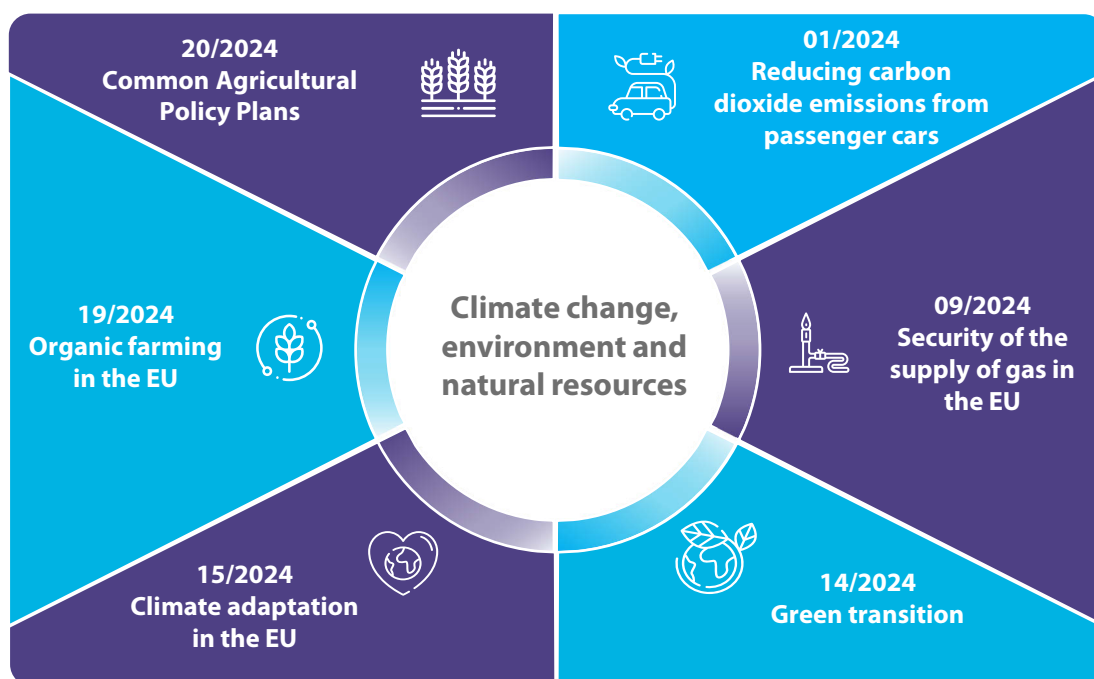
3.26. In 2024, we published six special reports in this strategic area (see [Figure 3.7](#)).

¹⁸ Special report 17/2024.

¹⁹ Special report 26/2024.

²⁰ Special report 18/2024.

Figure 3.7 – Special reports published in 2024 in the strategic area of climate change, environment and natural resources



Source: ECA.

3.27. From 2020, when more stringent emission targets started to apply, carbon dioxide (CO₂) emissions from new passenger cars began to drop significantly. This was mainly due to a significant uptake of electric vehicles, while overall **CO₂ emissions** from combustion engine cars remained unchanged. We concluded that²¹ although the Commission collected and verified the car CO₂ emissions data in line with the Regulation, there was insufficient assurance on the accuracy of CO₂ emissions declared by manufacturers on new car certificates of conformity.

3.28. Russia's war of aggression against Ukraine in February 2022 triggered a **gas supply** and affordability crisis in the EU. This tested the EU's framework for the security of gas supply. We found that²² the framework addressed the secure supply of gas unequally and that the impact of the measures taken in response to Russia's weaponisation of gas is not always apparent.

²¹ Special report 01/2024.

²² Special report 09/2024.

3.29. In the field of **climate adaptation**, we found that²³ the overall EU framework for adaptation policy was sound, but there were weaknesses and gaps in its implementation. While most of the projects we audited addressed climate risks effectively, some had little or no impact on increasing adaptive capacity and a few may result in maladaptation.

3.30. In the area of **organic farming**, we found that²⁴ the EU strategy for organic farming lacked important elements such as quantifiable objectives and how to measure progress. The EU funds helped to increase the organically farmed area, but the environmental and market objectives were not sufficiently taken into consideration.

3.31. Under the RRF, member states planned to spend around €275 billion on climate action as part of the **green transition** pillar. However, our analysis²⁵ identified shortcomings in the Facility's design and inconsistencies in the implementation of green transition measures. We noted that tracking climate expenditure involves a high level of approximation and some coefficients were leading to potential overestimations.

3.32. The new *common agricultural policy* (CAP) for the 2023-2027 period, which builds on **CAP plans** defined by each member state, aims for increased environmental and climate ambition. We found that²⁶ the new CAP plans were greener than under the previous CAP, but they did not match the EU's climate and environmental ambitions. Furthermore, the key elements for assessing green performance were missing.

²³ Special report 15/2024.

²⁴ Special report 19/2024.

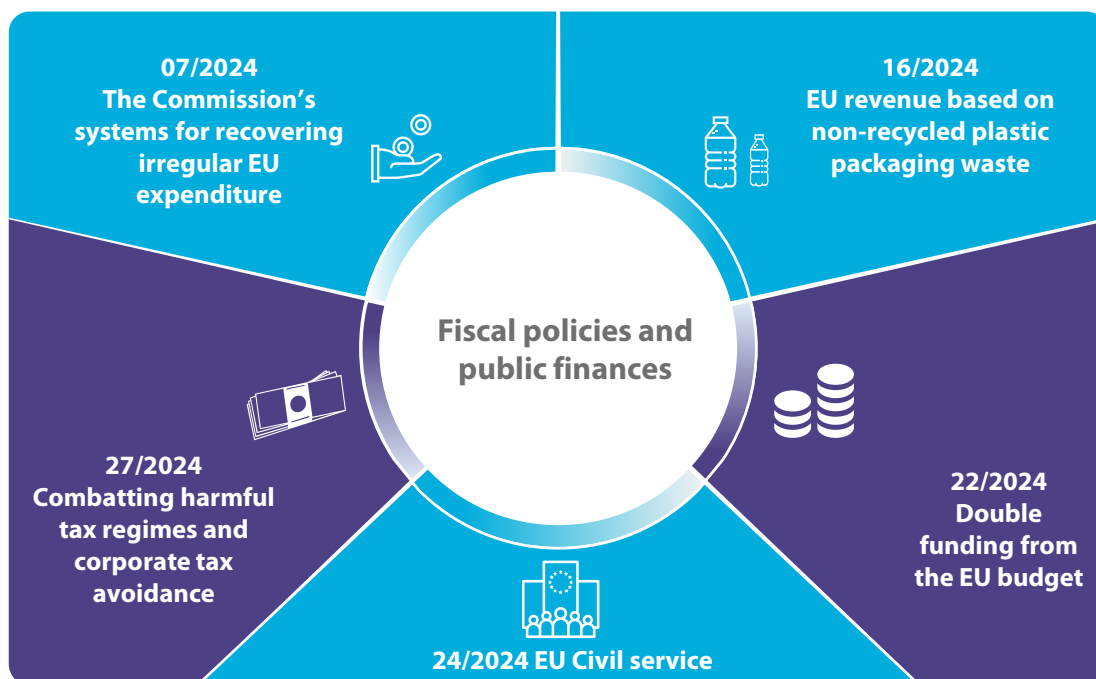
²⁵ Special report 14/2024.

²⁶ Special report 20/2024.

Fiscal policies and public finances in the EU

3.33. In 2024, we published five special reports on topics in this strategic area (see [Figure 3.8](#)).

Figure 3.8 – Special reports published in 2024 in the strategic area of fiscal policies and public finances



Source: ECA.

3.34. In the area of **recovering irregular expenditure** from beneficiaries of EU funds, we concluded that²⁷ under direct and *indirect management*, the Commission ensures the accurate and prompt recording of irregular expenditure, but takes too long to recover it. In *shared management*, the recovery rates at *beneficiary* level for the *European Agricultural Guarantee Fund* (EAGF) are generally lower than those for direct and indirect management. They have not improved since 2006, and there were significant differences in recovery and write-off rates between member states. In cohesion, the Commission does not monitor member states' recovery systems as irregular expenditure is withdrawn and does not affect the EU budget.

3.35. We assessed the introduction of the new **own resource based on non-recycled plastic packaging waste** generated by member states. We found that²⁸

²⁷ Special report 07/2024.

²⁸ Special report 16/2024.

member states were not sufficiently prepared, and the data used was not sufficiently comparable or reliable.

3.36. We assessed the Commission's and member states' systems for avoiding **double funding** between the RRF on the one hand, and the cohesion policy funds and the *Connecting Europe Facility* on the other. We found that²⁹ the use of financing not linked to costs leads to a higher risk of double funding.

3.37. Considering the increasingly challenging circumstances that the EU faces, we found³⁰ that the EU institutions dealt with emerging priorities by reallocating **EU civil service** staff where they were most needed and diversified recruitment channels. They relied more heavily on staff with fixed-term contracts, although this brought business continuity risks. The institutions struggled to attract certain profiles, and did not use all the flexibilities in their **employment framework** in terms of staff performance and career opportunities.

3.38. Regarding EU efforts to **combat harmful tax regimes and corporate tax avoidance**, we found that³¹ within its limited competences in the area of direct taxation, the EU adopted a legal framework and used supporting instruments as a first line of defence against systemic harmful tax practices. However, we identified shortcomings in how the rules were implemented, and noted the absence of a common performance monitoring framework at EU and national level.

Main institutional stakeholders

European Parliament

3.39. The European Parliament's 2023 discharge resolution addressing the Commission, *executive agencies* and *European development funds*, referred to 12³² of our 28 reports published in 2024. Examples include the following.

²⁹ Special report 22/2024.

³⁰ Special report 24/2024.

³¹ Special report 27/2024.

³² Special reports: 03/2024, 05/2024, 07/2024, 13/2024, 14/2024, 15/2024, 16/2024, 17/2024, 18/2024, 19/2024, 20/2024, and 22/2024.

- The Parliament made several references to our report³³ on the EU Transparency Register. For example, it called on the Commission to put in place the necessary means to ensure that all interest representatives which approach EU institutions are registered in the Transparency Register. The Commission was also called to propose an amendment to Annex II to the Interinstitutional Agreement of 20 May 2021 to require interest representatives to list their financial supporters in the EU Transparency Register, even if they state in that register that they are only representing the interests of their own members.
- Regarding our report³⁴ on the Commission's systems for recovering irregular EU expenditure, the Parliament called on the Commission to prioritise collecting monies under overdue *recovery orders*, and to keep the Committee on Budgetary Control informed about progress made.
- For our report³⁵ on the absorption of funds from the RRF, the Parliament urged the Commission to take decisive and swift action whenever necessary, including imposing *financial corrections*, and to make full use of the provisions of the RRF Regulation if deficiencies persist in member states' control systems.
- Regarding our report³⁶ on double funding from the EU budget, the Parliament believes that to respect the principles of *additionality* and complementarity, but avoid the risk of double financing, the same measures already included in other national plans benefiting from EU funding (e.g. cohesion, agriculture, etc.) should either not be included in Recovery and Resilience Plans or be more thoroughly described, even if they do not incur any costs. Furthermore, the Parliament urged the Commission to remain vigilant and proactive in identifying any potential double funding situations.

The Council of the European Union

3.40. By the end of May 2025, the Council had prepared conclusions for 17 of our 28 reports published in 2024. Overall, the conclusions supported our recommendations, and they included additional remarks, some of which are detailed below.

³³ Special report 05/2024.

³⁴ Special report 07/2024.

³⁵ Special report 13/2024.

³⁶ Special report 22/2024.

- Following our report³⁷ on reducing carbon dioxide emissions from passenger cars, the Council called on the Commission to follow up with member states' type-approval authorities in the [Forum for Exchange of Information on Enforcement](#), to develop and make use of harmonised electronic type-approval certificates where the data is structured.
- Regarding our report³⁸ on the EU trust fund for Africa, the Council called on the Commission to develop sustainable approaches for greater coherence between development and migration policy. This would include addressing the root causes of irregular migration in a sustainable manner. Support should be given to technical and vocational education and training, with particular attention to the empowerment of women as agents of change in *sustainable development*.
- Regarding our reports on the RRF³⁹ and under the framework of [Regulation \(EU\) 2021/241](#), the Council invited the Commission, in close cooperation with member states, to continue identifying concrete ways to streamline the reporting process, avoid duplication, and reduce the administrative work related to the implementation of the instrument, while ensuring the adequate protection of the financial interest of the Union.
- Regarding our report⁴⁰ on climate adaptation, the Council invited the Commission to provide solutions and examples of both good and best practices in the context of financing of adaptation measures in the public and private sectors.

³⁷ [Special report 01/2024](#).

³⁸ [Special report 17/2024](#).

³⁹ Special reports: [13/2024](#), [14/2024](#) and [22/2024](#).

⁴⁰ [Special report 15/2024](#).

Part 2 – Performance of *programmes* under multiannual financial framework heading 1

Introduction

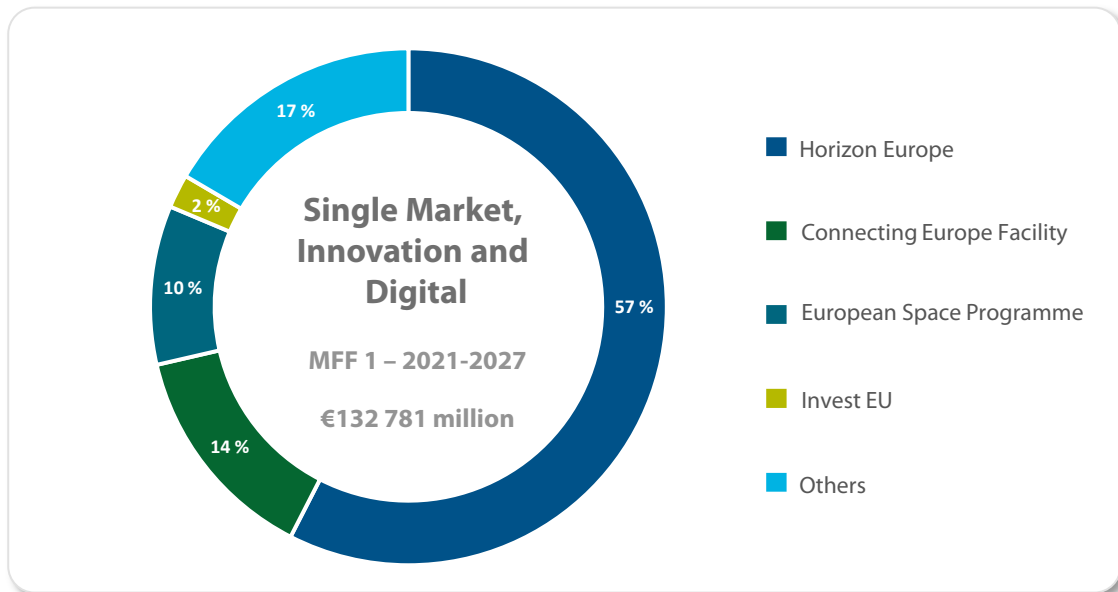
3.41. When examining the Commission’s reporting on performance, we focus every year on a specific area. This year, we covered the available performance information on heading 1 ‘Single market, innovation and digital’ that was presented in the *programme performance statements* (PPSs) of the *2023 annual management and performance report* (AMPR).

3.42. The ‘Single market, innovation and digital’ heading had an initial budget allocation of €132 781 million. *Horizon Europe* (€76 400 million) represents more than half of this budget. Its key objective is to facilitate collaboration and strengthen the impact of research and innovation in developing, supporting and implementing EU policies while tackling global challenges. **Chapter 5** of our annual report lists our findings on the *regularity* of expenditure from this MFF heading.

Scope and approach

3.43. We analysed the Commission’s AMPR, which is the Commission’s high-level annual performance report on the EU budget. We checked the correct application of the Commission’s performance reporting framework to the PPSs for MFF heading 1 of the 2023 AMPR. We considered our previous audit work and we examined how indicators were used to report performance. For all of the four sampled programmes (*Horizon Europe*, the *Connecting Europe Facility (CEF)*, the *EU Space Programme*, and *InvestEU*), we examined the reliability of the performance information including the indicators reported in the PPSs. As *Horizon Europe* represents 57 % of the total MFF heading 1 budget (see *Annex 3.3* and *Figure 3.9*), we performed detailed testing on the reported indicators. The programmes’ management and implementation structure is summarised in *Annex 3.4*. We also assessed the overall progress of indicators.

Figure 3.9 – MFF heading 1 for 2021-2027



Source: European Commission, [Multiannual Financial Framework 2021-2027 \(in commitments\)](#) – 2018 prices.

The performance reporting framework was stable and produced information in line with instructions

3.44. Our [2023 AMPR review](#) presented how the Commission prepares the AMPR. The reporting framework for the AMPR remained stable, with instructions issued by the Commission's corporate management board. The PPSs we examined complied with these instructions.

3.45. The budgetary figures reported in the PPSs for the sampled programmes were sourced from the Commission's accounting system. We did not identify material errors in these reported figures, except that the 2021-2027 total budget for Horizon Europe was understated by €367 million due to the reallocation of funds.

3.46. The Directorate-General for Budget (DG BUDG) checks the quality of the data included in the AMPR. Our [2022 AMPR review](#) explains these checks in more detail. We found that most quantitative references to the programmes we examined in the 2023 AMPR were based on relevant supporting evidence.

The design of performance indicators improved, but there are still gaps in the traceability of reported results

Performance indicators are better designed in the current MFF period, with some exceptions

3.47. Overall, we consider that the KPIs in the sampled PPSs, for both *programming periods* 2014-2020 and 2021-2027, were largely defined according to the SMART principle, meaning that these were “specific”, “measurable”, “achievable”, “relevant” and “time-bound”. However, the KPIs used for the 2014-2020 programmes did not sufficiently address results (CEF 2014-2020) and impacts (*Horizon 2020* and CEF 2014-2020) (see [Table 3.1](#)), meaning that their usefulness in assessing the programmes’ performance was limited. The CEF 2014-2020 mainly included *output* indicators, measuring quantities (e.g. number of supply points, number of Wi-Fi hotspots created). *Horizon 2020* included two impact indicators, but the last reported year for one of these was 2016, after which data was lacking.

Table 3.1 – Types of key performance indicators

Programme	Input	Output	Result	Impact	Total
2014-2020					
Horizon 2020	-	■■■■■■■	■■■■■■■■■	■■	28
CEF	■■	■■■■■■■■■	■	-	17
2021-2027					
Horizon Europe	-	■■■■■■■■■	■■■■■■■■■	■■■■■■■■■	27
CEF	■■■■	■■■■■■■■■	-	-	16
InvestEU	-	■■■■■■■■■	■■■■■■■■■	■■■■■■■■■	59
EU Space	-	■■■■■■■	■■■■■■■■■	■■■■■■■■■	34
Total	6	64	71	40	181

Source: ECA, based on the performance data tables accompanying the 2022 and 2025 draft budgets.

3.48. For the 2021-2027 period, the regulations included a more balanced set of indicators for three of the programmes. For CEF 2021-2027, the KPIs established by the programme’s legislation cover *input* and output indicators, while result and impact indicators were developed later in a [Commission staff working document](#) addressing the monitoring and evaluation framework. These were not included in the performance data tables (PDTs) that accompanied the 2025 draft budget.

3.49. The Commission’s evaluations of the two 2014-2020 programmes (mid-term for the CEF and *ex post* for Horizon 2020), reported weaknesses in the performance monitoring systems. The design of Horizon 2020 indicators was reported as weak in

terms of assessing outcomes⁴¹ with missing baselines and targets, and performance information based on self-reporting by beneficiaries could be subject to inaccuracies⁴². The CEF evaluation noted that performance indicators for overarching policy objectives were not sufficiently developed to measure impacts⁴³.

3.50. In our [special report 24/2023](#) “Smart cities – Tangible solutions, but fragmentation challenges their wider adoption”, we concluded that the lack of appropriate indicators limited the measurement of the programme’s impact.

3.51. The Commission’s *better regulation* toolbox recommends that when setting indicators, these should be “credible for non-experts, unambiguous and easy to interpret”. For the 2021-2027 period, we consider that two of the Horizon Europe indicators (see [Box 3.1](#)) and one of the EU Space Programme indicators were difficult to interpret.

Box 3.1

Example of Horizon Europe indicators being difficult to interpret

One of Horizon Europe’s indicators is: “Aggregated estimated effects from use/exploitation of results funded by the Programme on tackling identified Union policy priorities and global challenges (including *Sustainable Development Goals*), including contribution to the policy and law-making cycle (such as norms and standards) (multidimensional: for each identified priority)”. It is difficult to interpret the indicator, which raises the risk of less accurate reporting.

3.52. For InvestEU, two of the eight indicators presented in the PPS were not sufficiently specific. The “Investment mobilised” and “*Multiplier effect*” indicators do not specify clearly enough whether they refer to approved, signed or disbursed operations. An interested reader would have to refer to the definitions of these indicators contained in the [indicator metadata](#) 2025 draft budget file to learn that

⁴¹ “Ex post evaluation of Horizon 2020, the EU framework programme for research and innovation”, (COM(2024) 49 final), p. 5.

⁴² “Report from the Commission to the European Parliament and the Council - Ex-post evaluation of Horizon 2020, the EU Framework Programme for Research and Innovation”, (SWD(2024) 29 final part 2/2), p. 34.

⁴³ “Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the mid-term evaluation of the Connecting Europe Facility (CEF)”, (SWD(2018) 44 final/2), p. 93.

both indicators relate to approved operations. Without such information, a reader could overestimate reported performance.

There are gaps in the traceability of reported results

3.53. We examined the values behind each of the KPIs presented in the PPSs. While recognising an improvement in the current programming period, we still identified gaps in the traceability of underlying data, as summarised in [Table 3.2](#).

Table 3.2 – Traceability of the data for key performance indicators included in the programme performance statements

Programme	Traceability				Total
	Good	Partial	Weak	Absent	
	Evidence source				
	Complete and reconciled detailed list	Partial or unreconciled detailed list	System print screen	No traceability	
2014-2020					
Horizon 2020	0	0	5	0	5
CEF 2014-2020	3	1	0	0	4
2021-2027					
Horizon Europe	7	2	0	0	9
CEF 2021-2027	8	0	0	0	8
EU Space	5	1	0	0	6
InvestEU	2	6	0	0	8
Total	25	10	5	0	40

Note: The Commission selected 40 KPIs to report in the PPSs out of the total of 181 KPIs used for the sampled programmes.

Source: ECA.

2014-2020 period

3.54. The Commission extracts the KPIs for Horizon 2020 and for CEF 2014-2020 based on data collected from the beneficiaries. However, the details behind the numbers are available only for the reporting date itself, after which the data changes because of the new entries in the system.

3.55. For Horizon 2020, the Commission could support their reported figures in the PPS for the KPIs with print screens from the system showing the data totals on the reporting date, but could not provide further details. The Commission's system did not enable us to check the accuracy of these KPIs. The lack of details behind the reported

KPIs for Horizon 2020 significantly limits the reliability of the data presented. This problem with data traceability was already identified by the Commission services.

3.56. For CEF 2014-2020, the Commission provided us with the detailed lists of specific performance data supporting the KPIs reported in the PPS.

2021-2027 period

Horizon Europe

3.57. The Horizon 2020 evaluation⁴⁴ pointed out the issue of “multiple counting” of project results. The Commission improved its approach to performance monitoring for Horizon Europe by exporting a copy of the reported project data on certain dates. The Commission’s project officers verify the periodic reporting documents prepared by the beneficiaries, compared to the previous programming period where KPIs were based on the beneficiaries’ continuous reporting, and were not subject to such verification.

3.58. Data from the Directorate-General for Research and Innovation (DG RTD) is collected in the underlying IT system, while the data from the Joint Research Centre (JRC) and the European Institute of Innovation and Technology (EIT) is provided to DG RTD by email. We found some inaccuracies in the reported indicators. As regards the two KPIs for peer reviewed scientific publications and researchers involved in upskilling, we found inconsistencies in the data provided to DG RTD, in the double counting of items in the case of JRC data, and non-reconciled detailed lists in the case of EIT. The mid-term evaluation⁴⁵ considers the implementation of the monitoring and reporting provisions from of the Horizon Europe Regulation as “partially complete”.

CEF 2021-2027

3.59. For CEF 2021-2027, the Commission provided us with a detailed list of all the indicators included in the PPS and we were able to reconcile these with the reported numbers.

⁴⁴ “Ex post evaluation of Horizon 2020, the EU framework programme for research and innovation” (SWD(2024) 29 final part 2/2), Annex II (p. 34).

⁴⁵ “Commission Staff Working Document – Evaluation Interim Evaluation of the Horizon Europe Framework Programme for Research and Innovation (2021-2024)”, (SWD(2025) 110 final), p. 100.

EU Space Programme

3.60. We obtained supporting evidence for the KPIs included in the PPS for the EU Space Programme. All of the KPIs were reported as being on track, but for two of them (the EU user satisfaction surveys with respect to *Galileo* and *EGNOS* services), the reported figures were based on 51 and 62 survey replies respectively. These surveys were carried out through an open invitation on the programme’s website. Using the website’s registered users as a reference, this would be a “response” rate of 9 % for Galileo, and 2 % for EGNOS. We consider these “response” rates to be too low to provide a reliable view of user satisfaction. In addition, the three KPIs in the PPS that relate to user satisfaction refer to the situation in previous years: two (Galileo and EGNOS) referred to 2022, and one (Copernicus) referred to 2021.

3.61. Our [special report 07/2021](#) analysed the EU Space Programme and recommended that the Commission monitor the achievement of the objectives on the basis of a set of appropriate performance indicators. We followed up this recommendation (see **Annex 12.1** to **Chapter 12**) this year and assessed that the recommendation was implemented in some respects.

InvestEU

3.62. For InvestEU, the source data for reported KPIs come from implementing partners’ operational reports, which do not contain data at project level, but at financial product level. The Commission could not provide information at project level as InvestEU is implemented through indirect management and the level of controls applied by the Commission is based on reasonableness and plausibility checks, and monitoring visits. If necessary and upon request, implementing partners are required to provide detailed information on the data submitted.

A clear methodology to assess progress in meeting key performance indicators targets existed, but the assessment was optimistic

We consider that progress in achieving KPI targets is lower than in the Commission’s assessment

3.63. In the case of both MFF periods, the Commission uses a standard methodology to assess progress in achieving KPIs in the PPSs as “achieved”, “on track”, “moderate progress”, “deserves attention”, or “no data”.

3.64. The assessment methodology is also used in the PDTs which the Commission attaches to the draft budget. The PDTs report on programme indicators, including details such as baselines, milestones, actual progress, targets, indicator types, sources, and cut-off dates. Milestones are not consistently provided. This complicates assessing implementation progress.

3.65. We analysed the Commission's assessment of progress reported for our sampled 2023 PPSs for both periods, applying a similar methodology to the one described in the annex to our [2019 report on the performance of the EU budget](#). In 19 % of the cases (34 of 181), our assessment of performance differed from that of the Commission ([Table 3.3](#)). This could also be explained by the fact that the Commission's assessment considers ongoing projects that are not yet visible in the reported figures.

Table 3.3 – Key performance indicators assessment – Commission and the European Court of Auditors

Programme	EC	ECA	EC	ECA	EC	ECA	EC	ECA	EC	ECA	Total
	Achieved		On track		Moderate progress		Deserves attention		Not assessed		
2014-2020											
Horizon 2020	2	2	15	14	6	3	0	3	5	6	28
CEF 2014-2020	1	2	12	4	4	2	0	9	0	0	17
2021-2027											
Horizon Europe	0	0	6	5	2	3	0	0	19 (*)	19 (*)	27
CEF 2021-2027	0	0	14	10	2	3	0	3	0	0	16
InvestEU	0	0	6	6	0	0	0	0	53	53	59
EU Space	0	0	23	24	0	0	0	3	11	7	34
Total	3	4	76	63	14	11	0	18	88	85	181

(*) Mid- and long-term indicators to be measured when relevant (2023 AMPR was too early), as indicated in the annex to the [performance framework for the EU budget](#).

Note: European Commission (EC).

Source: ECA.

3.66. [Box 3.2](#) shows two examples from the 2014-2020 programmes where we consider that the Commission's assessment of progress was not in line with the results reported as achieved in the PPSs.

Box 3.2

Example of overstated key performance indicators assessments presented in the programme performance statements (2014-2020)

Horizon 2020

Indicator	Baseline	Progress	Target	Results 31.12.2023	Commission assessment
Patent applications and patents awarded for all societal challenges	0	13 %	3.0 in 2025	0.38 compared to a target of 3.0	Moderate progress

Source: Horizon Europe PPS (2023 AMPR).

CEF 2014-2020

Indicator	Baseline	Progress	Target	Results 31.12.2023	Commission assessment
CEF Transport – lines in service equipped with the European railway traffic management system	0	6 %	5 491 in 2024	326 km out of 5 491 km	Moderate progress

Source: CEF 2021-2027 PPS (2023 AMPR).

In both cases, the assessment of “Moderate progress” does not seem realistic as the reported results are at the end of 2023, so a very limited amount of time remains to reach the expected targets. Our assessment for these two indicators is “Deserves attention”.

The Commission provides details on the evolution of the indicator in the PDTs and expects progress for both indicators to pick up significantly.

3.67. For the 2021-2027 period, as the programmes are in their early stages, the Commission still has time to complete programme implementation. Assessing progress is hampered as even if interim targets exist, these are not included in the PPSs. The PPSs compare the result at the end of 2023 with the target at the end of the programming period. [Box 3.3](#) provides two such examples.

Box 3.3

Example of overstated key performance indicators assessments presented in the programme performance statements (2021-2027)

Horizon Europe

Indicator	Baseline	Progress	Target	Results 31.12.2023	Commission assessment
Horizon Europe peer-reviewed scientific publications	0	2 %	179 000 in 2030	2 843 compared to a target of 179 000	Moderate progress

Source: Horizon Europe PPS (2023 AMPR).

CEF 2021-2027

Indicator	Baseline	Progress	Target	Results 31.12.2023	Commission assessment
Number of alternative fuel supply points built or upgraded with the support of the programme	0	1 %	38 000 in 2029	497 alternative fuel supply points out of 38 000	On track

Source: CEF 2021-2027 PPS (2023 AMPR).

For the Horizon Europe indicator, it is difficult to understand the assessment of moderate progress without referring to the 2023 target of 5 100 that is presented by the Commission in the PDTs supporting the draft budget for 2025.

For the CEF indicator, the “on track” assessment seems optimistic compared to the 2029 target, and to the intermediate target of 12 000 for 2026 in the PDTs supporting the draft budget for 2025.

The Commission provides details on the evolution of the indicator in the PDTs and expects progress on both indicators to pick up significantly.

3.68. In the case of InvestEU, all four indicators with targets set under the Regulation were presented in the PPS, alongside four other indicators without set targets, which limits the possibility of assessing progress towards achieving programme objectives. The better regulation toolbox recommends using explained target values in order to put the indicator’s value into context.

Current programmes are mostly on track to achieve targets, while programmes from the previous period had partially met their objectives

3.69. KPIs provide useful information on progress and achieving objectives.

However, identifying the extent to which the funded actions have addressed needs at EU level cannot be assessed solely on the basis of whether indicators met their targets; this requires an evaluation by the Commission once the programme has been implemented. The following paragraphs present indicators' progress, based on our assessment of the information presented in the PDTs, which in certain cases was different from the progress indicated by the Commission (see paragraph 3.65).

2014-2020 period

3.70. We also examined some of the Horizon 2020 indicators that were reported for the last time in the [2022 draft budget working documents](#). Together with the PDTs that accompanied the 2025 draft budget, Horizon 2020 presented 28 indicators ([Annex 3.5](#)), 16 (57 %) of which showed that the target has been achieved or was on track to be achieved. We consider that, from the perspective of the reported indicators, the programme has only partially achieved its objectives, particularly as it is nearing completion. Only two of the six objectives of the programme ("excellent science" and "Joint Research Centre") show all indicators as being "achieved" or "on track".

3.71. The *ex post evaluation* for Horizon 2020 reported⁴⁶ that the programme "Horizon 2020 was instrumental in nurturing a society and economy rooted in knowledge and innovation". However, it draws attention to the fact that although "Horizon 2020 met some of its targets or key performance indicators, it did not achieve all of them".

3.72. For the CEF 2014-2020 programme which, like Horizon 2020, is approaching its completion, the PDTs presented 17 indicators ([Annex 3.5](#)), with 11 (65 %) unlikely to achieve their targets, showing that overall the programme has not achieved its objectives. Only two of the programme's six objectives ("public missions" and "modern networks") show all their indicators as being achieved or on track.

⁴⁶ "Ex post evaluation of Horizon 2020, the EU framework programme for research and innovation" ([SWD\(2024\) 29 final](#)), pp. 93 and 97.

3.73. The *ex post* evaluation for 2014-2020 is expected to be published early 2026. The mid-term evaluation concluded⁴⁷ that the CEF Regulation lacked relevant, well-defined and robust KPIs.

2021-2027 period

3.74. The PDTs presented 27 indicators ([Annex 3.5](#)) for the Horizon Europe programme that addressed three specific objectives. Each of the specific objectives included six indicators which correspond to medium- and long-term periods, and for which data is not yet available. These were results and impact indicators, and the programme was still in the early stages of implementation. Five (56 %) of the nine reported indicators are on track to achieve their targets. The mid-term evaluation⁴⁸ sees the programme as being on track to achieve its objectives.

3.75. For the CEF 2021-2027 programme, the PDTs presented 16 indicators ([Annex 3.5](#)) that addressed three specific objectives, with 10 (63 %) of the 16 on track to achieve their targets.

3.76. In the case of the InvestEU programme, the PDTs presented 59 indicators ([Annex 3.5](#)) that addressed seven specific objectives. However, due to the market-driven nature of the InvestEU programme, five of these specific objectives, which had a total of 37 indicators, did not include targets to be achieved, limiting the possibility of assessing progress towards achieving programme objectives. In addition, the Commission's mid-term evaluation reported⁴⁹ that for indicators based on approvals as opposed to disbursements (e.g. "Investment mobilised"), the reported figures represent expectations rather than actual outcomes.

3.77. In the case of the EU Space Programme, the PDTs presented 34 indicators ([Annex 3.5](#)) addressing six specific objectives, with 24 (71 %) of the 34 being on track to achieve their targets.

⁴⁷ Commission Staff Working document on the mid-term evaluation of the Connecting Europe Facility (CEF) ([SWD\(2018\) 44 final/2](#)), p. 15.

⁴⁸ "Commission Staff Working Document – Evaluation Interim Evaluation of the Horizon Europe Framework Programme for Research and Innovation (2021-2024)" ([SWD\(2025\) 110 final](#)), p. 97.

⁴⁹ Commission Staff Working document – InvestEU interim evaluation ([SWD\(2024\) 228 final](#)), p. 37.

Conclusions and recommendations

3.78. The Commission's performance reporting framework was stable and the Commission's references to the performance of heading 1 of the MFF in its 2023 AMPR followed the corporate instructions. We found minor inconsistencies in the reported data (paragraphs [3.44-3.46](#)).

3.79. Overall, the performance indicators reported for both periods in the PPSs were based on the SMART principle. The indicators were improved in 2021-2027 to better address the range of programme performance, from input to impact. However, the CEF still does not include result or impact indicators (paragraph [3.47](#)). In certain instances, the indicators were difficult to interpret (paragraphs [3.51](#) and [3.52](#)).

3.80. There were gaps in the traceability of the data underlying performance indicators, particularly for Horizon 2020. This significantly weakens their reliability (paragraph [3.55](#)). While the Commission improved the way in which such data was checked for Horizon Europe, we still found inconsistencies in the underlying data (paragraphs [3.53](#) and [3.57-3.58](#)).

3.81. The reported performance indicators for the EU Space Programme were not fully representative of the views of the programme users, and we have previously recommended that the Commission use appropriate performance indicators (paragraphs [3.60](#) and [3.61](#)).

3.82. The Commission reports on the progress in achieving KPIs in the PPSs. We had a different view of progress in 19 % of the indicators included in the sampled PPSs. For most of these, we considered that results were progressing less well than the Commission (paragraphs [3.63-3.67](#)). For Invest EU, 50 % of the indicators presented in the PPS did not have a target (paragraph [3.68](#)), which limits the possibility of assessing progress made towards achieving programme objectives.

3.83. For both Horizon 2020 and the CEF 2014-2020, we consider that less than half of the performance indicators show that results have been achieved or are on track (paragraphs [3.70-3.73](#)). Both of these programmes are nearing completion.

3.84. In the case of the 2021-2027 programmes, and for the indicators for which data is available, progress for Horizon Europe, the CEF and the EU Space Programme is either on track or moderate. For InvestEU, most indicators had no targets, so they cannot be used to assess progress (paragraph [3.76](#)).

3.85. Based on our conclusions, we make the following recommendations:

Recommendation 3.1 – Further improve the traceability of data supporting the reporting of key performance indicators

To further improve the reliability of the KPIs it reports in programme performance statements (PPSs), the Commission should ensure there is a clear and documented link between the underlying performance data and the amounts reported in the PPSs.

Target implementation date: 2025 AMPR.

Recommendation 3.2 – Improve the monitoring of indicators

To facilitate better performance reporting throughout programme implementation, the Commission should set more than one milestone over the programming period for those indicators where it is relevant to measure intermediate progress.

Target implementation date: when reporting on the performance of the next MFF.

Recommendation 3.3 – Improve key performance indicator assessment

To improve its assessment of progress in achieving KPI targets included in PPSs, the Commission should justify assessments that rely on information other than validated data.

Target implementation date: 2025 AMPR.

Part 3 – Follow-up to the recommendations made in our report on the performance of the EU budget – status at the end of 2021

3.86. This part provides information on the follow-up of the recommendations made in our report on the performance of the EU budget covering the 2021 financial year.

3.87. The report contained two recommendations, with each recommendation divided into three sub-recommendations. These recommendations and sub-recommendations were addressed to the Commission and accepted.

3.88. We carried out a review to assess the extent to which the weaknesses identified have been addressed. Two of the six sub-recommendations were due this year. We assessed that one had been fully implemented while the other had been implemented in most respects. The four remaining sub-recommendations had their target dates linked to the preparation of the post-2027 MFF, which was still ongoing at the time of our audit. For three of these, we were able to assess the progress made towards implementation and found that they have already been implemented in most respects.

3.89. The Commission considers that the new accounting system SUMMA offers better technical ways of tracking expenditure related to horizontal priorities. For the next MFF, and before expanding the tracking of such expenditure, the Commission intends to assess the relevance as well as the costs and benefits of any new IT development. Currently, and consistent with the underlying legal requirements of the relevant programmes, only climate spending is tracked and reported on in an automated way by the accounting system. For the other horizontal priorities, such as biodiversity, digital, and gender, the Commission relies on manually introduced data, which is a time-consuming and error-prone process. [Annex 3.6](#) provides an overview of the two recommendations' implementation status.

Annexes

Annex 3.1 – Discussion of special reports in European Parliament committees

Report number	Report title	Committee
SR 01/2024	Reducing carbon dioxide emissions from passenger cars	ENVI
SR 02/2024	The coordination role of the European External Action Service	CONT, AFET
SR 03/2024	The rule of law in the EU	CONT, BUDG, LIBE DRFMG
SR 04/2024	Reaching EU road safety objectives	TRAN
SR 05/2024	EU Transparency Register	CONT
SR 06/2024	The Facility for Refugees in Turkey	CONT
SR 07/2024	The Commission's systems for recovering irregular EU expenditure	CONT
SR 08/2024	EU Artificial intelligence ambition	IMCO, LIBE
SR 09/2024	Security of the supply of gas in the EU	
SR 10/2024	The recognition of professional qualifications in the EU	IMCO, CULT
SR 11/2024	The EU's industrial policy on renewable hydrogen	
SR 12/2024	The EU's response to the COVID-19 pandemic	SANT
SR 13/2024	Absorption of funds from the Recovery and Resilience Facility	CONT, REGI
SR 14/2024	Green transition	CONT, BUDG
SR 15/2024	Climate adaptation in the EU	CONT, ENVI
SR 16/2024	EU revenue based on non-recycled plastic packaging waste	BUDG

Report number	Report title	Committee
SR 17/2024	The EU trust fund for Africa	CONT, DEVE, LIBE
SR 18/2024	The EU financial support for health systems in selected partner countries	
SR 19/2024	Organic farming in the EU	AGRI
SR 20/2024	Common Agricultural Policy Plans	CONT, AGRI, ENVI
SR 21/2024	<i>State aid</i> in times of crisis	
SR 22/2024	Double funding from the EU budget	CONT, BUDG
SR 23/2024	Food labelling in the EU	ENVI
SR 24/2024	EU Civil service	CONT, BUDG
SR 25/2024	Digitalisation of healthcare	SANT
SR 26/2024	Integration of third-country nationals in the EU	
SR 27/2024	Combatting harmful tax regimes and corporate tax avoidance	FISC
SR 28/2024	Enforcing EU law	PETI

Source: ECA, cut-off date 31 May.

Annex 3.2 – Examples of early actions taken by the Commission following the recommendations in the ECA’s 2024 special reports

EU response to post-crisis recovery

Published in October 2024 and relating to the absorption of RRF funds, [Annex V](#) of the Commission’s report on the implementation of the RRF did two things: it further clarified the concept of *final recipients* under the RRF Regulation, and it detailed the scope of the published data on the 100 final recipients who received the highest amount of funding to implement RRF measures. Data on new payments, fulfilled *milestones* and *targets*, and final recipients was published on the [Recovery and Resilience Scoreboard](#).

Increasing the EU’s economic competitiveness for the benefit of all citizens

In September 2024, the Commission adopted [guidance on the targets for the consumption of renewable fuels of non-biological origin in the industry and transport sectors](#), as well as four [guidance documents](#) to support member states in transposing into national law and implementing the revised directives on renewable energy and energy *efficiency*.

The [clean hydrogen partnership programme review report](#) was published in November 2024.

Following Commission proposals, the Parliament and the Council adopted the [Directive to strengthen cross-border enforcement of road traffic rules](#) in December 2024.

In March 2025, a [union of skills](#) communication was adopted, with the recognition of skills and qualifications across the single market as one of its objectives. In addition, an Implementation Report on the Professional Qualifications Directive is foreseen for 2025.

Resilience to threats to the EU’s security and respect for the European values of freedom, democracy and the rule of law

In May 2024, the Commission finalised its [analysis on the rule of law situation in Poland](#) and considered that there was no longer a clear risk of a serious breach of the rule of law. In December 2024, the [Commission considered that Hungary had not sufficiently addressed breaches of the rule of law principle](#), and therefore maintains the measures in place to protect the EU budget.

In December 2024, the Commission adopted two decisions on transparency measures. The [first](#) concerns meetings held between Members of the Commission and interest

representatives, and the [second](#) concerns meetings held between Commission staff in management positions and interest representatives.

Climate change, environment and natural resources

With regard to the RRF and its contribution to the green transition, and following our recommendations, the Commission updated the [guidance](#) on Recovery and Resilience Plans in July 2024, and issued a communication in February 2025: [The road to the next multiannual financial framework](#).

In March 2025, the Commission issued *“do no significant harm”* technical guidance under the Social Climate Fund Regulation.

In December 2024 and in the field of climate adaptation, the Commission issued a [support study on the climate adaptation and cross-border investment needs to realise the TEN-T network](#). In February 2025, the Commission issued a [report of the implementation of the Water Framework Directive and the Floods Directive](#).

Financed by the Commission, the study entitled *“Rough estimate of the climate change mitigation potential of the CAP Strategic Plans (EU-18) over the 2023-2027 period”* was published in November 2024.

The Commission adopted legislation setting out the procedures for the in-service verification of CO₂ emissions for cars and vans at the end of 2023. In 2024, the Commission published its first [report](#) and a [staff working document](#) on real-world emissions from light-duty vehicles, as well as the real-world data collected in 2021 and 2022.

In February 2025, the Commission issued a communication to boost the agri-food sector’s competitiveness and attractiveness: [Vision for the agri-food sector](#).

Fiscal policies and public finances

In September 2024, the [Financial Regulation \(recast\)](#) was adopted, aligning it with the 2021-2027 multiannual financial framework package of rules, making improvements related to crisis management, and further enhancing the protection of the EU’s financial interests.

In October 2024, in [Annex IV](#) to the report on the implementation of the RRF, the Commission further clarified the concept of double funding under the RRF.

Also in October 2024, the European Personnel Selection Office (EPSO) published a [call for tender](#) for the selection of a new contractor(s) for the delivery of computer-based

tests. A new EPSO competition application system – the [Single Candidate Portal](#) – has been in place since the start of 2025.

Annex 3.3 – MFF heading 1 – Single Market, Innovation and Digital for 2021-2027 (in commitments)

million euros in 2018 prices

Programme	Budget	Additional funds*	Total
1. Research and Innovation	83 159	8 500	91 659
Horizon Europe	76 400	8 500	84 900
Euratom Research and Training	1 757		1 757
<i>International Thermonuclear Experimental Reactor (ITER)</i>	5 000		5 000
Other	2		2
2. European Strategic Investments	29 366	6 600	35 966
InvestEU	2 800	6 600	9 400
Connecting Europe Facility – Transport	11 384		11 384
Connecting Europe Facility – Energy	5 180		5 180
Connecting Europe Facility – Digital	1 832		1 832
Digital Europe Programme	6 761		6 761
Other	146		146
<i>Decentralised agencies</i>	1 263		1 263
3. Single Market	5 861		5 861
Single Market Programme (incl. COSME)	3 735		3 735
EU Anti-Fraud Programme	161		
Cooperation in the field of taxation (FISCALIS)	239		
Cooperation in the field of customs (CUSTOMS)	843		
Other	72		72
Decentralised agencies	811		811
4. Space	13 443		13 443
EU Space Programme	13 202		13 202
Decentralised agencies	241		241
MARGIN	952		952
Total MFF heading 1 budget	132 781		147 881

* Outside EU budget funds via either NGEU or Article 5 of the MFF Regulation.

Source: European Commission, [Multiannual Financial Framework 2021-2027 \(in commitments\)](#) – 2018 prices.

Annex 3.4 – Programmes' management and implementation structure

Programme	Implementation mode	Lead DG	Associated DGs
Horizon 2020 Horizon Europe	For both programmes: - <i>Direct management</i> by the DGs, via executive agencies, and by the JRC; - <i>Indirect management</i> via European partnerships and via the EIT, ESA, the European Global Navigation Satellite System Agency, etc.	RTD	AGRI, CLIMA, CNECT, DEFIS, EAC, EMPL, ENER, ENV, GROW, HOME, MARE, MOVE, SANTE, JRC
CEF 2014-2020 CEF 2021-2027	Direct management by <i>CINEA</i> for the Transport and Energy sectors, and by <i>HADEA</i> for the digital sector.	MOVE, CNECT, ENER	
Invest EU	Indirect management through the <i>EIB Group</i> and other implementing and advisory partners.	ECFIN / GROW	
EU Space	Mainly indirect management with the European Union Agency for the Space Programme, the European Space Agency and the European Organisation for the Exploitation of Meteorological Satellites as well as other entrusted entities.	DEFIS	

Source: The Commission's [programme performance statements](#).

Annex 3.5 – Key performance indicators' status as at 31.12.2023, based on the ECA's assessment

Horizon 2020

Specific objective	Key performance indicators assessment					Total
	Achieved	On track	Moderate progress	Deserves attention	No target	
A society and an economy based on knowledge and innovation	-	-	1	1	1	3
Excellent science	1	4	-	-	-	5
Industrial leadership	1	3	-	1	2	7
Societal challenges	-	2	1	1	3	7
European Institute of Innovation and Technology	-	3	1	-	-	4
Joint Research Centre	-	2	-	-	-	2
Total	2	14	3	3	6	28
	7 %	50 %	11 %	11 %	21 %	

Source: ECA, based on the performance data tables from the 2022 and 2025 draft budget.

Horizon Europe

Specific objective	Key performance indicators assessment				Total
	On track	Moderate progress	No target	No data	
Scientific	-	3	-	6	9
Technological and economic	3	-	-	6	9
Societal	2	-	1	6	9
Total	5	3	1	18	27
	56 %	33 %	11 %		

Source: ECA, based on the performance data tables from the 2025 draft budget.

CEF 2014-2020

Specific objective	Key performance indicators assessment				Total
	Achieved	On track	Moderate progress	Deserves attention	
Interoperability	-	-	-	6	6
Efficient transport	-	-	-	3	3
Increasing competitiveness	-	1	1	-	2
Energy supply	-	1	1	-	2
Public missions	1	1	-	-	2
Modern networks	1	1	-	-	2
Total	2	4	2	9	17
	12 %	24 %	12 %	53 %	

Source: ECA, based on the performance data tables from the 2025 draft budget.

CEF 2021-2027

Specific objective	Key performance indicators assessment			Total
	On track	Moderate progress	Deserves attention	
Transport	4	-	3	7
Energy	3	2	-	5
Digital	3	1	-	4
Total	10	3	3	16
	63 %	19 %	19 %	

Source: ECA, based on the performance data tables from the 2025 draft budget.

InvestEU

Specific objective	Key performance indicators assessment		Total
	On track	No target	
Support financing and investment operations that contribute to the general objectives of InvestEU	5	16	21
Support financing and investment operations in sustainable infrastructure	0	15	15
Support financing and investment operations in research, innovation and digitisation [...]	0	2	2
Increase access to and the availability of finance for <i>SMEs</i> and for small mid-cap companies [...]	0	9	9
Increase access to and the availability of microfinance and finance to social enterprises, support financing and investment operations related to social investment, competences and skills, and develop and consolidate social investment markets	0	10	10
Under the InvestEU Advisory Hub, provide advisory support for investment project identification, preparation and development to public and private counterparts.	0	1	1
Create a publicly available InvestEU web portal of EU-based project promoters	1	0	1
Total	6	53	59
	10 %	90 %	

Source: ECA based on the performance data tables from the 2025 draft budget.

EU Space Programme

Specific objective	Key performance indicators assessment					Total
	On track	Moderate progress	Deserves attention	No target	No data	
Secure positioning, navigation and timing services	15	-	-	-	1	16
Accurate and reliable Earth Observation data	4	-	2	2	-	8
Monitor, track and identify space objects and space debris	5	-	-	-	-	5
Reliable, secure and cost-effective satellite communications services	-	-	-	-	2	2
Secure and cost-efficient capability to access space	-	-	1	-	-	1
Foster the development of a strong EU space economy	-	-	-	1	1	2
Total	24	-	3	3	4	34
	71 %	0 %	9 %	9 %	12 %	

Source: ECA based on the performance data tables from the 2025 draft budget.

Annex 3.6 – Follow-up of previous recommendations for the ‘Report of the European Court of Auditors on the performance of the EU budget – status at the end of 2021’

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
		Level of implementation	Remarks
Better integrating the horizontal policy priorities into the performance framework While taking into account the cost and feasibility of its approach, the Commission should improve the integration of the horizontal policy priorities into the performance framework by: Recommendation 1(a): following up on the results of its pilot project on performance indicators of the effects of budget expenditures on horizontal priorities and, based on the conclusions drawn, implementing appropriate measures;			The target implementation date is the preparation of the post-2027 MFF. The Commission included a section on horizontal priorities in Annex I of the 2023 AMPR. In addition, for climate reporting, the Commission has issued the third yearly impact report on <i>NextGenerationEU</i> green bonds in November 2024. The Commission plans to carry out further work on the aggregation of indicators at EU budget level in the context of the preparation for the next MFF.

ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
		Level of implementation	Remarks
Recommendation 1(b): refining the methodology for tracking gender expenditure, strengthening the minimum criteria for the attribution of scores used as EU gender markers and, in future legislative proposals incorporating gender equality into programmes;			The target implementation date is the preparation of the post-2027 MFF. The programme performance statements that accompany the 2023 AMPR include the relevant gender-disaggregated information available for each programme. Reinforcement of the gender tracking methodology is being carried-out in the context of preparing the next MFF.
Recommendation 1(c): analysing whether and deciding how to track expenditure to support the digital transition and the sustainable development goals.			The target implementation date is the preparation of the post-2027 MFF. The Commission has reported in the 2022 and 2023 AMPR on the estimated budget contribution of the various EU spending programmes to the EU digital agenda. For sustainable development goals, the Commission's PPSs did not report the expenditure, but rather presented examples of contribution to each of the goals. The Commission plans to further analyse the tracking of digital expenditure and SDGs in the next MFF, when preparing the post-2027 MFF.

ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
		Level of implementation	Remarks
Enhance reporting on horizontal policy priorities in the annual management and performance report and the programme statements To improve the reliability of information reported in the <i>Integrated Financial and Accountability Reporting</i> package on the horizontal policy priorities both for individual programmes and for the EU budget as a whole, the Commission should: Recommendation 2(a): as much as possible, present accurate financial and non-financial information on horizontal policy priorities in the annual management and performance report;			To include and improve the reporting on the horizontal priorities, the Commission has updated its instructions for preparing the draft budget and its programme performance statements. However, the process to ensure the reliability of the underlying data is not fully automated and relies substantially on manual input.
Recommendation 2(b): report in both the AMPR and the programme statements on the use of expenditure that contributes to several horizontal policy priorities at the same time, to better highlight synergies between such policies and develop its future new accounting system to track funds;			The target implementation date is the 2023 AMPR, except for the future accounting system, which should be implemented for the next MFF. Reporting on horizontal priorities and the synergies between them has improved in the 2023 AMPR. However, regarding the reporting for the next MFF, the Commission plans to assess the relevance and carry out a cost/benefit analysis of any further improvements to its new accounting system in addition to any extra reporting requirements for EU budget recipients.

ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
		Level of implementation	Remarks
Recommendation 2(c): report in the annual management and performance report on the total relevant expenditure of the budget identified as having a positive impact on gender equality.			The gender equality reporting in the 2023 AMPR included both aggregate amounts and a scoring of the programmes with gender equality intervention.

Source: ECA.

Chapter 4

Revenue

Contents

	Paragraph
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The Commission closed the 2020-2024 <i>GNI verification cycle</i> as planned	4.11.-4.13.
The Commission's verification work on GNI is affected by delays on the part of member states	4.14.-4.15.
There was an accelerated decrease in the number of <i>VAT reservations</i> and <i>TOR open points</i> but long outstanding issues remain	4.16.-4.18.
We continue to find weaknesses in member states' management and accounting for TOR	4.19.-4.23.
Member states' plastics data are not fully compliant with EU rules	4.24.-4.26.
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Conclusion	4.38.-4.39.
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Annexes

Annex 4.1 – Follow-up of previous recommendations

Annex 4.2 – Number of outstanding GNI reservations, VAT reservations, plastics reservations and TOR open points by member state as at 31 December 2024

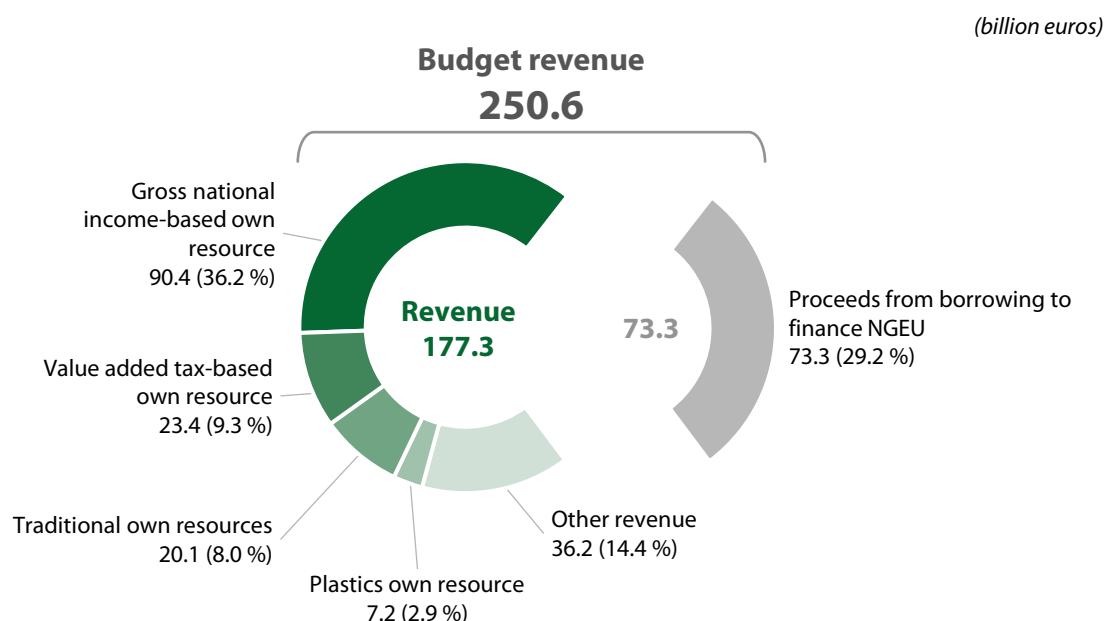
Annex 4.3 – The process of drawing up the TOR statements of duties (collected and not yet collected) and their entry in the EU accounts and budget

Annex 4.4 – Net impact of freezing the weighted average rate at its 2016 values (reflecting changes to both VAT-based and GNI-based contributions)

Introduction

4.1. This chapter presents our findings for revenue, which comprises the four different categories of *own resources*, other revenue, and amounts borrowed to finance *NextGenerationEU* (NGEU) expenditure. **Figure 4.1** gives a breakdown of revenue in 2024.

Figure 4.1 – Revenue – 2024 breakdown (*)



(*) The total of €250.6 billion represents the EU's revenue in the 2024 budgetary implementation reports which are based on modified cash accounting rules. The amount of €175.8 billion presented in the 2024 statement of financial performance is calculated using accrual-based accounting. Proceeds from borrowing to finance NGEU are included as revenue in the budgetary implementation reports, in line with Regulation 2020/2094¹, but are not included as revenue in the statement of financial performance in line with the accounting rules.

Source: ECA, based on data from the 2024 consolidated accounts of the European Union.

¹ [Regulation \(EU\) 2020/2094](#) establishing a European Union Recovery Instrument to support recovery in the aftermath of the COVID-19 crisis.

Brief description

4.2. In 2024, 56 % of EU revenue came from own resources²:

- (a) the **gross national income-based (GNI-based) own resource** provides 36 % of EU revenue, balancing the EU budget after revenue from all other sources has been calculated. Each member state contributes in proportion to its GNI;
- (b) the **value added tax-based (VAT-based) own resource** provides 9 % of EU revenue. It corresponds to a percentage levied on member states' VAT receipts;
- (c) **traditional own resources (TOR)** provide 8 % of EU revenue. They comprise customs duties on imports collected by the member states. The EU budget receives 75 % of the total amount; member states retain the remaining 25 % to cover collection costs;
- (d) the **own resource based on non-recycled packaging waste (plastics own resource)** provides 3 % of EU revenue. It is calculated by applying a uniform rate to the weight of unrecycled plastic packaging waste generated in each member state.

4.3. Amounts borrowed to finance non-repayable financial support to member states in the context of NGEU provide 29 % of EU revenue. Other significant sources include contributions and refunds connected with EU agreements and *programmes*, which provide 11 % of EU revenue. These include recoveries from member states in the areas of Cohesion, Resilience and Values, Single market, Innovation and Digital, as well as non-EU countries' contributions to EU programmes and activities.

Audit scope and approach

4.4. Our objective is to provide an opinion on revenue *transactions* and to contribute to the *statement of assurance*. Applying the audit approach and methods set out in **Annex 1.1**, we examined:

- (a) a *representative sample* of 65 Commission *recovery orders* (including ten recovery orders relating to NGEU grants);

² Decision (EU, Euratom) 2020/2053 on the system of own resources of the European Union.

- (b) the Commission's systems for:
 - (i) verifying that the member states' GNI, VAT and plastic packaging waste data constitute an appropriate basis for the calculation and collection of own resource contributions;
 - (ii) verifying that member states have effective systems for collecting, reporting, and paying the correct amounts of TOR to the EU budget;
 - (iii) calculating the amounts resulting from adjustments to own resources;
- (c) the systems for TOR management and accounting in three member states (Czechia, Italy and Sweden), selected on the basis of both the amount of customs duties they made available to the EU budget and our own risk assessment;
- (d) the reliability of the information on the *regularity* of own resources in the *annual activity reports* of the Directorate-General for Budget (DG BUDG) and Eurostat.

4.5. Our assessment of the Commission's systems for calculating the contributions based on GNI, VAT and plastics is based on the statistics and data provided by member states and verified by the Commission.

4.6. For TOR, some customs duties are not declared by importers or are declared incorrectly to the national customs authorities, leading to a shortfall in import duties collected – the “*customs gap*”. This shortfall is not captured in member states' TOR accounting systems and is not within the scope of our audit opinion on the regularity of revenue. However, since the customs gap may affect the amounts of duties collected by member states, we continue to assess the EU actions taken to reduce the gap and mitigate the risk of incomplete TOR.

4.7. In May 2023, the Commission made a legislative proposal for EU customs reform³. We examined the Commission's progress in preparing to implement the reform against the milestones outlined in its proposal. We no longer follow up the Commission's September 2020 Customs Action Plan⁴ as the Commission linked most outstanding actions from it to the customs reform proposal and stopped its internal reporting on it.

³ COM(2023) 258.

⁴ Communication from the Commission “Taking the Customs Union to the Next Level: a Plan for Action” (COM(2020) 581), 28 September 2020.

4.8. We also examined the Commission's report on the functioning of the VAT-based own resource system⁵ after the simplification of this system in 2021. Our objective was to assess whether the report fully reflected the impact of this simplification.

⁵ COM(2024) 569.

Regularity of transactions

4.9. This section presents our observations on the regularity of revenue transactions underlying the EU accounts. We have based our conclusion on our examination of a representative sample of revenue transactions and on our assessment of the Commission's systems for verifying, calculating and collecting revenue. Our examination of a sample of 65 recovery orders revealed that none of them was affected by a *quantifiable error*.

Examination of elements of internal control systems

4.10. We examined a number of control systems (see paragraph 4.4). Our observations on those systems do not affect our opinion on the regularity of EU revenue (see **chapter 1**). However, they do highlight weaknesses in the collection of individual categories of own resources. In addition, we noted weaknesses in EU action to reduce the customs gap and mitigate the risk that TOR are incomplete.

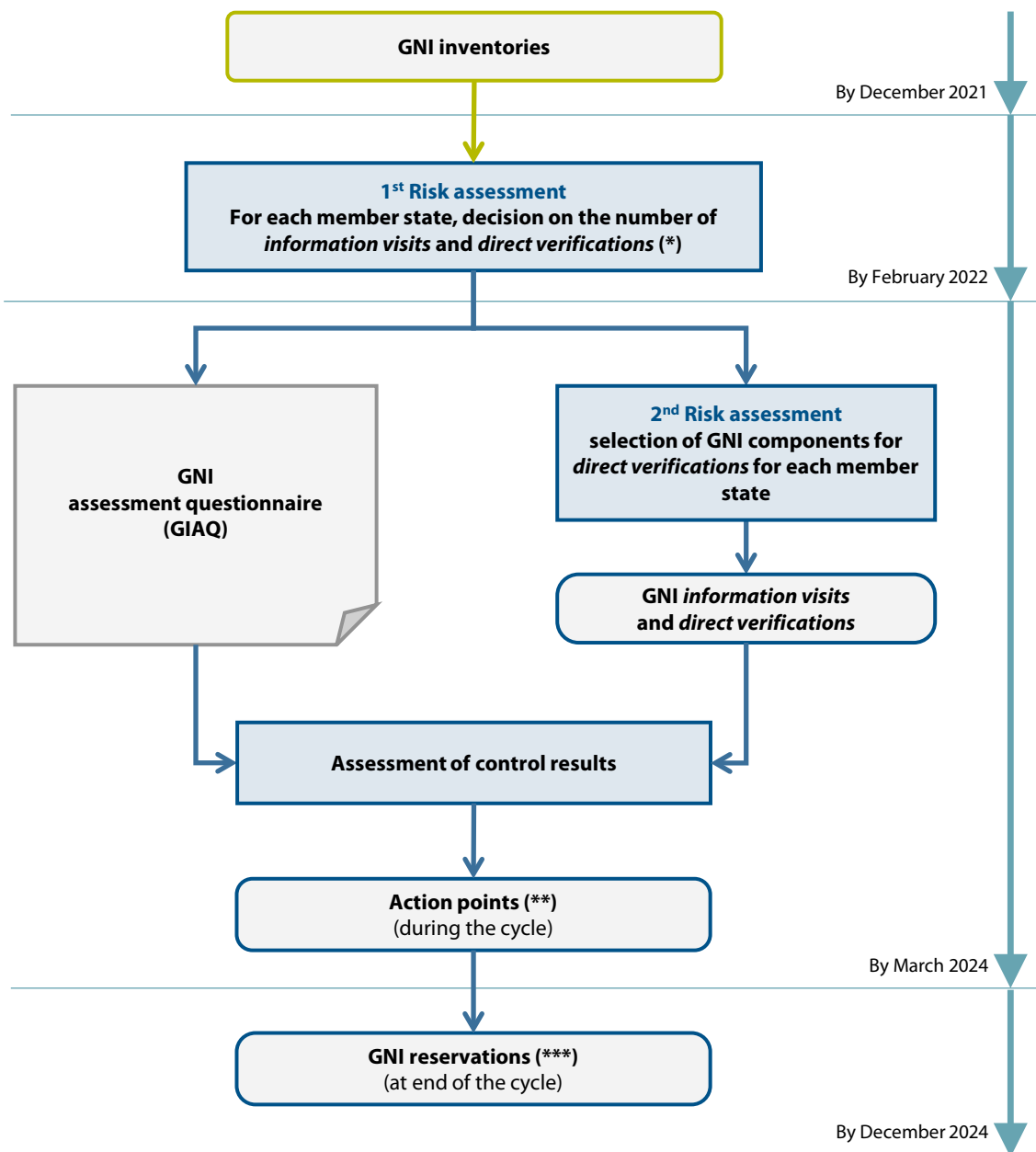
The Commission closed the 2020-2024 GNI verification cycle as planned

4.11. In its multi-annual process, the Commission examined whether the member states compile their national accounts in compliance with the legal requirements⁶ and whether GNI data are reliable, exhaustive, and comparable⁷. We found, based on a sample of six member states, that the Commission followed the timetable and procedures set out for the verification cycle (see **Figure 4.2**).

⁶ [Regulation \(EU\) No 549/2013](#) on the European system of national and regional accounts in the European Union.

⁷ [Regulation \(EU\) 2019/516](#) on the harmonisation of gross national income at market prices.

Figure 4.2 – The 2020-2024 GNI own resource verification cycle



(*) Results of the Risk assessment:

	Information visits <i>minimum visits</i>	Direct verifications <i>minimum verifications</i>
Low risk	1	1
Medium risk	1	2
High risk	2	3

(**) Action points are agreed between the member states and Eurostat to introduce methodological changes, to clarify or supplement the information contained in the GNI Inventory, or points to be implemented by Eurostat.

(***) Reservations are protective measure to avoid the risk that corrections to GNI figures used for own resource purposes (about which there is a concern) will become time-barred after 4 years in accordance with the legislation.

Source: GNI Expert Group framework documents for the 2020-2024 GNI verification cycle.

4.12. In December 2024, the Commission closed the 2020-2024 GNI verification cycle by placing 86 *GNI reservations* (one reservation had been placed in 2023).

Reservations are placed when the Commission identifies deficiencies posing major risks to the reliability, comparability and exhaustiveness of GNI data. In most cases, member states are required to provide information to address these reservations by 2026. For the 2020-2024 GNI verification cycle, the Commission decided to capitalise on the extensive and detailed round of checks performed in the previous 2016-2019 cycle following the implementation of the new national accounting standard⁸. This resulted in a significantly lower number of reservations placed compared to the previous 2016-2019 cycle (86 versus 300 respectively).

4.13. In line with the recommendation we made in our [2020 annual report](#) (see [Annex 4.1](#)), for the 2020-2024 GNI verification cycle the Commission shortened the period for revisions of the GNI own resource data from 10 to 6 years by placing reservations on data for the years 2018 and onwards. This reduced budgetary uncertainty for the Commission and the member states since GNI contributions can change while reservations remain open.

The Commission's verification work on GNI is affected by delays on the part of member states

4.14. On 31 December 2024, 23 GNI reservations from the 2016-2019 verification cycle remained outstanding (in addition there was one outstanding reservation from the 2020-2024 cycle, see [Annex 4.2](#)). We found that, by the end of 2024, member states had provided information in relation to 13 of the 23 outstanding reservations for the 2016-2019 cycle. This information was in the process of being verified by the Commission. For the remaining ten reservations (eight with a deadline in 2021 and two in 2022), together with the reservation from the 2020-2024 cycle where the deadline was 2024, the five member states concerned⁹ had provided only partial information within the deadline.

4.15. Member states' failure to provide the necessary information on time delays the Commission's subsequent verification work and its ability to lift reservations. It may also create a backlog in both the member states concerned and the Commission, leading to the risk of further delays in addressing the new reservations placed by the Commission at the closure of the 2020-2024 GNI cycle.

⁸ European system of accounts ([ESA 2010](#)).

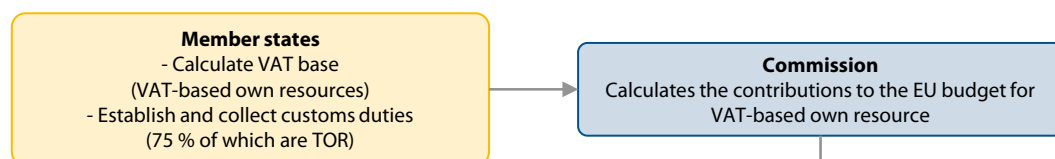
⁹ Bulgaria, Croatia, Luxembourg, Malta and Romania.

There was an accelerated decrease in the number of VAT reservations and TOR open points but long outstanding issues remain

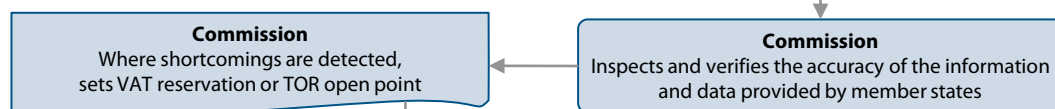
4.16. Figure 4.3 shows the process the Commission uses to verify member states' calculation of VAT bases and TOR. Annex 4.2 provides an overview, as at the end of 2024, of the outstanding reservations and open points set by the Commission for weaknesses detected. Compared to last year, the number of VAT reservations decreased substantially from 67 to 40 (a reduction of 40 %) and the number of TOR open points decreased from 274 to 204 (a reduction of 26 %). These rates of decrease are substantially higher than in 2023, where they were 17 % for VAT reservations and 3 % for TOR reservations.

Figure 4.3 – The process of verifying member states' VAT bases and traditional own resources

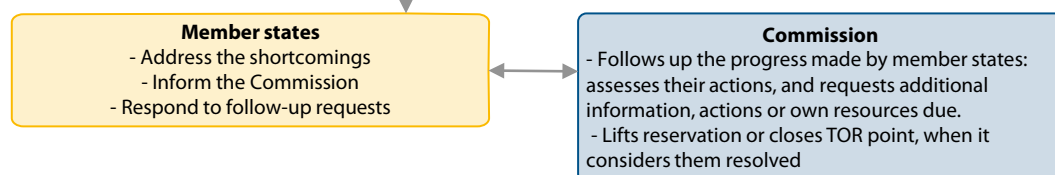
STEP 1: Calculation



STEP 2: Verification



STEP 3: Follow-up



Source: ECA, based on Commission data.

4.17. In 2024, the Commission lifted 32 VAT reservations placed under the 2014 Own Resource Decision¹⁰ (29 in 2023). At the same time, it set fewer new reservations due to the introduction of simplified VAT statements under the 2020 Own

¹⁰ Decision (EU, Euratom) 2014/335 on the system of own resources of the European Union.

Resource Decision¹¹ (five in 2024 versus 15 in 2023). Long outstanding reservations (open for more than 5 years) decreased from ten to six during the year. However, four of the remaining six reservations have been in place for 9 years or more. We also noted that for three of the six reservations, the Commission made no progress in 2024 towards lifting them.

4.18. The number of long outstanding TOR open points decreased from 103 to 80 (22 %) by the end of 2024. However, the Commission did not prioritise long outstanding open points and their relative share remained constant, at almost 40 %.

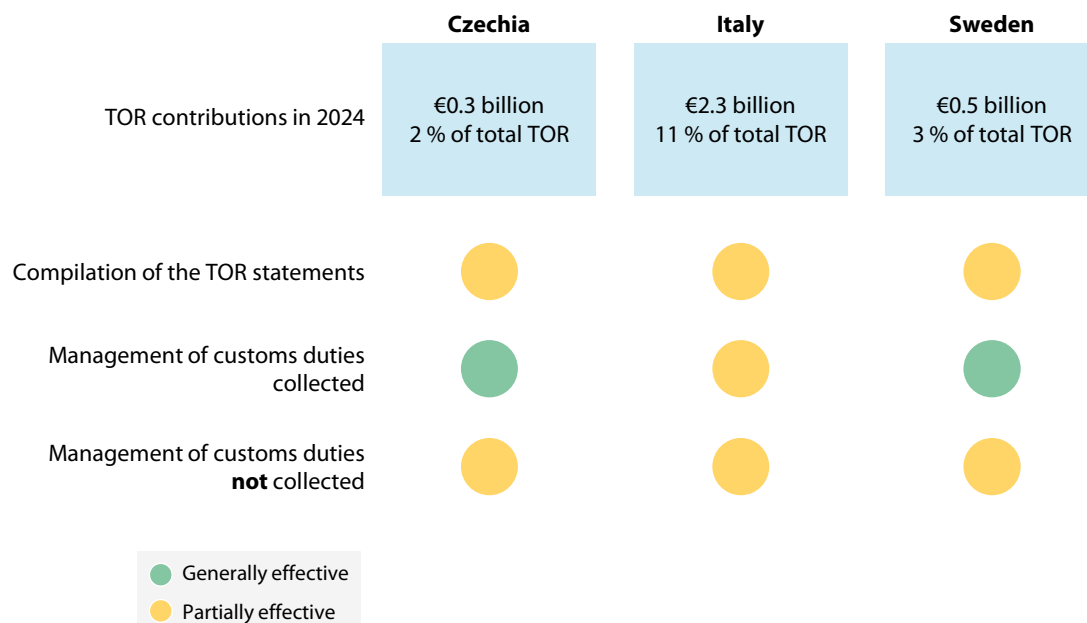
We continue to find weaknesses in member states' management and accounting for TOR

4.19. We examined how Czechia, Italy, and Sweden compiled their TOR statements (comprising a statement of duties collected and a statement of duties established but not yet collected)¹², as well as their procedures for managing TOR owed to the EU budget (see [Annex 4.3](#)). Our assessment of member states' key internal TOR control systems is presented in [Figure 4.4](#).

¹¹ Decision (EU, Euratom) 2020/2053 repealing Decision (EU, Euratom) 2014/335.

¹² Decision (EU, Euratom) 2018/194 establishing models for statements of accounts for entitlements to own resources as amended by Decision (EU) 2022/523.

Figure 4.4 – Assessment of key internal TOR control systems in the member states selected



Source: ECA.

4.20. We identified that some customs duties had been recorded in the incorrect columns in the TOR statements of Czechia and Sweden. In Italy, we noted discrepancies between some of the figures in the statement of duties established but not collected and the related breakdowns provided by the Italian authorities.

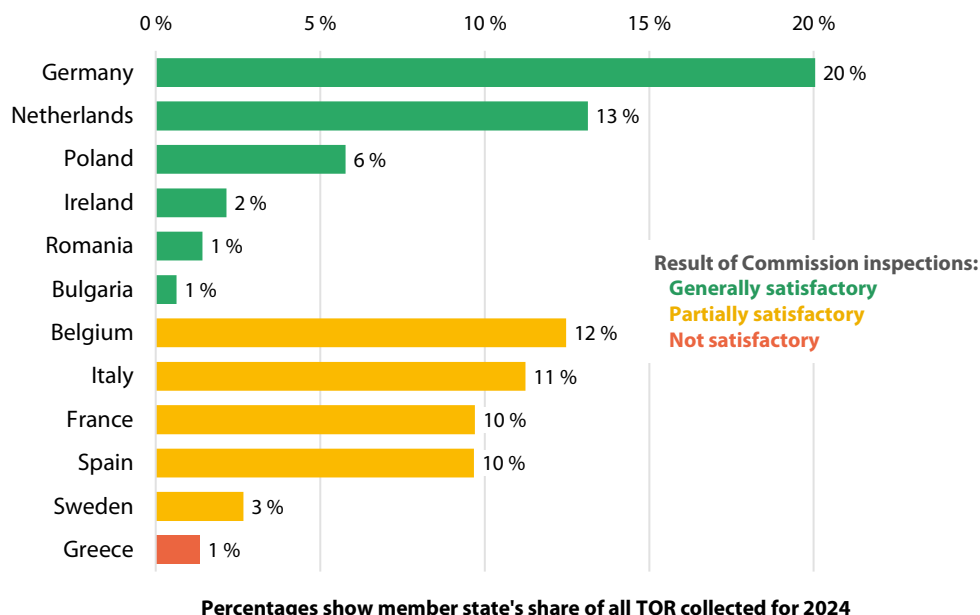
4.21. We also noted that Italy's management of customs duties collected was affected by delays in taking administrative decisions about corrections of customs duties collected. There were also delays in the recording of corrections and in reimbursing importers.

4.22. Our audits in these three member states revealed several shortcomings in the management of customs duties established but not yet collected. We noted cases of delays in establishing customs debt in Czechia, incorrect allocation of partial payments between customs duties and national revenue in Italy, and failure to promptly enforce customs debt and write off irrecoverable duties in Sweden.

4.23. The Commission continues to detect and report similar weaknesses in the management and accounting for customs duties in the member states. In 2024, as part of its inspection programme, the Commission visited 12 member states to assess the reliability of their TOR statements. The Commission evaluated the systems and procedures related to the TOR accounts as generally satisfactory in six member states.

Five were evaluated as partially satisfactory and one was assessed as not satisfactory (see [Figure 4.5](#)).

Figure 4.5 – The Commission’s assessment of reliability of the TOR statements



Source: ECA, based on Commission's data.

Member states' plastics data are not fully compliant with EU rules

4.24. In 2024, member states submitted to the Commission their annual statements with statistical data on the weight of the plastics packaging waste generated and recycled for the purposes of the plastics own resource for 2022 and revised data for 2021. In its 2024 annual opinion, the Statistics on plastic packaging waste expert group, composed of representatives from all member states and chaired by the Commission, stated that these data were appropriate with respect to reliability, comparability, and exhaustiveness while acknowledging that further improving the plastic packaging waste calculations was a continuous process.

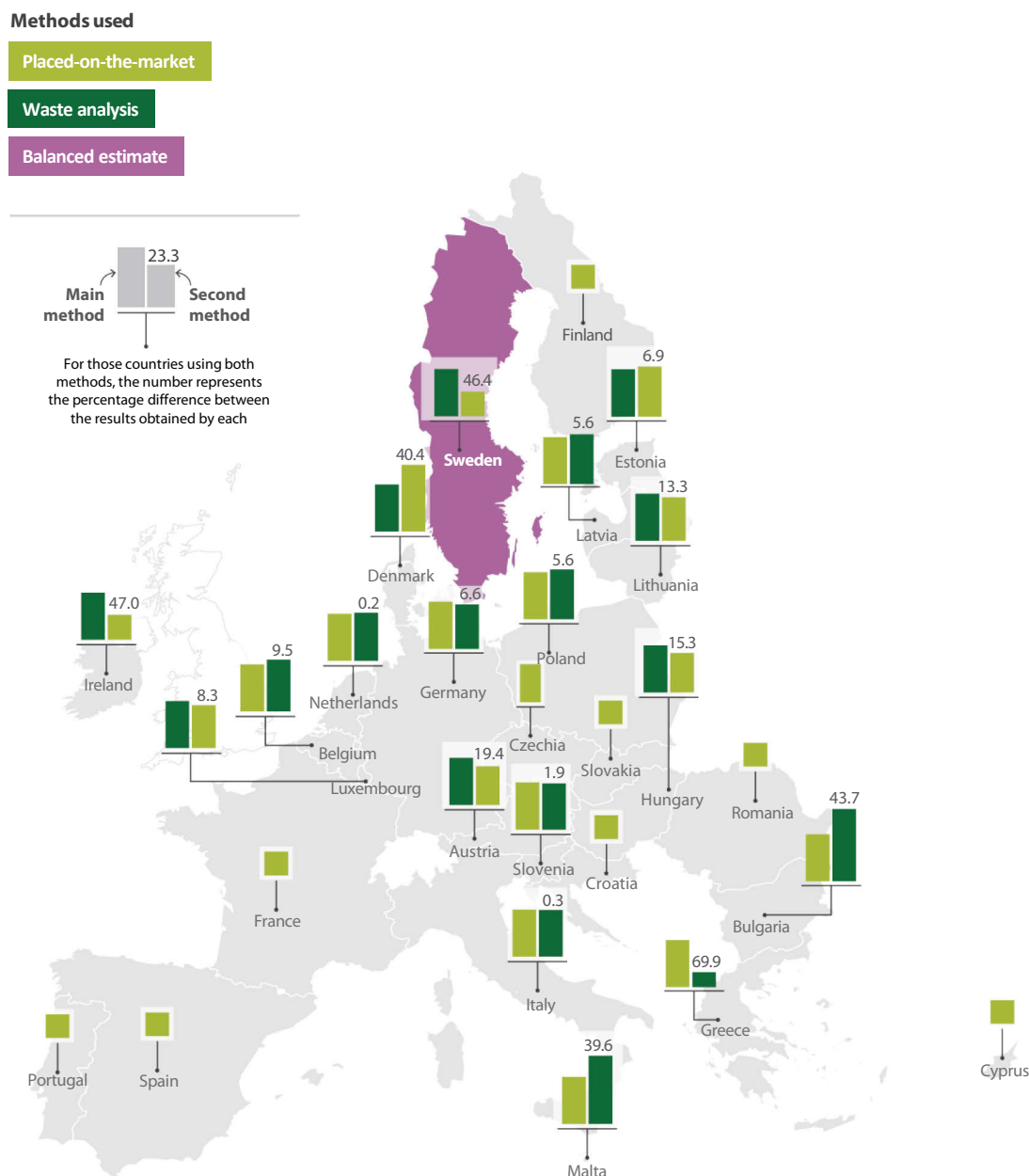
4.25. To estimate the plastic packaging waste generated, member states must use two different compilation methods and provide a single estimate by balancing the available results¹³. We examined whether member states complied with this

¹³ Regulation (EU) 2023/595 establishing the form for the statement relating to plastics own resource.

requirement. We found that 18 member states submitted data based on the two methods (14 in 2023), with one member state (as opposed to none in 2023) balancing the results (see [Figure 4.6](#)). Using both methods and balancing them ensures that the data produced by the member states is comparable and reliable. We recommended in our special report 16/2024¹⁴ on the plastics own resource that the Commission, together with the member states, should improve the comparability and reliability of data used for the calculation of member states' contributions by 2026.

¹⁴ [Special report 16/2024](#): "EU revenue based on non-recycled plastic packaging waste: A challenging start hindered by data that is not sufficiently comparable or reliable".

Figure 4.6 – Methods used by member states for estimating plastic packaging waste generated



Source: ECA, based on Commission's data.

4.26. In 2024, the Commission continued its work on the current 2023-2026 verification cycle by conducting formal inspection visits to 12 member states. By the end of 2024, the Commission had placed ten reservations, covering in particular the two compilation methods, for four of these member states (see [Annex 4.2](#)). Further reservations for the other member states may be placed in 2025, once the relevant inspection cycles have been finalised.

There are risks of delays in the implementation of the EU customs reform

4.27. The proposal for customs reform published by the Commission in May 2023 envisaged gradual implementation, spanning a period of 10-15 years. According to the proposal, a new body, the *EU Customs Authority* (EUCA) responsible for risk management at the EU level, should be established in 2026 with the aim of becoming fully operational by 2028. In addition, the *EU Customs Data Hub*, a centralised set of systems intended to replace the existing customs IT infrastructure in member states, would enter its first limited operational phase from 2028 to address e-commerce.

4.28. In 2024, the European Parliament adopted a legislative resolution on the customs reform proposal¹⁵. It called for earlier implementation of the full functionality envisioned for the Data Hub. As at April 2025, discussions in the Council of the European Union were ongoing. In early 2025, the Commission announced¹⁶ that it was ready to work with the co-legislators to frontload parts of the proposed reform to 2026 to address the challenges associated with the surge in low-value e-commerce imports.

4.29. We note that until the reform is adopted and implemented, weaknesses we have previously identified, such as a lack of appropriate EU-wide analysis of financial risks¹⁷ and the challenges involved in collecting the correct amounts of VAT and customs duties for goods and services traded over the internet¹⁸, will persist. We also note that until the reform is adopted, the Commission is not able to fully prepare for its implementation.

4.30. In 2024, we observed that although the Commission took some initial preparatory steps with a view to implementing the customs reform, it had not developed a plan, providing detailed timelines and allocating responsibilities, to monitor progress. The reform is a large-scale, complex project. While the legislation remains at the proposal stage, given the Commission's original implementation

¹⁵ EP-PE_TC1-COD(2023)0156.

¹⁶ [Communication from the Commission](#): "A comprehensive EU toolbox for safe and sustainable e-commerce".

¹⁷ [Special report 04/2021](#) "Customs controls: insufficient harmonisation hampers EU financial interests".

¹⁸ [Special report 12/2019](#): "E-commerce: many of the challenges of collecting VAT and customs duties remain to be resolved".

timetable and the Parliamentary calls for its acceleration (see paragraphs 4.27-4.28), there are significant risks that the customs reform will not be delivered according to the timescale originally envisaged.

The Commission's assessment of the simplified VAT-based own resource system did not include the impact on member states' contributions

4.31. In 2021, the Commission simplified the VAT-based own resource system with the aim of streamlining the calculations involved and reducing the administrative burden for both the Commission and member states. This simplification comprised removing most adjustments and exemptions and freezing the *weighted average rate* (WAR) applied throughout the 2021-2027 *Multiannual Financial Framework* at its 2016 value, thus removing the need for member states to calculate a new WAR each year.

4.32. In 2024, in line with the legal requirement¹⁹, the Commission issued a report with its first assessment of the changes, which concluded that the new system effectively simplified the calculations and was adequate for collecting the VAT-based own resource. According to the Commission's report, member states acknowledged the positive impact of the simplification on their administrative burden.

4.33. The report also mentioned some member states' concerns about the frozen 2016 WAR not fully reflecting VAT rate changes. However, it concluded that differences between the frozen WAR and the VAT rate that would have been used under the previous system in 2021 to 2024 were mostly within one percentage point.

4.34. We compared the member states' VAT-based contributions made using the frozen WAR against what their contributions would have been under the previous VAT own resource system. Using the frozen WAR led to an overall reduction in the VAT-based own resource of €1.6 billion for the period (3 % of total VAT-based contributions made). The VAT-based contributions for five member states decreased by more than 5 % over the period while for one member state they increased by 4 %.

4.35. This reduction did not affect the total EU budget as it was compensated by the *balancing role of the GNI-based own resource*, which offsets drops in other revenue sources. We calculated the additional GNI contributions member states had to make in order to compensate the €1.6 billion VAT own resource reduction due to the

¹⁹ Regulation (EEC, Euratom) No 1553/89, article 13a.

use of 2016 frozen WAR. [Annex 4.4](#) presents the combined result of both VAT and GNI calculations. Only member states whose VAT base is capped at 50 % of their GNI base or those whose VAT rates remained stable between 2021 and 2023 were relatively unaffected. For some member states, the net impact of using the 2016 frozen WAR is significant. Two member states contributed over €100 million less than they would have done if the frozen WAR had not been used, while three contributed over €100 million in addition. This analysis was not included in the Commission's report.

Annual activity reports

4.36. The information on the regularity of own resources provided in the 2024 annual activity reports published by DG BUDG and Eurostat generally corroborated our findings and conclusions.

4.37. In its 2024 annual activity report, DG BUDG reported that it finalised the quantification of TOR losses from the undervaluation of textile and footwear imports from China over the period from 2011 to 2017 for seven member states²⁰. On 31 December 2024, the cumulative amount of TOR losses related to undervaluation by all remaining member states is estimated in the EU accounts to be €0.9 billion and the related late payment interest €0.3 billion. DG BUDG aims to finalise the calculations for the remaining member states in the course of 2025.

²⁰ Austria, Germany, Ireland, Luxembourg, The Netherlands, Slovakia, and Sweden.

Conclusion and recommendations

Conclusion

4.38. The overall audit evidence indicates that the level of error in revenue was not material. The revenue systems we examined were generally effective. However, some elements of the control systems for the management of VAT reservations and TOR open points were partially effective (see paragraphs [4.17](#) and [4.18](#)). In addition, the provision of information on GNI reservations and the reporting of data on the plastics own resource, as well as some elements of the key internal TOR controls we assessed in three member states, were partially effective (see paragraphs [4.15](#), [4.20-4.22](#), and [4.25](#)).

4.39. We also found that there were risks to the timely implementation of the customs reform and that the Commission's first assessment report of the reform of the VAT-based own resource did not include its impact on member states' contributions (see paragraphs [4.30](#) and [4.34](#)). These issues do not affect our audit opinion on the regularity of revenue, as they are not directly related to the transactions underlying the accounts.

Recommendations

4.40. [Annex 4.1](#) shows the results of our follow-up of past recommendations. We reviewed four recommendations from our 2020, 2021 and 2022 annual reports that were due to be implemented during 2024. We found that the Commission had implemented two recommendations in full and one recommendation in some respects. For the final recommendation, part had been implemented in full and the remaining elements were no longer relevant.

4.41. Based on our findings and conclusions for 2024, we recommend that the Commission:

Recommendation 4.1 – Accelerate its preparations for the implementation of the proposed customs reform

Intensify its actions to ensure a timely implementation of the customs reform, once adopted, by developing a plan providing detailed timelines and allocating responsibilities to monitor progress for:

- (a) the establishment and initial operation of the EU Customs Authority until the EU Customs Authority has the operational capacity to implement its own budget;
- (b) the development, implementation, and maintenance of the EU Customs Data Hub.

Target implementation date: by end of 2026.

Annexes

Annex 4.1 – Follow-up of previous recommendations

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2020	We recommend that the Commission: Recommendation 3.1: Review and update its approach to verifying member states' GNI data in future multiannual cycles with a view to further streamlining the process and reducing the period over which GNI data remain open at the end of the cycle.			See paragraph 4.13 .

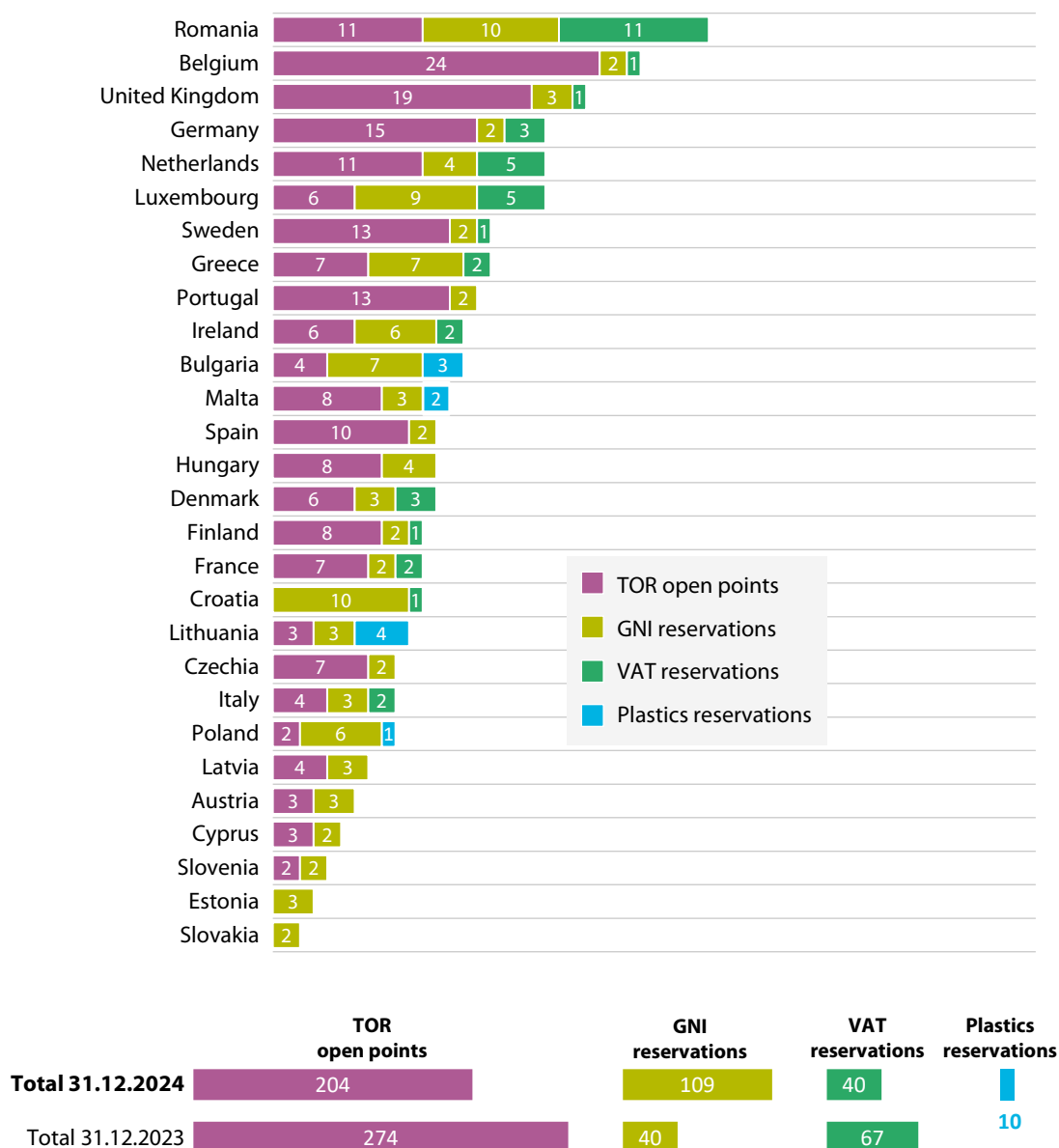
Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2021	We recommend that the Commission: Recommendation 3.2: Review its procedures for managing VAT reservations, in order to set more harmonised and stricter deadlines for national authorities and make its follow-up and lifting of reservations more efficient.			The Commission has not yet updated its internal procedures in this regard. By the end of 2024, the Commission was still in the process of reviewing its internal procedures, to take into account the new simplified VAT statements and legal framework changes introduced with the simplified VAT system.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2022	We recommend that the Commission:			
	Recommendation 4.1:			
	Review its procedures for managing cases of non-application of the VAT Directive that could impact the EU budget by:			
	(a) systematically monitoring the timelines for the various steps of both the <i>infringement procedure</i> , and other enforcement actions intended to resolve non-compliance, and taking timely action to avoid excessive delays;			Recommendation 4.1 a): The Commission (Directorate-General for Taxation and Customs Union) has finalised the review of its internal framework for monitoring the management of its enforcement actions. Most infringement cases related to the VAT Directive outstanding at the end of 2022 were closed.
	(b) assessing whether the non-conformity affecting the VAT-based own resource identified in one member state is cross-cutting in nature and may therefore apply to other member states;			Recommendation 4.1 b) and c): In March 2025, the Commission shared with the member states its approach to applying Article 3 (2) (c), following the adoption of the amended Regulation 1553/89. Under this approach, the correction calculation would only be required for infringements where a letter of formal notice had been sent and the member state acknowledged the breach or infringements that had been confirmed by the Court of Justice of the European Union. Thus, the Commission could set reservations for the non-application of the VAT Directive only when one of these conditions had been met.
	(c) taking timely action, and possibly setting cross-cutting reservations that ensure the correct payment of VAT-based national contributions to the EU budget.			

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2022	We recommend that the Commission: Recommendation 4.2: Conclude, without delay, the reassessment of requests received from member states (prior to May 2022 that are not subject to regulatory limits) expressing disagreement with the Commission's initial assessment of TOR write-off cases.			The Commission finalised the reassessment of all 59 outstanding write-off cases related to requests from member states that disagreed with the Commission's initial write-off assessment (cases communicated before 3 May 2022).

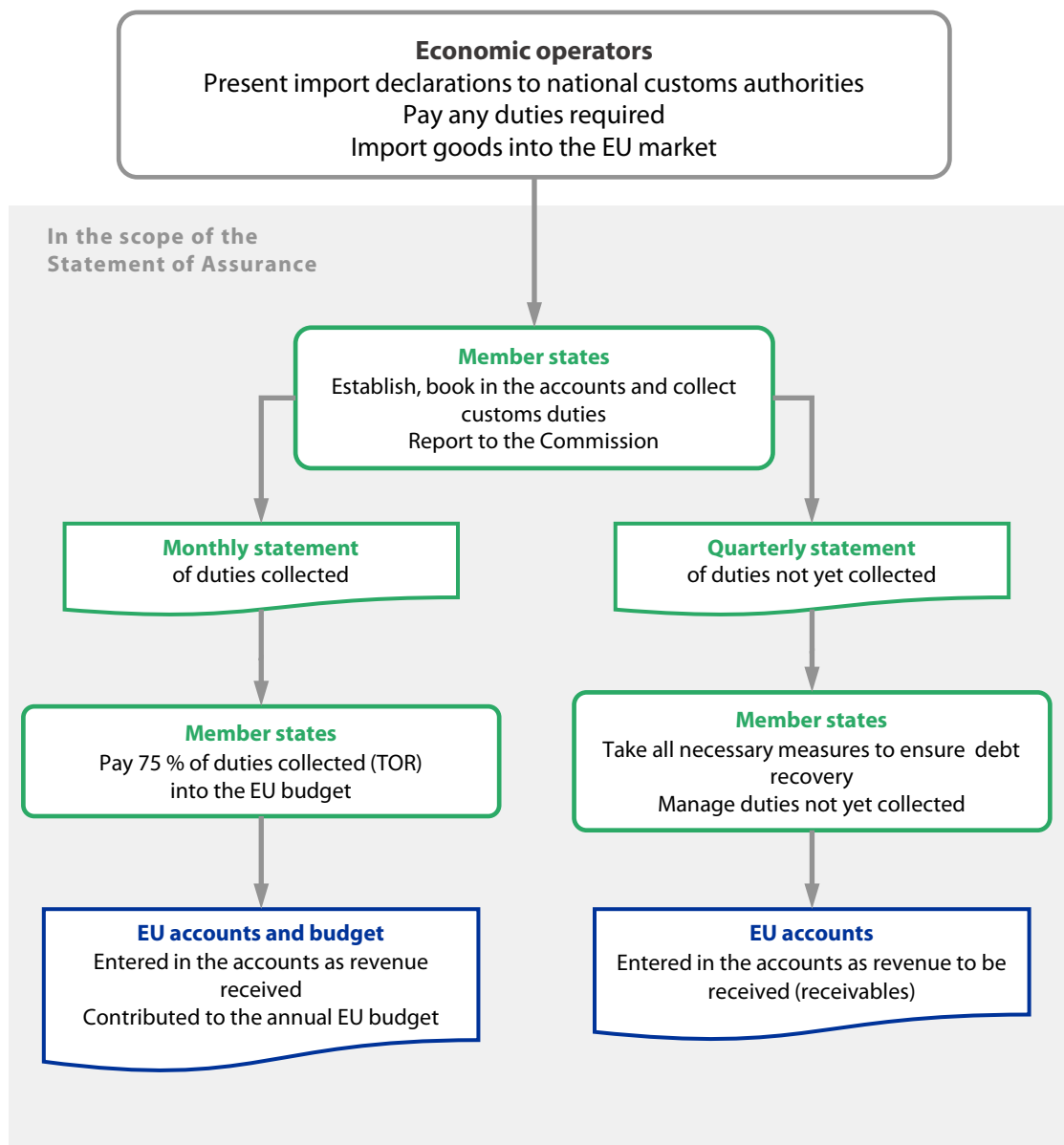
Source: ECA.

Annex 4.2 – Number of outstanding GNI reservations, VAT reservations, plastics reservations and TOR open points by member state as at 31 December 2024



Source: ECA, based on Commission data.

Annex 4.3 – The process of drawing up the TOR statements of duties (collected and not yet collected) and their entry in the EU accounts and budget



Source: ECA, based on current EU legislation and rules.

Annex 4.4 – Net impact of freezing the weighted average rate at its 2016 values (reflecting changes to both VAT-based and GNI-based contributions)

(thousand euros)

Member states	2021	2022	2023	Total (2021-2023)
Belgium	13 673	5 066	-20 708	-1 969
Bulgaria	755	123	-3 550	-2 672
Czechia	-13 357	-9 611	-9 084	-32 051
Denmark	11 466	12 491	14 496	38 452
Germany	-160 432	-171 094	-136 900	-468 426
Estonia	895	981	1 186	3 062
Ireland	-12 716	-2 206	-12 126	-27 047
Greece	-36 160	-32 781	-34 930	-103 871
Spain	-2 891	-11 790	-61 953	-76 634
France	90 276	91 400	157 123	338 799
Croatia	1 859	2 153	2 733	6 745
Italy	52 989	-34 879	-15 308	2 803
Cyprus	729	813	996	2 538
Latvia	1 218	1 180	1 851	4 248
Lithuania	1 914	618	736	3 268
Luxembourg	1 590	1 653	2 062	5 304
Hungary	-9 243	-4 853	-5 482	-19 579
Malta	441	491	625	1 558
Netherlands	58 296	88 046	109 661	256 003
Austria	-32 646	20 170	35 049	22 573
Poland	17 739	19 435	-66 926	-29 752
Portugal	2 765	7 564	9 454	19 784
Romania	-22 033	-27 162	-20 864	-70 059
Slovenia	814	634	2 621	4 069
Slovakia	-527	-1 299	-6 732	-8 558
Finland	8 081	8 477	12 383	28 942
Sweden	24 505	34 380	43 585	102 470
Total	0	0	0	0

Note: Negative amounts represent reductions in member state contributions and positive amounts increases in contributions.

Source: ECA.

Chapter 5

Single market, innovation and digital

Contents

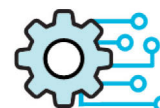
	Paragraph
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Brief description	5.2.-5.8.
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Introduction

5.1. This chapter presents our findings for *MFF* heading 1 ‘Single market, innovation and digital’. *Figure 5.1* gives an overview of the main activities and spending under this heading in 2024.

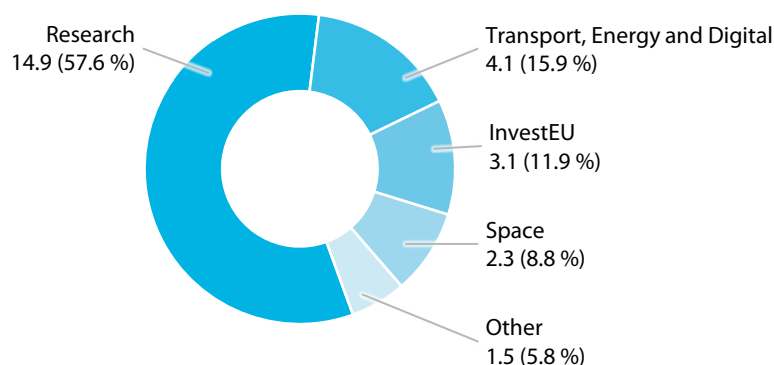
Figure 5.1 – Payments and audit population

Single market, innovation and digital
€25.9 billion (13.5 % of EU budget expenditure)



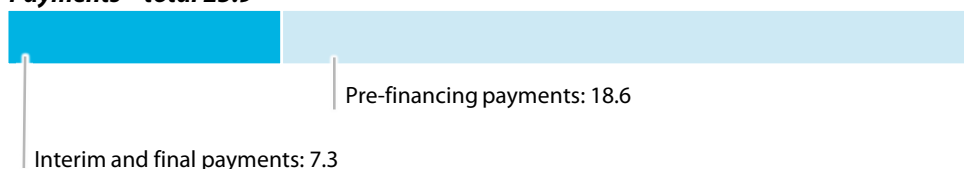
(billion euros)

2024 payments breakdown by fund

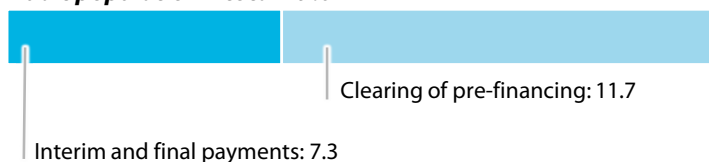


2024 audit population compared to payments

Payments – total 25.9



Audit population – total 19.0



Source: ECA, based on data from the 2024 *consolidated accounts* of the European Union.

Brief description

5.2. The *programmes* financed under ‘Single market, innovation and digital’ are diverse and aim to finance projects that contribute to, among other things, research

and innovation, the development of European infrastructure in the transport, energy and digital sectors, communications, digital transformation and the single market, and space policy.

5.3. Most spending on the programmes under this heading is managed directly by the Commission, including through *executive agencies*. The remaining parts of the budget under the MFF1 heading are implemented by *joint undertakings* and *decentralised agencies* (see the relevant sections in the corresponding specific annual reports for the financial year 2024).

5.4. The principal *programmes* for research and innovation are *Horizon Europe* for the 2021-2027 period, and its predecessor *Horizon 2020* (H2020) for the 2014-2020 period. In 2024, the latter accounted for approximately two-thirds of the research *transactions* we audited.

5.5. MFF1 also finances infrastructure projects such as the *Connecting Europe Facility (CEF)*, the *InvestEU* fund and the space programmes, including *Galileo* (the EU's global satellite navigation system), the European Geostationary Navigation Overlay Service (EGNOS), and Copernicus, the European Earth Observation Programme.

5.6. The bulk of the research spending under the Horizon programmes and the CEF takes the form of *grants* to public or private *beneficiaries* participating in projects. The Commission initially provides pre-financing to beneficiaries upon signature of a grant agreement. In the case of grants reimbursing actual cost, which is the most common type of funding in research, the beneficiaries report their actual costs and are reimbursed accordingly. When *lump sum* grants are given, the beneficiaries are paid a pre-defined lump sum for each completed work package, regardless of the actual costs incurred, i.e. the financial support is disbursed upon completion of work packages.

5.7. The space programmes are generally managed indirectly by dedicated implementing bodies (such as the European Space Agency and the EU Agency for the Space Programme), which are reimbursed on the basis of their actual expenditure on the programmes.

5.8. Financial instruments (i.e. loans, guarantees and equity investments) under the InvestEU programme are implemented mainly by the European Investment Bank or the European Investment Fund, which in turn use financial intermediaries.

Audit scope and approach

5.9. Applying the audit approach and methods set out in **Annex 1.1**, we examined the following for this MFF heading in 2024:

- (a) a statistically representative sample of 127 transactions covering all spending areas under this MFF heading. It consisted of 99 transactions in the area of research and innovation (65 for H2020 and 34 for Horizon Europe) and 28 under other programmes (notably 10 CEF transactions, 4 financial instruments, and 6 transactions for the space and single market programmes). The beneficiaries audited were located in 17 member states and 4 non-EU countries;
- (b) the Commission's management of *financial support to third parties* in research programmes;
- (c) the *regularity* information given in the *annual activity reports* of the Directorate-General for Communications Networks, Content and Technology (DG CNECT) and the *European Research Council Executive Agency* (ERCEA), and then included in the Commission's *annual management and performance report (AMPR)*.

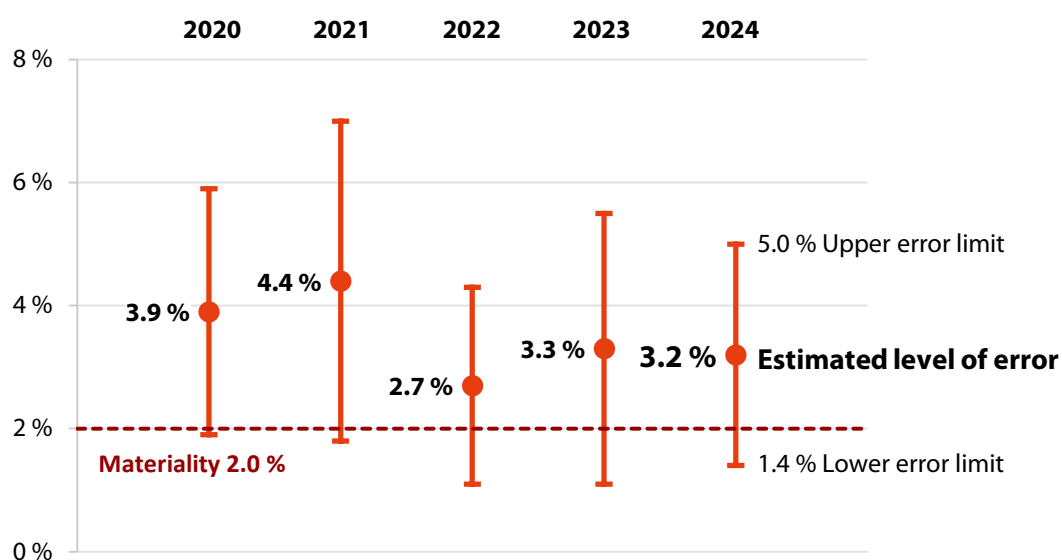
We also took account of the results of our annual audits of 11 EU agencies, the European Institute of Innovation and Technology (EIT) and joint undertakings implementing the budget under MFF1. These were reported in our specific annual reports for the financial year 2023 and are based on the examination of 222 transactions.

Regularity of transactions

5.10. Of the 127 transactions we examined, 32 (25 %) contained *errors*. Based on the 28 errors we have quantified, and additional errors detected in transactions implemented by EU agencies, joint undertakings and the EIT, we estimate the level of error to be 3.2 % (see [Figure 5.2](#)).

Figure 5.2 – Estimated impact of quantifiable errors

Estimated level of error (ELE)



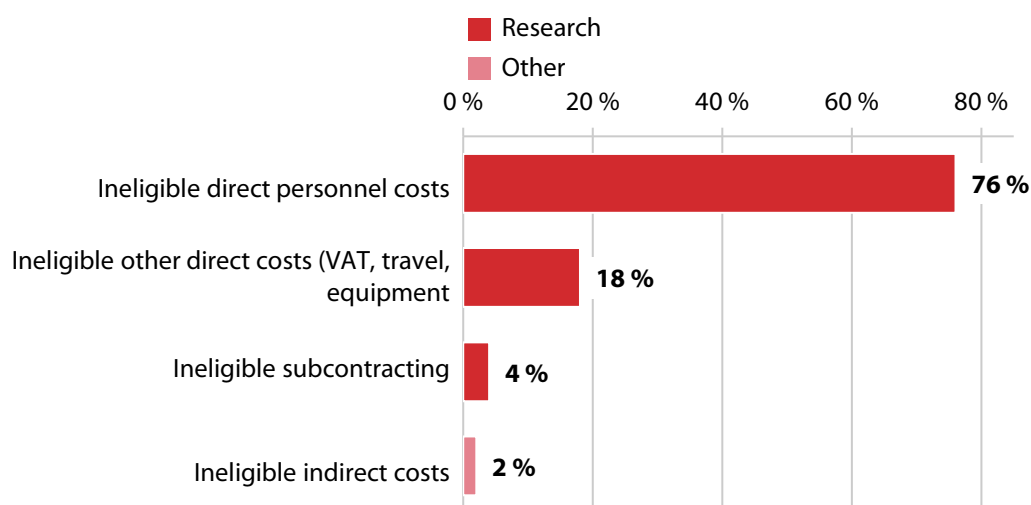
Sample size (transactions)

2020	2021	2022	2023	2024
133	130	127	127	127

Source: ECA

5.11. [Figure 5.3](#) gives a breakdown of our *estimated level of error* by error type for 2024, distinguishing between research and other transactions.

Figure 5.3 – Breakdown of the estimated level of error by error type



Source: ECA.

5.12. Research continues to be a high-risk spending programme. We found *quantifiable errors* in 26 of the 99 research transactions audited as part of our representative sample (26 %). Our audit found no significant differences between H2020 and Horizon Europe as regards the regularity of expenditure, despite the simplifications introduced under the latter to facilitate the beneficiaries' cost reporting.

5.13. In the case of other programmes and activities, we detected errors in three of the 28 transactions in our sample, two of which were quantifiable (both related to the CEF).

5.14. The Commission had applied corrective measures prior to our audits in a number of cases we sampled, which had no significant impact on our estimated level of error for this chapter.

Errors in research programmes

Personnel costs are most affected by errors

5.15. We found errors linked to personnel costs, which constitute the largest share of costs in most of the research projects, in 24 (i.e. 24 %) of the 99 research transactions examined. Again, there are no significant differences between H2020 and Horizon Europe.

5.16. In addition to the above-mentioned quantifiable errors, we have also reported on two non-quantifiable errors resulting from the incorrect application of the rules on personnel cost calculation in Horizon Europe projects.

Some beneficiaries have yet to adapt to the changes introduced by the Horizon Europe rules

5.17. Under the H2020 programme, beneficiaries must calculate annual or monthly hourly rates for their personnel, and multiply them by the number of hours spent on EU projects. Under the Horizon Europe programme, however, the rules have been changed with the aim to simplify: beneficiaries must now calculate daily rates and multiply them by the number of days ('day-equivalents') spent working on EU projects.

5.18. Our audits showed, however, that not all beneficiaries have adjusted to the new rules. In 5 of the 34 Horizon Europe transactions in our sample, we found that beneficiaries either still used the previous calculation method or did not fully follow the new rules. In three of them, this led to incorrect cost claims.

Some beneficiaries claim ineligible costs for researchers seconded from other organisations

5.19. Both research programmes allow beneficiaries to claim personnel costs for researchers directly employed by another organisation and seconded to them – unless the other organisation is a beneficiary of the same project, in which case only the employing beneficiary has the right to claim the costs. Furthermore, both programmes limit eligible costs to the actual costs incurred by the employing organisation, and these costs have to be approved by the Commission.

5.20. We identified errors in costs related to seconded persons in four transactions in our sample. We provide an example in [Box 5.1](#).

Box 5.1**Example of an error in the costs claimed for seconded researchers**

A public entity in Belgium declared costs for two researchers under a H2020 grant, both of which were seconded from other organisations.

For one of them, the beneficiary had concluded a secondment agreement with another organisation that did not employ the person directly but through a one-person company. The eligibility requirements for personnel costs were thus not met. However, these costs could have been eligible as subcontracting costs, subject to advance notification and approval by the Commission.

The second researcher was a PhD student working for the beneficiary but employed by a university, that was actually another beneficiary under the same grant agreement. This, again, is not in line with the eligibility rules.

Other errors in personnel costs

5.21. Other errors in personnel costs included using estimated amounts instead of actual costs, declaring costs not incurred by the beneficiary, and charging project days during absences. We provide an example of this in [Box 5.2](#). We also found three instances in our sample where average costs had not been calculated in accordance with either the beneficiary's accounting practice or the Commission's rules.

Box 5.2**Example of a beneficiary claiming costs for time not spent on the project audited**

A non-profit beneficiary in Belgium received a Horizon Europe grant and declared costs for personnel working on the project over the 12-month reporting period.

The beneficiary had claimed costs for 215 days for one person, the maximum number of days possible under Horizon Europe. The person had registered 261.5 days of work on the project, whereas the beneficiary's records showed that that person had been absent due to annual leave, short-term sick leave and other reasons for 55.5 days and thus had only worked 206 days. The costs the beneficiary claimed were therefore too high.

Ineligible other *direct costs*

5.22. A key condition for eligibility is that costs have been incurred in connection with the action and were necessary for its implementation. As in previous years¹, we found that this condition had not been met in four of the transactions we audited in 2024. In two cases, the beneficiary had claimed costs for conferences that had no direct link to the project or that included social events not needed for the project.

5.23. We also identified 4 errors in the declaration of equipment-related costs in the 12 research projects where we audited such costs. We provide an example in [Box 5.3](#).

Box 5.3

Example of an error in the declaration of equipment-related costs

Beneficiaries may need to purchase specialised equipment to implement a research project and are entitled to claim the relevant depreciation costs. Where the beneficiary leases the equipment, it may claim costs up to the amount of the depreciation costs of a similar asset.

Under one Horizon Europe project, a private entity in Ireland wrongly declared the leasing cost of two machines instead of the, lower, depreciation cost of similar equipment.

5.24. Lastly, we also found 10 quantifiable errors in other cost categories in our sample. These included the declaration of deductible VAT, ineligible internally invoiced goods and services, costs incurred after the audited reporting period, missing supporting documents and the use of incorrect exchange rates.

Simplification through lump sum funding

5.25. Under Horizon Europe, the Commission can also provide financial support to research projects in the form of lump sum grants, if this option is specified in the work programmes or call for proposals. Lump sum funding is a *simplified cost option* provided for in Article 125 of the [Financial Regulation](#) that requires detailed cost estimates to be provided upfront for each cost category per beneficiary and work package. Prior to signing the grant agreement, experts contracted by the Commission assess the cost estimates against the activities proposed to ensure that they are

¹ [2023 annual report](#), paragraph 5.22, [2022 annual report](#), paragraph 5.22.

reasonable and non-excessive. The Commission then pays the grant amount subject to ‘proper implementation’ of the work packages, as assessed by experts.

5.26. In our opinion² on the rules for participation in actions under the Seventh Framework Programme, we stated that ‘lump sums are appropriate for clearly defined work packages within each project’ and noted that ‘difficulties in the implementation of such a scheme would arise in those situations where work packages were delayed, only partly completed, or replaced by other activities’. In our subsequent special report³ on simplification measures brought into the H2020 programme, we recommended that the Commission intensify testing of lump sums and launch new pilot initiatives ‘to identify the most suitable types of projects, assess possible drawbacks and design appropriate remedies’.

5.27. Our 2022 annual report⁴ included a review of the Commission’s procedures for granting lump sum funding in research, and notably ‘single lump sums’ where the amount is meant to cover the full EU financing of a project.

5.28. In July 2024, the Commission assessed the use of lump sum funding in H2020 and Horizon Europe⁵. The key results were that beneficiaries consider that this form of funding shifts the focus from costs to the scientific content of projects and reduces the administrative burden linked to managing the grants and reporting costs. We note, however, that the Commission has not yet completed any ex-post technical reviews of the implementation of lump sum grants (the process had just started at the end of 2024).

5.29. We audited one (our first) single lump sum transaction in 2024. Further details are provided in [Box 5.4](#).

² Opinion 1/2006.

³ Special report 28/2018, recommendation 2.

⁴ 2022 annual report, paragraphs 5.25-5.32.

⁵ Assessment of Lump Sum Funding, European Commission, July 2024.

Box 5.4

Example of an audit of a lump sum grant payment

A public beneficiary in the Netherlands participated in a project in the field of biomedicine. The Commission granted €6 million for the whole project in the form of lump sum funding of which €2 million was allocated to the audited beneficiary. The project was broken down into 11 work packages implemented by 7 beneficiaries. The total grant amount and the individual amounts payable to the beneficiaries for each work package were determined on the basis of the beneficiaries' cost estimates and the experts' assessment thereof.

We audited the first *interim payment* covering the beneficiary's participation in work packages 1 to 4, which had been reported as completed at the time of the payment.

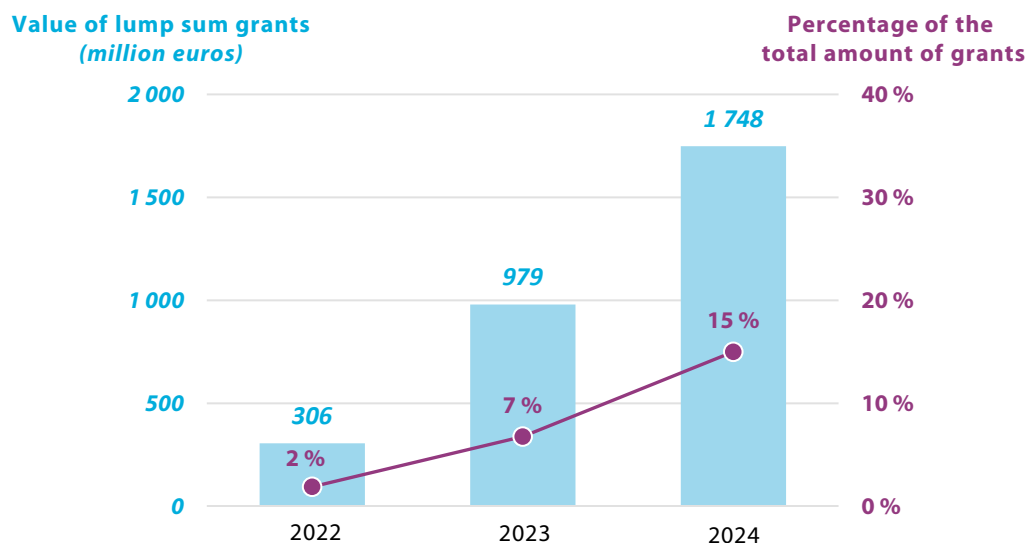
We reviewed both the project documents the beneficiary had submitted to the Commission and other information provided during the audit in order to verify that the beneficiary had implemented its part of the work packages. We also assessed whether resources identified in the budget had been used as planned.

We found that the beneficiary did not purchase a specific item of equipment (with an estimated cost of around €25 000) included in the signed grant agreement, but used another tool it already owned. However, the beneficiary did not mention this change in approach in the project reporting. The Commission assessed that the two related work packages were implemented to its satisfaction and paid the related lump sums (for a combined amount of €742 000) in full.

Based on the information obtained during the audit, it is unclear whether including this specific item of equipment in the budget proposal was necessary and justified.

5.30. By 2027, the Commission intends to implement at least 50 % of the budget (allocated to calls) under Horizon Europe in the form of single lump sum funding. To date, however, the granting of such funding has been limited, representing only approximately 15 % of all grants signed in 2024, which we show in [Figure 5.4](#). We therefore expect lump sum funding to become gradually more reflected in our sample in the years to come.

Figure 5.4 – Value and share of lump sum grants in Horizon Europe in 2022-2024



Source: ECA, based on Commission data.

Errors in infrastructure projects

5.31. In infrastructure projects under the CEF programme, the large majority of costs are claimed for works and studies performed by contractors. Beneficiaries can also claim personnel costs if these are directly linked to the implementation of the action and do not include any *indirect costs*. In general, indirect costs, including expenditure on administration, human resources and training, are ineligible in this context.

5.32. We found one case where a beneficiary had declared indirect costs, which are not eligible (see [Box 5.5](#)).

Box 5.5**Example of a beneficiary declaring indirect costs in a CEF project**

A public entity in France was set up specifically to manage part of a CEF transport project. In its cost declaration for the period audited, the beneficiary had included costs relating to a person working in the human resources team, on horizontal tasks such as recruitment, payroll, and professional training, which could not be directly attributed to the project.

The corresponding costs were therefore ineligible for EU funding and the beneficiary should not have included them in its claim.

5.33. In another CEF transaction, we identified a discrepancy between the costs the beneficiary had declared to the Commission and the underlying payments recorded in its accounting system. We also found that the beneficiary had carried out a procurement procedure for this project that complied with neither the provisions of the grant agreement nor the beneficiary's internal rules.

Review of the Commission's management of financial support to third parties in research

5.34. Under the research programmes, financial support to third parties is used to provide support to generally smaller projects and entities. The Commission, together with executive agencies, enters into grant agreements with one or more beneficiaries that act as a form of implementing bodies, by providing grants to third parties.

5.35. The maximum amount that a third party can receive through this type of funding is €60 000 unless otherwise specified in the work programme or call, as defined in Article 207 of the [Financial Regulation](#). The beneficiaries distributing third party support are required to ensure that third parties comply with specific obligations, including those relating to conflict of interest, confidentiality and ethics, and uphold the ECA's right to audit.

5.36. We selected this subject for in-depth assessment because of both the specific risks associated with other entities distributing and controlling EU funding and the significant increase in this type of funding. The amount of financial support in H2020 grants amounted to €2.5 billion for the whole programming period. By the end of 2024, the amount of this type of support in Horizon Europe was already more than the double (€5.5 billion).

5.37. We reviewed the Commission's guidance on managing such grants and examined the 11 transactions that had been in our MFF1 samples for 2023 and 2024.

5.38. Our audits showed that:

- The €60 000 threshold had been exceeded in 9 of these 11 cases (with individual grants of up to €330 000) in the absence of proper justification for derogation in the work programme or the call. This is not in line with the legal requirements. According to the Commission, the need for higher grant amounts is inherent to certain types of actions. We consider this explanation insufficient to justify individual third-party funding exceeding the above-mentioned threshold.
- In only 3 of the 11 cases were all the obligations required under the EU grant agreements included in the agreements concluded between the beneficiaries and third parties. In two other cases, some of them were included, but in the

remaining six cases all of these obligations had been omitted from the contractual conditions. In one of the transactions, the third party questioned our audit rights, due to the lack of corresponding provisions in its agreement with the beneficiary, and the access to the evidence needed for our audit was only granted after extensive communication.

5.39. Moreover, we found that the beneficiaries entrusted by the Commission to manage financial support to third parties are not required to demonstrate the *effectiveness* of their controls to ensure the regularity of the EU spending. We consider that this poses a particular risk to *sound financial management* and the protection of the EU's financial interest.

Annual activity reports and other governance arrangements

5.40. We reviewed the information in the Commission's 2024 AMPR regarding the estimated risk at payment for MFF1 at 1.6 %. This percentage is at the lower end of our range of estimated level of error, as it has been most years, and below materiality.

5.41. In 2024, DG CNECT's main expenditure related to the H2020, Horizon Europe and Digital Europe programmes, whereas the ERCEA's expenditure related to H2020 and Horizon Europe. With regard to H2020, the Commission calculated and presented a single cumulative representative detected error rate of around 3.6 % for the programme. The cumulative *residual error* rate, taking into account corrective actions, is around 1.8 % (the individual error rates are around 1.8 % and 0.9 % for DG CNECT and the ERCEA, respectively).

5.42. As the *ex post* audit campaigns for Horizon Europe and Digital Europe were launched in the second half of 2024, no detected error rate is yet available for these programmes. DG CNECT and the ERCEA have therefore used their target of no more than 2 % for the residual error rate for these programmes as the estimated error rate.

5.43. We consider that DG CNECT and ERCEA's annual activity reports reflected the information available to them and, based thereon, gave a fair assessment of the financial management as regards the regularity of the transactions underlying MFF1 expenditure.

Conclusions and recommendations

Conclusions

5.44. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘Single market, innovation and digital’ was material. For this MFF heading, our testing of transactions produced an estimated overall level of error of 3.2 %.

5.45. The main factor contributing to errors under MFF1 is ineligible or incorrectly declared personnel costs in research expenditure. Despite all the simplification measures introduced into the legal base over time and the Commission’s guidance to beneficiaries, the situation has remained unchanged for years⁶. A significant number of beneficiaries still experience difficulty in correctly applying the rules, also under Horizon Europe. Against this background, we note that the Commission aims to further increase the use of lump sum funding to simplify project reporting and the disbursement of the EU financial support.

Recommendations

5.46. *Annex 5.1* shows the findings of our follow-up review of the recommendations we made in our 2021, 2022 and 2023 annual reports that were due to be implemented by 2024. The Commission has implemented four recommendations in full, one recommendation in most respects, whereas one recommendation has not been implemented.

5.47. Based on this review and our findings and conclusions regarding 2024, we recommend that the Commission:

⁶ 2018 annual report, paragraph 5.16, 2019 annual report, paragraph 4.11, 2020 annual report, paragraph 4.13, 2021 annual report, paragraph 4.12, 2022 annual report, paragraph 5.13 and 2023 annual report, paragraph 5.13.

Recommendation 5.1 – Review the implementation of lump sum grants

Review a representative sample of lump sum grants, and analyse the lessons learnt from the implementation of lump sum grants to date and the methods used to establish the EU financial support with the aim of providing input for the future use of lump sum funding.

Target implementation date: mid-2026.

Recommendation 5.2 – Improve the management of financial support to third parties

- (a) Establish minimum control standards to be applied by beneficiaries to ensure effective checks on the regularity of EU spending.
- (b) Require that the relevant obligations stemming from the EU grant agreement are also reflected either in agreements concluded between the beneficiaries and third parties or in the beneficiaries' rules communicated to the third parties.
- (c) Provide sufficient justification where work programmes or calls allow individual third-party support above €60 000.

Target implementation date: end 2026.

Annexes

Annex 5.1 – Follow-up of previous recommendations for ‘Single market, innovation and digital’

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2021	We recommend that by mid-2024 (HE) the Commission: Recommendation 1: Strongly encourages the use of the Personnel Costs Wizard (see paragraph 4.25) (made available in the participant portal), especially by certain categories of beneficiaries that are more prone to committing errors, such as <i>SMEs</i> and new entrants (for H2020).			For Horizon Europe: DG RTD is expecting a wizard to be ready in 2025.
2022	We recommend that by end-2024 the Commission: Recommendation 1(b) – Evaluate the lump sum funding Prior to the next Horizon Europe calls, assess the appropriateness of using lump sum funded grants for			

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	high-budget projects and of fixing a maximum amount for such grants.			
	We recommend that by end-2023 the Commission: Recommendation 2 – Improve experts’ evaluations of lumps sum grants For lump sum grants, ensure that expert evaluations of grant applications, in particular the budget proposals therein, are carried out with due considerations of relevant benchmarks and are properly documented.			
	We recommend that by Q1 2024 the Commission: Recommendation 3 – Define clearer requirements on implementation of Horizon Europe grants Further specify for lump sum grants the requirements defining proper implementation, including the elements of each work package that will trigger payment, as well as provide detailed guidance to those involved in assessing the implementation of projects.			The Commission reviewed most of the guidance with a view to clarifying the requirements defining proper implementation of lump sum grants. Another round of revision is underway and some revised guidance had been released by June 2025.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	We recommend that by mid-2024 the Commission: Recommendation 4 – Define the scope of <i>ex post</i> controls of lump sum grants For lump sum grants, define the scope of <i>ex post</i> controls, which should include checks on high-risk areas, such as procurement rules, absence of conflict of interest and the use of the resources indicated in the grant agreement.			
2023	We recommend that by end-2024 the Commission: Recommendation 3 – Develop the guidelines on <i>ex ante</i> controls on procurement Further develop the guidelines describing the extent of the checks to be performed in <i>ex ante</i> controls on procurement for CEF projects in respect of the consistency of the selection and award criteria applied with those published in the contract notice.			

Source: ECA.

Chapter 6

Cohesion, resilience and values

Contents

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Residual error rates are above materiality for 44 % of the value of assurance packages we audited in 2024	6.39.-6.43.
Weaknesses in audit authorities' work reduce the extent to which the Commission can rely on their conclusions	6.44.-6.51.
The Commission's assurance work and reporting of residual error rate in its annual activity reports	6.52.-6.62.
The Commission considers that for cohesion the level of irregular expenditure in the accepted accounts is material	6.54.-6.58.
Closure of the 2007-2013 and 2014-2020 programming periods	6.59.-6.62.

Conclusion and recommendations 6.63.-6.68.

Conclusion 6.63.-6.66.

Recommendations 6.67.-6.68.

Annexes

Annex 6.1 – Breakdown of our sample of shared management transactions and associated findings for the 2024 statement of assurance

Annex 6.2 – Follow-up of previous recommendations for ‘Cohesion, resilience and values’

Introduction

6.1. This chapter presents our findings for *multiannual financial framework (MFF)* heading 2, ‘Cohesion, resilience and values’. **Figure 6.1** gives an overview of the main activities and spending under this heading in 2024, as well as the volume of our audit population.

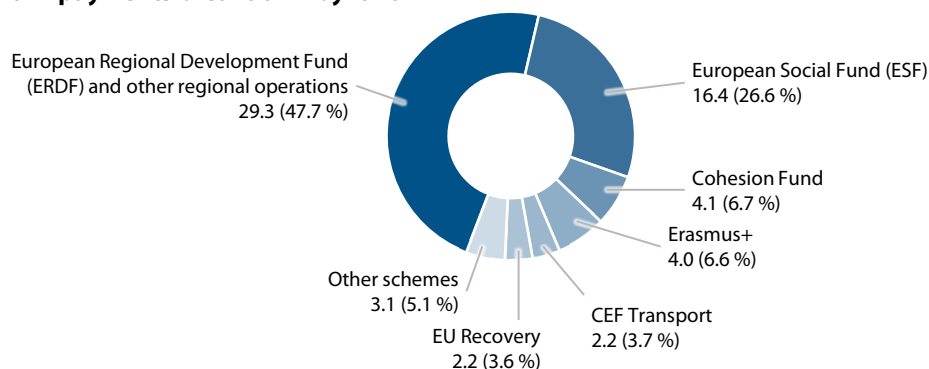
Figure 6.1 – Payments and audit population

Cohesion, Resilience and Values
€61.4 billion (32.1 % of EU budget spending)



(billion euros)

2024 payments breakdown by fund



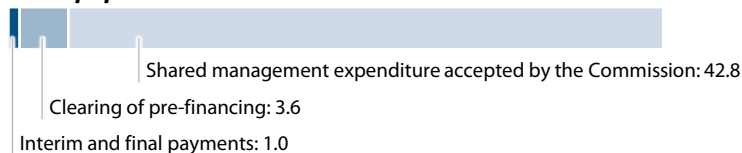
2024 audit population compared to payments

Economic, social and territorial cohesion (subheading 2a)

Payments – total 51.9

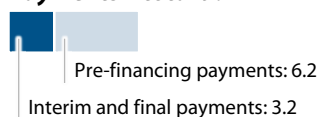


Audit population – total 47.5

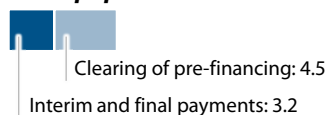


Resilience and values (subheading 2b)

Payments – total 9.4



Audit population – total 7.7



Source: ECA, based on data from the 2024 consolidated accounts of the European Union.

Brief description

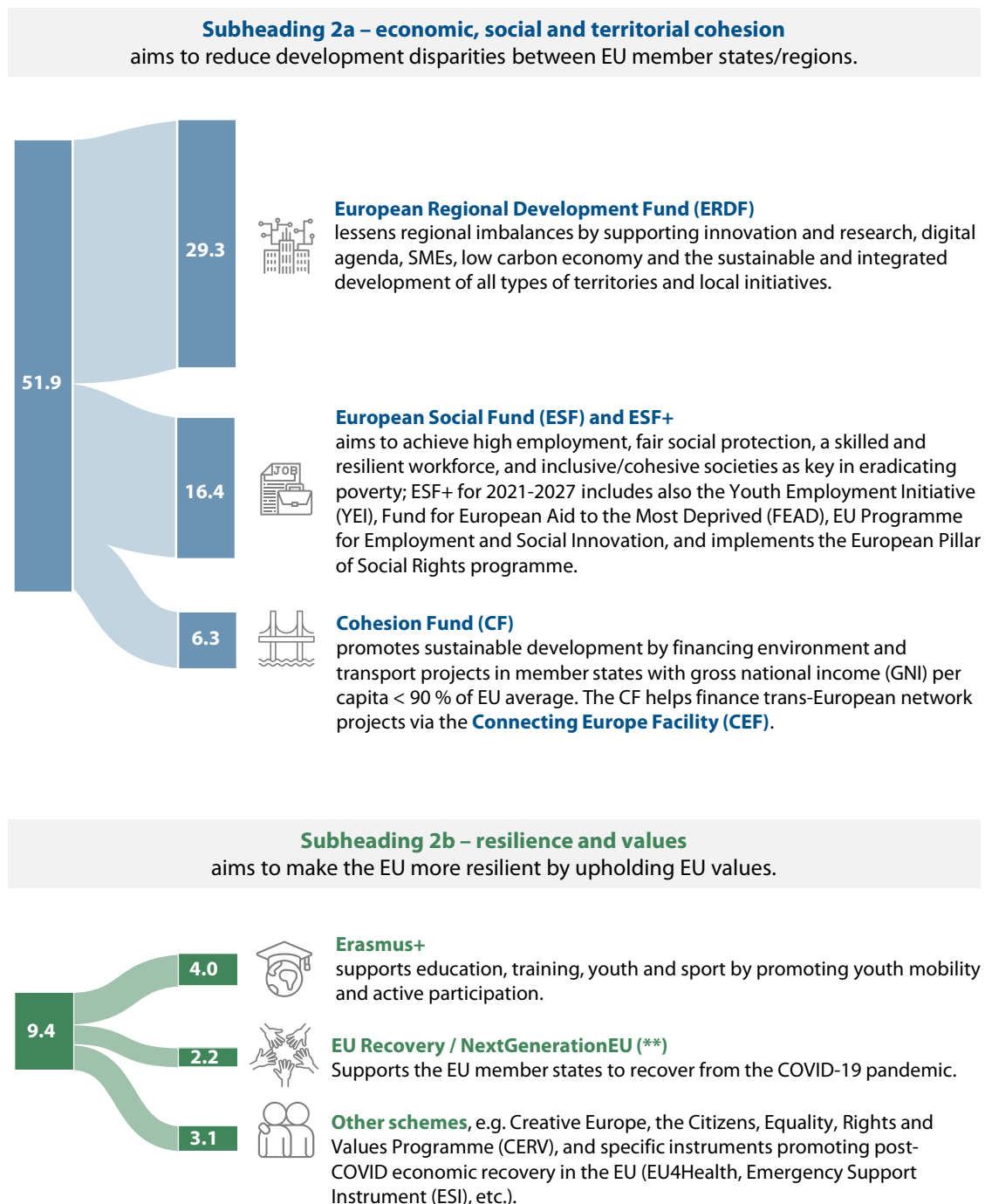
Policy objectives and spending instruments

6.2. Spending under this heading focuses on reducing development disparities between the different member states and regions of the EU (subheading 2a), and actions to support and protect EU values, making the EU more resilient to present and future challenges (subheading 2b). *Figure 6.2* shows the policy objectives of MFF heading 2, 'Cohesion, resilience and values' (subheading 2a¹ and subheading 2b), and the related funds and instruments.

¹ Articles 162 and 174 to 178 of the [Treaty on the Functioning of the European Union](#).

Figure 6.2 – Policy objectives and payments

(billion euros (*))



(*) Spending under MFF heading 2 in 2024.

(**) €2.2 billion mainly comprises interest on loans.

Source: ECA.

Management of funds

6.3. The cohesion policy funds (the *ERDF/CF* and the *ESF*) are implemented under *shared management*. **Figure 6.3** describes the management, control and assurance processes, and related roles and responsibilities.

Figure 6.3 – Cohesion management, control and assurance processes for the 2014-2020 programming period



(*) Article 130 of [Regulation \(EU\) No 1303/2013](#) limits the reimbursement of *interim payments* to 90 %.

Source: ECA.

6.4. The control and assurance process builds on the combined work on *regularity* at all levels as shown above in [Figure 6.3](#). Managing authorities are the ‘first line of defence’ and in the member states the authority responsible for the regularity of payments. Member states certify each *operational programme’s (OP’s)* annual accounts and report to the Commission, which is ultimately responsible for implementing the EU budget. Audit authorities provide assurance by reporting to the Commission a *residual error rate* for the spending under their responsibility. The overall purpose is to ensure that the level of *irregularity* in the OP’s annual accounts is below 2 % (*materiality threshold for legality and regularity*) of the amount declared.

6.5. MFF heading 2, ‘Cohesion, resilience and values’, also covers EU funding through *programmes* or actions that are managed either directly by Commission *directorates-general (DGs)*, including through EU executive agencies² or indirectly with the support of partner organisations or other authorities such as *Erasmus+* national agencies, under subheading 2b (see [Figure 6.2](#)).

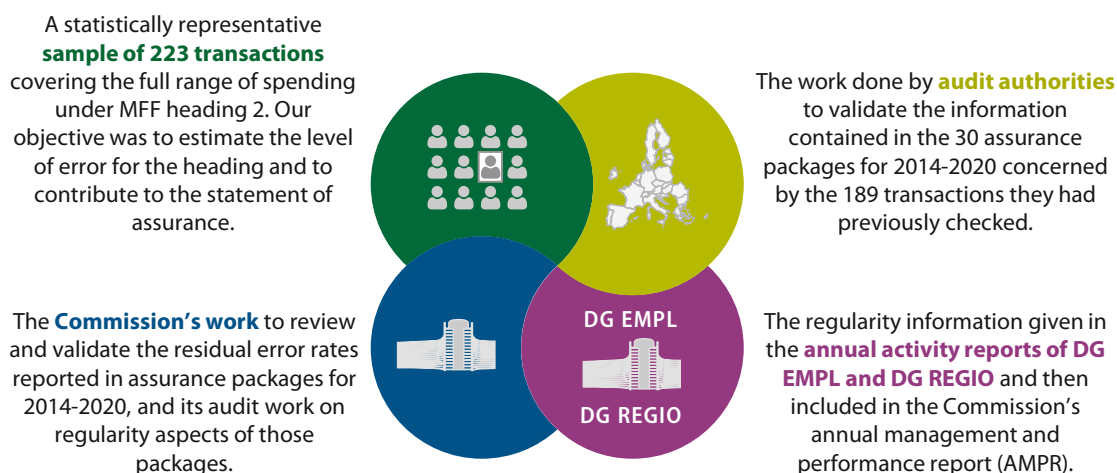
Audit scope and approach

6.6. The objective of our audit work was to contribute to the overall *statement of assurance (SoA)* as described in **Annex 1.1**, and to provide an assessment of the regularity of expenditure, both under MFF heading 2 as a whole and for the cohesion policy funds (subheading 2a). In doing so, we assessed the reliability of the work of the audit authorities and the Commission’s audit function.

6.7. Applying the audit approach and methods set out in **Annex 1.1**, we examined the elements described in [Figure 6.4](#) for this MFF heading in 2024.

² DG COMM, DG DIGIT, DG EMPL, DG REGIO, European Education and Culture Executive Agency (EACEA), European Health and Digital Executive Agency (HaDEA), and European Climate, Infrastructure and Environment Executive Agency (CINEA) in relation to expenditure in our 2024 population.

Figure 6.4 – Elements audited



Source: ECA.

6.8. The overall population of €55.2 billion (see [Figure 6.1](#)) includes shared management expenditure (€45.6 billion) from different *programming periods*:

- (a) **2014-2020:** €45.1 billion in accepted accounts submitted for 409 OPs and 344 *assurance packages* for the 2022/2023 accounting year;
- (b) **2007-2013** and **1999-2006** periods: €0.3 billion under the 14 OPs (7 under each period) closed or partially closed by the Commission in 2024;
- (c) **2021-2027:** €0.2 billion in accepted accounts submitted for 11 programmes for the 2022/2023 accounting year.

6.9. The **223 transactions** were selected as follows (see [Figure 6.5](#) for details on distribution of our sampled transactions):

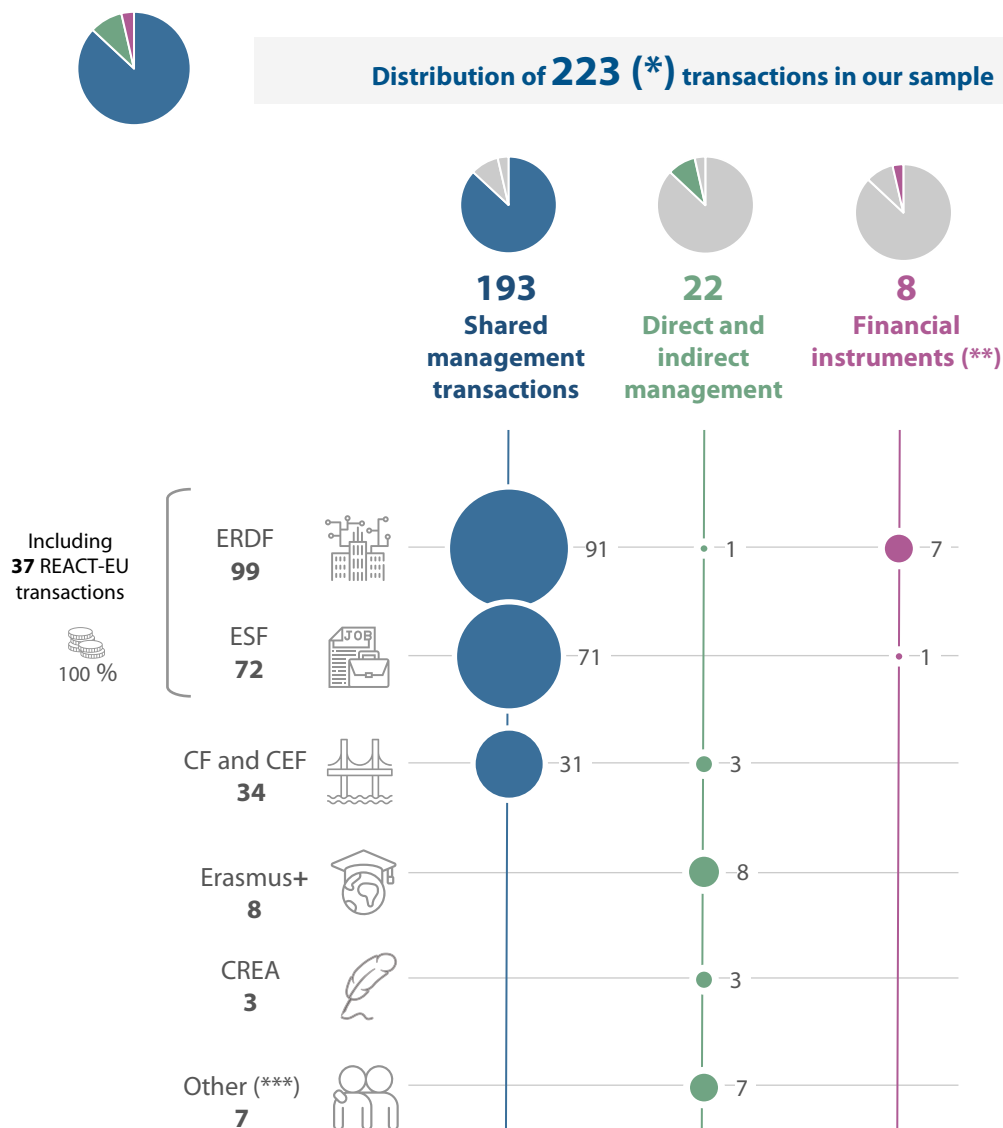
- (a) using a two-stage sampling method:
 - 2014-2020: **189** transactions sampled from the audit authorities' sample under 409 OPs amounting to €42.7 billion. We first selected 30 packages (29 in 2023), from the 2014-2020 period from expenditure that had been certified in 344 assurance packages in 2024, checked by the audit authorities, and accepted by the Commission. We did not select any transactions from periods before 2014-2020;
 - 2021-2027 period: **4** transactions selected under 10 programmes amounting to €0.2 billion. From the 2021-2027 period, we sampled directly from programme expenditure certified in the annual accounts and accepted by

the Commission. We selected one programme, and then four transactions from that programme. We used direct testing to examine the transactions regardless of whether or not they had been audited by the *audit authority*.

(b) using a one stage approach:

- financial instruments: **8** selected, based on the member states' reported disbursements through financial instruments under 125 OPs amounting to €2.4 billion (compared to 124 OPs and €3.0 billion for 2023);
- the Commission's *direct* and *indirect management*: **22** transactions from €9.7 billion of programme expenditure.

Figure 6.5 – Distribution of the sample



(*) In addition to the 223 MFF heading 2 transactions, we also audited 2 transactions under the [European Union Solidarity Fund \(EUSF\)](#) (see paragraphs 6.36-6.38).

(**) 8 financial instruments resulted in audit of 53 loans, 20 guarantees, 10 equity investments and 2 management fees.

(***) Other transactions: two relating to the Commission's service and works contracts; two contribution agreements with the Organisation for Economic Co-operation and Development (OECD) and European Investment Bank (EIB); one under the *Citizens, Equality, Rights and Values Programme (CERV)*; one *EU4Health* (vaccine manufacturing) transaction and one relating to *NextGenerationEU (NGEU)* financing costs (*Recovery and Resilience Facility (RRF)* interest rates).

Source: ECA.

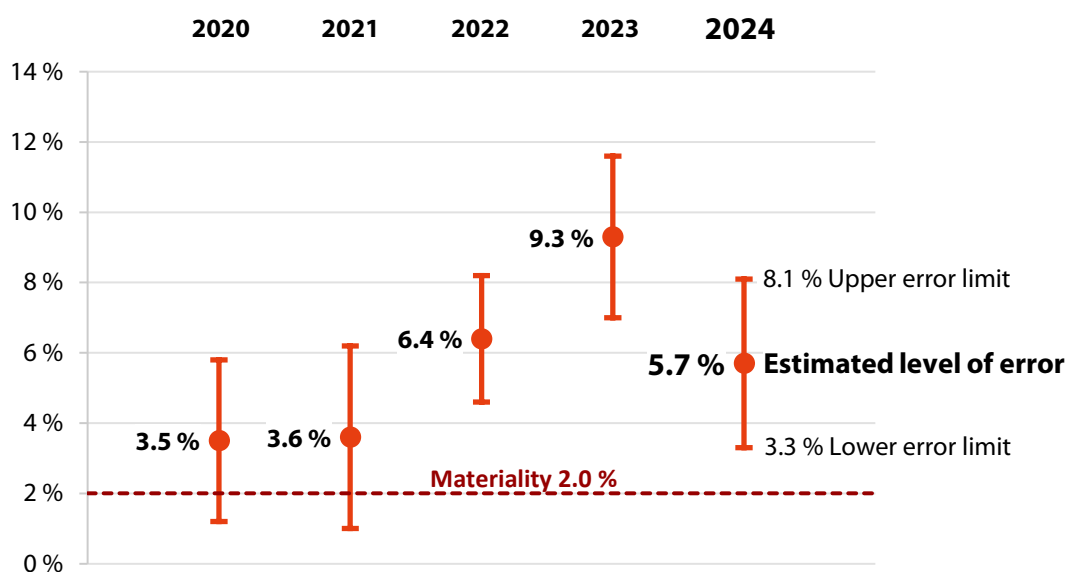
Regularity of transactions

Results of our transaction testing

6.10. For 2024, our error rate estimate for MFF heading 2 is again above the 2 % materiality threshold at 5.7 % (see [Figure 6.6](#)). This is based on our audit of 223 transactions, in which we identified and quantified 44 *errors* (49 errors for a sample of 238 transactions in 2023) which had not been detected or, if detected, had been insufficiently corrected by audit authorities. Our estimate also includes the findings of the audit authorities, which reported 47 errors (52 in 2023) in the same transactions. In arriving at our estimate, we took account of the corrections applied by *programme authorities* (total value €248.5 million).

Figure 6.6 – Estimated impact of quantifiable errors

Estimated level of error (ELE)



Sample size (transactions)

2020	2021	2022	2023	2024
213	243	260	238	223

Source: ECA.

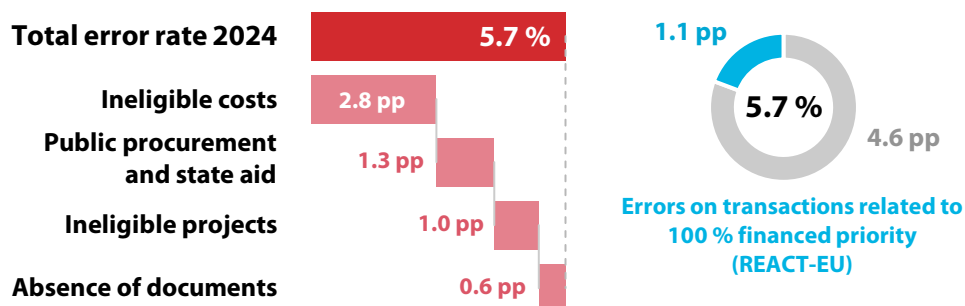
6.11. From early 2020 onwards, the EU took a number of actions to address challenges in implementing cohesion policy funds, such as the impact of COVID-19. These actions comprised procedural simplifications for the 2014-2020 spending, and the possibility of 100 % EU financing. Our sample included projects benefiting from the

REACT-EU initiative which provided additional funding with up to a 100 % EU financing rate. However, the removal of the requirement for national or private co-financing of programmes goes against a long-established principle: mandatory national or private co-financing guarantees member states' (or beneficiaries') commitment and ownership, and value for money in EU-supported investments³.

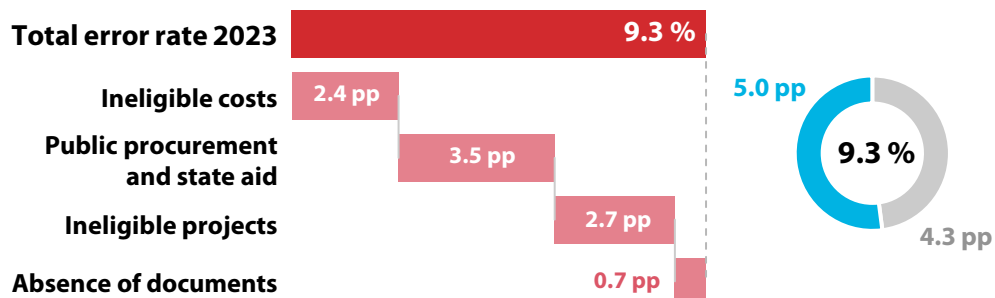
6.12. *Figure 6.7* compares this year's *estimated level of error* in percentage points with the figures for last year. It also shows the overall contribution of the estimated levels of error (see pie chart) related to 12 transactions with REACT-EU funding.

Figure 6.7 – Comparison of the contribution to the estimated levels of error (ELE) per category

2024



2023



pp: percentage points

Source: ECA.

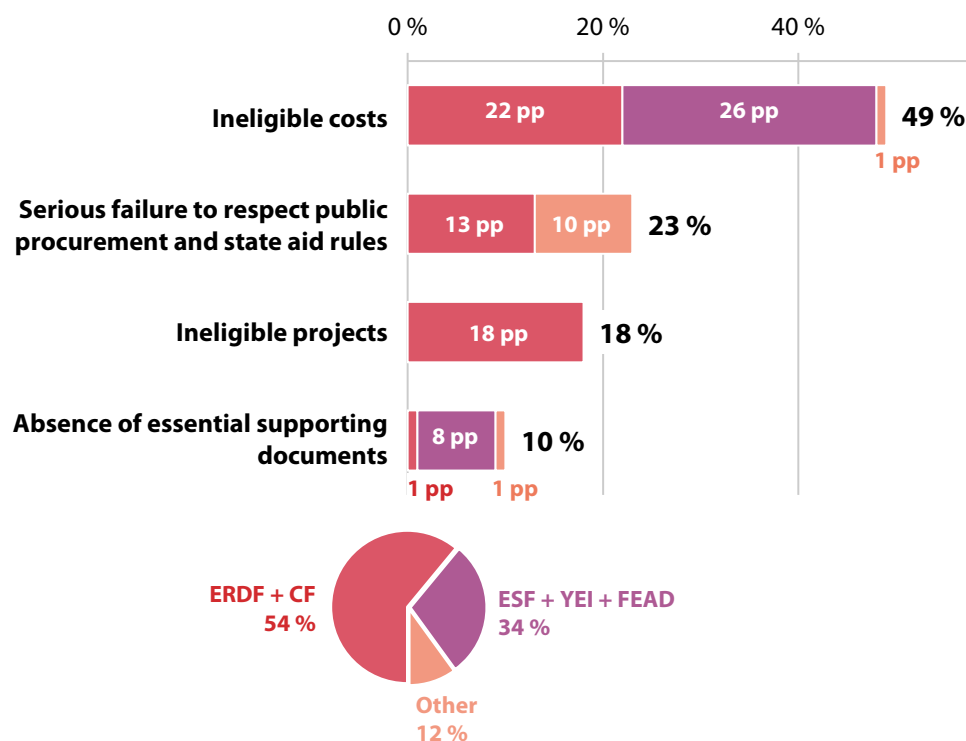
6.13. The 47 *quantifiable errors* reported by the audit authorities concerned ineligible costs (32), irregularities in *public procurement procedures* (9), missing supporting documents (7), accounting and calculation errors (2), and problems with

³ Review 03/2024: "An overview of the assurance framework and the key factors contributing to errors in 2014-2020 cohesion spending", paragraph 162.

simplified cost options (SCOs) (1)⁴. The member states had applied *financial corrections* to correct the individual errors they had identified, aiming to bring the residual error rates to or below the materiality threshold of 2 %. Our error rate takes into account these corrections.

6.14. *Figure 6.8* shows the contribution to the total error rate of the 44 quantifiable errors we found in addition to those detected or not sufficiently corrected by the audit authorities for the same transactions. We provide more information on different categories of errors in paragraphs *6.16-6.34*.

Figure 6.8 – Contribution of the errors we found to the overall error rate



pp: percentage points

Source: ECA.

6.15. *Annex 6.1* contains a breakdown of our sample of transactions and the transaction-related findings we identified in the 27 member states and the United Kingdom⁵ for MFF subheading 2a.

⁴ A single transaction may be affected by more than one type of error.

⁵ The United Kingdom's programmes under the 2014-2020 period are still part of the MFF heading 2 expenditure.

Shared management

Ineligible costs and projects

6.16. When member state authorities declare expenditure to the Commission in their accounts, they certify that it was incurred in compliance with the applicable EU and national rules, and that aid was granted to beneficiaries and operations that met the OP eligibility requirements. The assurance package contains an explicit statement in the management declaration that this expenditure is fully legal and regular.

Ineligible costs

6.17. Ineligible costs are the most frequent error found by audit authorities. According to their reporting, using a common typology agreed with the Commission, 32 (68 %) of all the errors identified during the 2022/2023 accounting year were of this type.

6.18. In our sample, we found another 24 cases of ineligible costs that had not been detected by the audit authorities even though they had checked the same transactions. In total, these 24 cases accounted for 63 % of the total number of quantifiable errors we found in shared management, and approximately 2.7 percentage points of the estimated level of error (a 47 % error contribution).

6.19. The main causes of ineligibility were non-compliance with the financing agreement's eligibility rules and cost calculation errors. [Box 6.1](#) gives an example of ineligible expenditure.

Box 6.1**Unmet expectations: the project failed to deliver services to students with disabilities**

An ESF project in Poland implemented by a private higher education establishment aimed to improve access to educational resources for students with disabilities. To this end, the *beneficiary* had committed to provide services including an online education platform and library system.

Our audit showed that the online library services were either not operational or not fit for purpose. In addition, the beneficiary did not operationalise the online education platform. Consequently, students with disabilities were deprived of the intended benefits of these actions. Because the beneficiary breached the *grant* agreement by failing to deliver the expected services, the corresponding project costs are ineligible. The project also constitutes an ineffective use of EU resources.

6.20. Twelve transactions in our sample concerned the purchase of COVID-19 vaccines and medicine. [Box 6.2](#) provides more details on the sample of vaccine transactions and on the results of our work on the related expenditure.

Box 6.2**Sampled transactions concerning COVID-19 vaccines and medicine**

Twelve transactions from our sample of 223 concerned COVID-19 vaccines, for which cohesion policy rules were exceptionally amended. All these twelve transactions are retroactive in nature, as the related expenditure was selected for EU funding in 2022 and 2023, after the member states initially financed and implemented it from their national budget.

These transactions represent 5.4 % of the sample and concern:

- Spain: five transactions (total public expenditure of €2.8 million) financed 100 % from ERDF REACT-EU (*Recovery Assistance for Cohesion and the Territories of Europe*) funds under a national OP.
- Italy: two transactions co-financed (75 % and 79 %, respectively) from ERDF regional OPs, and one project (which due to its size represents four transactions in our sample) financed 100 % from ERDF REACT-EU funds under a national OP. The total public expenditure declared for these transactions is €1 169.9 million.

- Portugal: one transaction (€214.2 million total public expenditure) financed 100 % from ERDF REACT-EU funds under a national OP.

Ineligible costs

We audited expenditure for COVID-19 vaccines co-financed from regional OPs (total public expenditure of €144.9 million), ordered by Italy under an advance purchase agreement between the Commission and a manufacturer, concluded on behalf of the member states. For some doses, the Commission had paid part of the cost of the vaccines in advance, thus reducing the unit price per dose to be paid by the member states.

We found that the beneficiary had not deducted the amount corresponding to this advance payment when calculating the unit price per dose for the purpose of declaring the expenditure for EU funding. As a result, the beneficiary claimed some costs that it had not actually incurred, which furthermore had already been paid from the EU budget.

We also found ineligible expenditure in Portugal regarding a COVID-19-related transaction including cases where vaccines were sold to EU and non-EU countries and unduly declared for 100 % ERDF REACT-EU funding.

Moreover, our audit found weaknesses in Spain's and Portugal's monitoring and control systems. In particular, the IT systems covering different parts of the process were not interconnected. This resulted in incomplete traceability of the vaccines following delivery by the manufacturers.

6.21. As part of our work on the vaccine-related transactions, we also audited the procurement procedures that the Commission carried out on behalf of member states to conclude purchase agreements. We identified several issues, such as insufficient documentation of the negotiations with the suppliers on the terms and conditions of the contracts, including price and number of doses. According to our methodology⁶, we did not quantify these irregularities. We note that the General Court of the European Union, in its judgment of 14 May 2025⁷ concerning public access to certain documents in the context of the procurement of COVID-19 vaccines, recalled the requirement of transparency, which obliges the institutions to draw up and retain documents relating to their activities in a non-arbitrary and predictable manner, and ruled that the Commission had failed to fulfil good administration obligations.

⁶ The ECA's [quantification of public procurement errors](#).

⁷ [Judgment](#) of the General Court of the European Union of 14 May 2025, *Stevi and The New York Times v Commission*, T-36/23, ECLI:EU:T:2025:483, in particular paragraphs 59 and 85.

Ineligible projects

6.22. We identified three fully ineligible projects, two in Hungary, one in Czechia and one partially ineligible project in Portugal, which were granted aid in the 2014-2020 period although they did not meet the criteria of the related calls for proposal. These projects accounted for 8 % of all the quantifiable errors we detected in shared management, and approximately 0.9 percentage points of the estimated level of error (a 16 % error contribution). [Box 6.3](#) provides an example of an ineligible project.

Box 6.3

Changing the criteria to make an ineligible project eligible

We audited an ERDF project in Hungary aimed at developing a high-speed network infrastructure. The call for the project selection set a mandatory target (selection criterion) of providing the network to a minimum number of new endpoints.

The *managing authority* signed the grant agreement with the beneficiary based on the commitment to achieve the mandatory target. We found that the beneficiary had asked the managing authority to change this criterion 3 years after the project end date, since the implemented project had not met the target. The managing authority consequently reduced the mandatory number of new endpoints. In doing so, it discriminated against candidates who might have provided a more advantageous offer had the lower target been known when they prepared and submitted their project applications.

Changing a mandatory condition after project implementation constitutes a breach of the *Common Provisions Regulation (CPR)*, *state aid* rules, national legislation and the call.

For these reasons we consider the project ineligible.

Infringements of internal market rules detected regarding public procurement and state aid

15 cases of non-compliance with EU or national public procurement rules

6.23. Public procurement rules are key to ensuring that public money is spent economically and efficiently, while respecting the principles of transparency, proportionality, equal treatment and non-discrimination. Furthermore, public procurement is a key part of the effective functioning of the EU single market. In our [special report 28/2023](#) we state that over the last decade competition in public

procurement has decreased⁸. We audit the compliance of transactions with the CPR-required⁹ EU and national public procurement rules.

6.24. In 15 procedures we audited as part of our sample, we identified cases of non-compliance with EU or national public procurement rules in Czechia, Germany, Greece, France, Poland, Portugal, Romania, the United Kingdom, as well as at Commission level concerning public procurement for COVID-19 vaccines and medicine (see paragraph 6.21). We quantified three cases due to serious breaches of EU or national procurement rules, including the competition provisions set out in the OPs' implementing rules. **Box 6.4** illustrates one such case. These cases accounted for 8 % of the total number of quantifiable errors we found in shared management, or approximately 0.8 percentage points of the estimated level of error (a 14 % error contribution).

Box 6.4

Beneficiary failed to carry out a market consultation

A beneficiary in France received ERDF funding to build a biogas plant. The implementing rules and financing agreement required the beneficiary to carry out a competitive procedure (*"mise en concurrence"*) to obtain multiple quotations and also to avoid any conflict of interest in the procedure.

We found that the beneficiary did not carry out a market consultation and awarded the construction contract to another wholly owned company of the same group. The beneficiary's justification was mainly based on the assertion that very few contractors had sufficient capacity to build the biogas plant, as the project was relatively large, making it difficult to ascertain what other suppliers would charge.

However, we found three similar projects financed by the same managing authority where beneficiaries had obtained quotations from multiple suppliers. Although this information was available, both the managing authority and the audit authority incorrectly accepted the beneficiary's explanations and considered the project and relevant expenditure as eligible.

⁸ [Special report 28/2023](#): "Public procurement in the EU: Less competition for contracts awarded for works, goods and services in the 10 years up to 2021".

⁹ Article 6 of the [CPR](#).

Due to the serious breach of the beneficiary's obligations to organise a market consultation and to avoid conflict of interest, we considered all costs invoiced by the related-party contractor as ineligible.

6.25. We did not quantify 12 of the 15 cases of non-compliance with EU or national public procurement rules mentioned in paragraph [6.23](#), as according to our methodology they had no direct impact on the payment made.

Four projects infringed state aid rules

6.26. Article 107 of the Treaty on the Functioning of the European Union (TFEU) is intended to ensure that aid granted by a member state or through state resources does not distort competition and trade within the EU. Unless state aid is below a *de minimis* ceiling¹⁰, member states must notify the aid to the Commission. The Commission must then decide whether this aid is compatible with the internal market and give its explicit approval. Member states can also grant state aid if the aid falls under the *General Block Exemption Regulation (GBER)* or other exemption schemes.

6.27. This year, we identified four projects that infringed the EU's state aid rules, two in Germany, one in Poland and one in the Netherlands. We quantified two cases (Germany and Poland), which we consider should have obtained less public funding than they did (see [Box 6.5](#)). These projects accounted for 5 % of all the quantifiable errors we found in shared management, and represented a 0.5 % error contribution. The two remaining cases had no direct impact on the payment made and therefore, we did not classify them as quantifiable.

Box 6.5

Regional development project exceeds permitted state aid intensity

In Germany, we audited an ERDF project that provided financial support to a company for building a new hotel. The support was granted under a state aid scheme for regional investment projects by *small and medium-sized enterprises (SMEs)*.

Under the applicable state aid rules, the amount of aid is limited to 20 % of the eligible project costs, when the beneficiary is classified as a small company, and a lower limit for medium-sized ones (15 %).

¹⁰ Regulation (EU) No 1407/2013.

In this case the beneficiary was considered by the managing authority, at the time of signing the grant agreement in 2020, to be a small company, and received support commensurate with this classification. However, the beneficiary started the supported activities in 2019 following the confirmation of reception of an application it made in 2018, thanks to an “early-start of the measure” (“*vorzeitiger Massnahmenbeginn*”) option that exists in Germany. At the time the beneficiary started the supported activities it was medium-sized. As the supported activity started when it was medium-sized, but the aid was granted on the conditions that it was classified as a small-sized enterprise, the beneficiary received state aid that exceeded the intensity permitted by the rules, which we report as a quantifiable error.

Absence of essential supporting documents

6.28. Beneficiaries and programme authorities are required to maintain systems and procedures that ensure an adequate *audit trail* to prove the eligibility of the expenditure. This includes keeping sufficient and appropriate documentary records of the evidence supporting audit conclusions¹¹. Furthermore, the CPR requires that documentation be maintained for at least 2 or 3 years after the acceptance of the accounts¹². Obtaining and retaining proper documentation is essential to the effective functioning of the control systems.

6.29. We found that supporting information or documentation was not available in eight of the transactions we examined. We were compelled to quantify six of these errors because neither the programme authorities nor the beneficiaries could provide essential documents demonstrating compliance with the eligibility conditions. [Box 6.6](#) gives an example of such case. They accounted for approximately 16 % of the transactions where we found quantifiable errors in shared management, and 0.5 percentage points of the estimated level of error (a 9 % error contribution).

¹¹ *International Standards on Auditing (ISA(s))* 500, Audit evidence and 230, Audit documentation.

¹² Article 140(1) of the [CPR](#).

Box 6.6

Delivery of advisory services not proven

In the Netherlands, we audited an ESF operation aiming to provide active support and advisory services to companies in relation to workplace safety.

We found that there was a lack of evidence to substantiate the actual delivery of some advisory services for the period declared. Moreover, we found that there was no reasonable justification for some travel costs charged. The invoices were accepted without checking the distances claimed for.

Financial instruments

6.30. Financial instruments – mainly loans, guarantees and equity – are a reimbursable form of support. Disbursement through financial instruments decreased from €3.0 billion in the 2021/2022 accounting year to €2.4 billion in the 2022/2023 accounting year audited.

6.31. Out of the eight transactions covering 83 *final recipients* and 2 management fees we audited, we found six final recipients who received support despite either investing in an ineligible economic sector, or not complying with the eligibility criteria (four in Germany, one in Greece and one in Hungary). In the case of Germany, we also found that the fund manager claimed certain fees for reimbursement, even though they had charged the same fees to the final recipients. These issues resulted in three quantified errors affecting three transactions out of the eight we audited (see [Box 6.7](#) for an example). This expenditure must not be included as eligible for the financial instruments at *closure* of the OPs. The contribution of the cases we quantified is taken into account in [Figure 6.6](#).

Box 6.7**Loan granted for ineligible investment in real estate**

A *financial instrument* in Greece provided loans and interest rate subsidies to SMEs to promote entrepreneurship. Under national rules, the instrument cannot finance real estate activities, with the exception of *productive investments*, or provide indirect financing to a “final consumer”¹³ for their private use.

We found that one final recipient had used the EU-funded loan to purchase a property with a swimming pool. The property was already inhabited by the final recipient’s main shareholder and was subsequently leased to him at a below market rent. In addition, the seller was the *financial intermediary* who granted the loan. The financial intermediary (a commercial bank) was aware of these facts and still approved the loan, despite knowing it was not eligible for EU support.

Renting this property to the final recipient’s main shareholder cannot be considered a productive investment. Furthermore, the loan provided unwarranted indirect financial support to the shareholder.

Transactions managed directly or indirectly by the Commission

6.32. This section of the report presents our findings for expenditure managed directly or indirectly by the Commission, meaning not under shared management. We found four errors where the Commission directly supported projects through the European Climate, Infrastructure and Environment Executive Agency (CINEA), European Education and Culture Executive Agency (EACEA), and EIB, which we quantified (see [Box 6.8](#)).

¹³ Article 1a of the [Law 2251/1994](#).

Box 6.8**Personnel costs declared in breach of the grant agreement**

This year we audited a project in Denmark, co-financed by the 2021-2027 *Creative Europe Programme*, where the *executive agency* of the Commission (EACEA) had allocated a grant to a company to support creative industries with development and market research.

We found that the beneficiary had calculated and declared personnel costs in breach of the grant agreement. In particular, it did not use the mandatory daily rate calculation method and did not convert working hours recorded in the time-recording system into day-equivalents. Our recalculations showed that the claimed personnel costs were overstated in four of the five cases we audited.

6.33. We also detected ineligible costs comprising overstated personnel costs in an action funded under Erasmus+ in Greece and Portugal.

6.34. The total quantified cases under direct and indirect management account for approximately 0.7 percentage points of our estimated level of error. The contribution of the cases we quantified is taken into account in [Figure 6.6](#).

Sound financial management

6.35. The EU budget must be implemented in a legal and regular way, as well as in accordance with *sound financial management*, comprising the principles of *economy*, *efficiency* and *effectiveness*. The CPR¹⁴ requires member states to respect these principles when they implement cohesion policy funds. Our work detected six cases where these principles had not been respected, one in Czechia, three in Italy (see [Box 6.9](#)) and two in Poland.

¹⁴ Article 125 of the CPR.

Box 6.9

Low weighting for price makes it unlikely that value for money was achieved

In Italy, we audited two ERDF projects: one aiming to renovate and restore a heritage building, and the other involving the construction of flood defences. The contracting authorities organised open public procurement procedures for the provision of the underlying works.

Under the corresponding calls, the award criterion was the “*most economically advantageous tender*” based on the best price-quality ratio. In line with the national public procurement legislation, the tender specifications indicated the relative weighting to be applied to each of the criteria (quality criteria and price) to compare the different bids and determine the best value for money.

The method used should select high quality works, while also taking into account the price offered by tenderers. However, we found that the contracting authorities in these two cases only gave a 10 % weighting to the price criterion. The vade-mecum on public procurement gives as an example that “*a weighting of less than 30 % for price is normally too low to have a significant impact on the result*”¹⁵.

The sound financial management principle of economy requires contracting authorities to prioritise not only appropriate quality, quantity and timeliness, but also the best price. While the contracting authorities acted in line with national rules and therefore the transaction was regular, we consider that such a low weighting for price poses a risk that value for money was not achieved.

Other spending

6.36. During our audit of the 2024 budget spending, we examined two grant payments made under the [European Union Solidarity Fund \(EUSF\)](#) following earthquakes in Croatia. The EUSF offers financial assistance to member states and countries involved in accession negotiations after severe natural disasters and (since 2020) in major health emergencies.

6.37. According to the EUSF Regulation, the aim of the fund is to complement the efforts of the countries concerned and cover part of their expenditure on essential emergency and recovery operations. Funding can be used to finance measures such as

¹⁵ [Vade-mecum on public procurement in the Commission.](#)

restoring infrastructure to working order, providing temporary accommodation, and cleaning up disaster areas.

6.38. According to the EUSF Regulation¹⁶, the Commission must present an annual report on the activity of the Fund to the European Parliament and the Council by 1 July of the following year. We note that the Commission has not submitted any EUSF *annual activity reports* (EUSF AARs) to the European Parliament and the Council since 2019.

¹⁶ Article 12 of Council Regulation (EC) No 2012/2002.

Governance

Our assessment of the work of audit authorities

Residual error rates are above materiality for 44 % of the value of assurance packages we audited in 2024

6.39. This year, we assessed the work of 22 out of a total of 119 audit authorities in 15 member states and the United Kingdom. Our sample comprised 30 assurance packages under their responsibility. Except for one case, the audit authorities had reported to the Commission a residual error rate equal to or below 2 %.

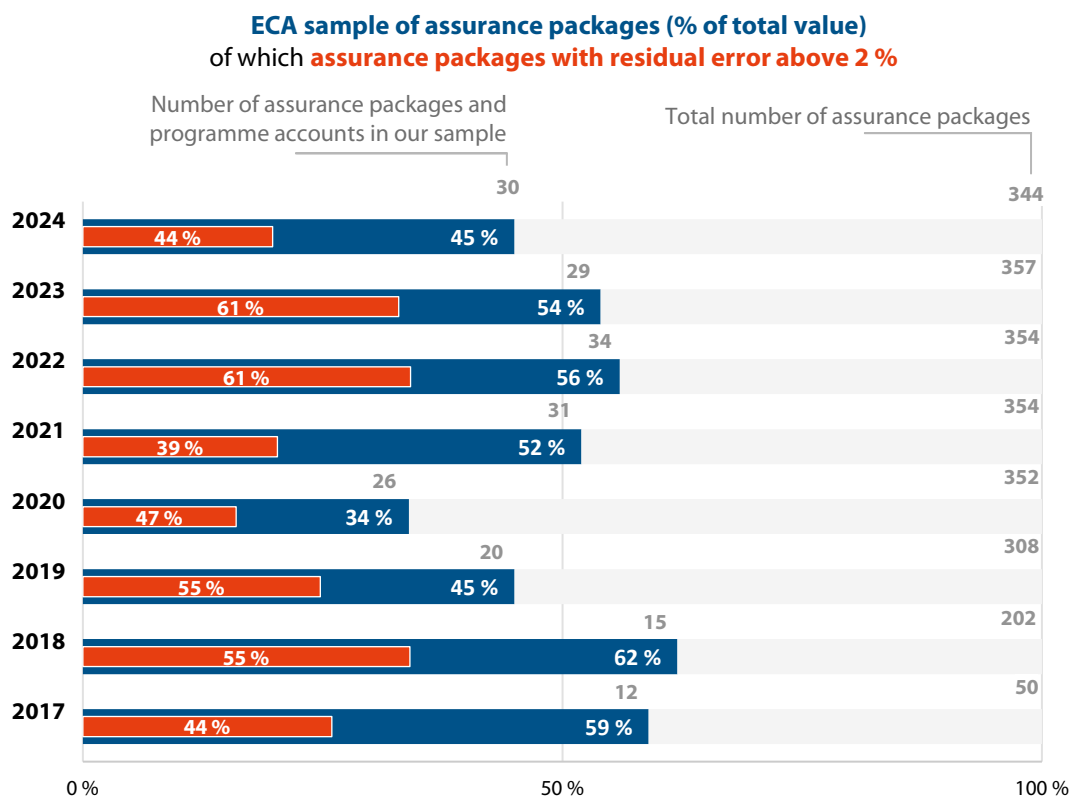
6.40. In DG REGIO's and DG EMPL's AARs, taking account of its own audit work and the preliminary results of our audits for the 2024 financial year, the Commission adjusted the residual error rate for 5 of the 30 assurance packages in our sample to above 2 %.

6.41. Taking account of the errors detected by the Commission and of our own audit findings, our work on this year's sample shows that the residual error rate was above 2 % in 16 of the 30 audited assurance packages.

6.42. The assurance packages we audited represent a significant share of the expenditure that *certifying authorities* certified to the Commission (2024: 45 %). Since 2017, our annual sample coverage has ranged between 34 % and 62 % of the expenditure certified in the annual accounts (see blue bars in [Figure 6.9](#)).

6.43. Since 2017, we have classified errors as quantifiable in 69 of the 110 assurance packages we have audited at least once. These are errors that were not detected by the audit authorities' checks on the same transactions. We observe that the proportion of assurance packages with residual error rates of above 2 % has not dropped below 39 % of the expenditure in our samples (see red bars in [Figure 6.9](#)). This indicates that shortcomings remain in the work of the audit authorities which are not sufficiently addressed by the Commission's assurance work.

Figure 6.9 – Assurance packages audited, and with a residual error rate above 2 % (2017 to 2024)



Source: ECA.

Weaknesses in audit authorities' work reduce the extent to which the Commission can rely on their conclusions

6.44. We found various types of weaknesses in the work of 20 of the 22 audit authorities we audited. These weaknesses affected 137 of the 189 transactions we examined. The errors we found in these transactions could, and should, have been detected by the audit authorities when they conducted their checks. This reduces the extent to which the Commission can rely on the results of their work.

6.45. Some of the 137 transactions were affected by multiple weaknesses. We identified shortcomings in:

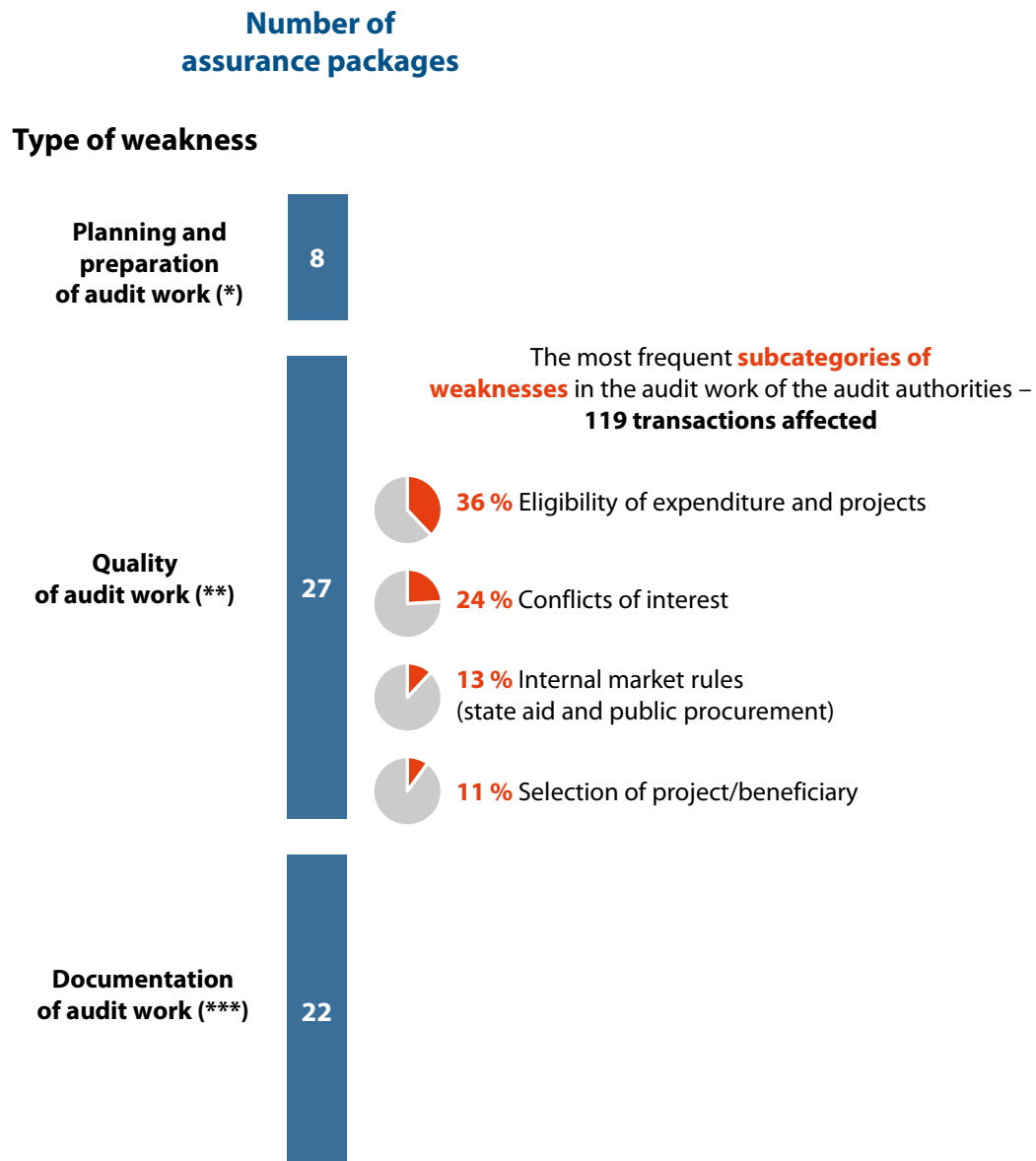
- the planning and preparation of the authorities' audit work, e.g. weaknesses in the sampling approaches and incomplete checklists (checklists that do not include specific questions on state aid, double funding, payment deadlines, *fraud*, etc., even though audit authorities are required to check these issues);
- the quality of the audit work carried out and

— the documentation of that work.

6.46. We had to re-perform the corresponding audit procedures for 138 of the 189 transactions (73 %). For 89 transactions (47 %), we had to approach managing authorities, intermediate bodies or beneficiaries on the spot regarding the necessary supporting documents and other evidence, as the audit authorities had either not collected or not retained them, contrary to the requirements of auditing standards (see paragraph [6.28](#)).

6.47. [Figure 6.10](#) reports the shortcomings we identified and reported at the level of audit authorities per assurance package.

Figure 6.10 – Types of shortcomings identified at the level of audit authorities



(*) Czechia, Germany, Italy, Lithuania, the Netherlands, and Sweden.

(**) Czechia, Germany, Greece, Spain, France, Italy, Hungary, the Netherlands, Poland, Portugal, Romania, Sweden, and the United Kingdom.

(***) Czechia, Germany, Greece, Spain, France, Italy, Lithuania, Hungary, Poland, Portugal, Romania, and Sweden.

Source: ECA.

6.48. [Box 6.10](#) provides an example of a serious shortcoming in an audit authority's work and reporting.

Box 6.10

Weaknesses in an audit authority's work and reporting

Our audit in the Netherlands identified weaknesses in the planning, preparation and quality of the audit authority's work on an ESF OP.

We found that the audit authority had neither properly assessed the application of state aid rules nor identified expenditure that was ineligible on several grounds (see [Box 6.6](#)).

When auditing certain operations, the audit authority was not in the position to identify from the full list of project costs which expenditure had been declared to the Commission. Consequently, it had to draw its sub-sample of expenditure from this list. The audit authority then offset some of the errors it identified against expenditure declared by the beneficiary in excess of the grant agreement. This was not in accordance with the CPR or the Commission guidance on the treatment of errors¹⁷ and led the audit authority to understate the *residual total error rate* (RTER).

6.49. We found a case of an OP subject to a flat-rate correction for which the audit authority once again did not verify whether costs were legal and regular (see [Box 6.11](#)).

Box 6.11

Recurrent lack of checks increasing risk of non-compliance

In Hungary, we audited an ERDF project under the 'Economic Development and Innovation' OP. The national authorities had applied a flat-rate correction to all 'priority axis 2' project costs incurred before February 2022, based on the results of a Commission audit.

¹⁷ Section 2.2.3 "An expenditure 'buffer' at project level" of the [Guidance](#) for member states on the ACR and Audit Opinion to be reported by audit authorities and on the treatment of errors.

For the second year in a row¹⁸, we found that the audit authority did not check certain aspects of personnel costs (staff qualifications and salary increases) concerned by the flat-rate correction.

We also detected that in a financial instrument under another priority axis of the same OP, the audit authority did not audit the eligibility of the final recipients and of the investments, where a flat rate correction of 10 % was applied.

The CPR¹⁹ requires audit authorities to verify whether costs are legal and regular, and member states to recover undue funding from beneficiaries, irrespective of whether it is subject to a flat-rate correction. The lack of checks and recoveries undermines the deterrent effect that discourages the beneficiaries from breaching the applicable law.

6.50. Nevertheless, we did identify the following elements of good practice in an ERDF OP in Croatia (see [Box 6.12](#)).

Box 6.12

Model of good practice - improvements in audit authority's work

Since 2019, we have audited the 2014-2020 'Competitiveness and cohesion' OP in Croatia six times, including CF and ERDF projects, and financial instruments. In our previous audits, we repeatedly identified system weaknesses in the work and documentation of the audit authority.

This year, we found no such weaknesses. On the contrary, our work confirmed that the audit authority had taken corrective action and made improvements to its work and documentation based on our previous findings. This was demonstrated by:

- more effective checklists and higher quality audit work carried out;
- detailed checklists and workpapers that enabled us to almost completely follow the audit trail;
- audit files and documentation arranged and encoded to make them easily accessible.

These improvements are an example of good practice.

¹⁸ 2023 annual report, Box 6.9.

¹⁹ Article 122(2) of the CPR.

6.51. In response to the [ECA's review 03/2024](#) on the legality and regularity of cohesion spending in the 2014-2020 period, in December 2024 the Commission and the audit authorities jointly agreed an action plan comprising a series of possible initiatives to improve the detection capacity of the latter²⁰. Moreover, the Commission, based on our conclusions that *compliance audits* are more effective than desk reviews at detecting irregularities, revised its approach in order to increase the scope of its on-the-spot audits. The effectiveness of these actions can be assessed in the future.

The Commission's assurance work and reporting of residual error rate in its annual activity reports

6.52. AARs are the Commission DGs' main tool for reporting whether they have reasonable assurance that control procedures ensure the regularity of expenditure. In 2024, the Commission concluded that the member states' *management and control systems* (managing authorities/intermediate bodies, audit authorities) did not function well for 23 of the 313 OPs led by DG REGIO (14.7 % of assessed expenditure) and 11 of the 211 OPs led by DG EMPL (4.5 % of assessed expenditure).

6.53. Given the Commission's audit results and our own findings (44 undetected errors – paragraph [6.14](#); weaknesses in the audit authorities' work – paragraph [6.44](#)), we agree with the Commission's conclusion that, at the end of the 2014-2020 programming period, the management and control systems did not function effectively in all member states. Therefore, the reliability of the Commission's error rates is also affected, as they rely on these national systems (see also paragraphs [6.44-6.49](#) and [Box 6.10](#) and [Box 6.11](#)).

The Commission considers that for cohesion the level of irregular expenditure in the accepted accounts is material

6.54. In cohesion, the Commission calculates a weighted average residual error rate using individual residual error rates reported by member states, the results of its own regularity work, and other available information such as the results of our audit work. It reports that rate as a *key performance indicator (KPI)* on legality and regularity for 2014-2020 programmes.

²⁰ DG REGIO's 2024 AAR, p. 43.

6.55. For the 2022/2023 accounting year, DG REGIO reported a higher residual total error rate for shared management concerning 2014-2020 programmes, at 2.5 % (2.1 % for 2021/2022). The maximum error rate was 3.6 %²¹. DG EMPL also reported a higher rate than for the previous year, at 2.2 % (1.6 % for 2021/2022), with a maximum rate of 3.0 %²². The maximum rate is intended to address the risk of errors outside the sample of transactions in OPs on which the error rates are based. Maximum rates may also include ‘top-ups’ and flat rates for unaudited OPs²³. Even though the Commission increased the KPIs reported in its 2024 AARs for cohesion, they were still below our estimated error range (see [Figure 6.6](#)).

6.56. For the 2021-2027 programmes, the Commission reported in its AARs that 11 assurance packages were received in February 2024 for DG REGIO and DG EMPL. Due to the limited number of programmes which submitted assurance packages in 2024, the packages were not sufficiently representative and consequently the risk at payment was estimated at 2 % (flat rate). For this reason DG REGIO and DG EMPL did not calculate their respective KPIs (see paragraph [6.55](#)), unlike for the 2014-2020 period.

6.57. In the 2024 *annual management and performance report (AMPR)*, the indicators reported by the Commission²⁴ are as follows:

- MFF heading 2 (as a whole): a combined risk at payment of 2.9 %, based on the amounts at risk calculated by the various DGs. We note that this indicator is above the 1.6 % calculated by the Commission for the entire EU budget.
- All cohesion policy funds (as a whole): a combined risk at payment of between 2.3 % and 3.2 %, also based on the DGs’ estimates for amounts at risk and their KPIs.

6.58. Overall, DG REGIO²⁵ concluded in its AAR that a material level of irregular expenditure remained in the 2024 accepted accounts for the ERDF/CF, despite the

²¹ The estimated overall risk at payment for DG REGIO’s 2024 paid expenditure (including all programming periods and management modes) ranges between 2.30 % and 3.29 %.

²² The estimated overall risk at payment for DG EMPL’s 2024 paid expenditure (including all programming periods and management modes) ranges between 2.16 % and 2.82 %.

²³ Annex 7D of [DG REGIO’s](#) and [DG EMPL’s](#) 2024 AARs.

²⁴ Volume II of the 2024 AMPR, Annex 2, pp. 103-106 and Volume III, Annex 5, pp. 20-22.

²⁵ DG REGIO’s 2024 AAR, p. 9.

results of the controls and corrections already applied at member state level. DG EMPL²⁶ concluded the same for the ESF/YEI and FEAD. As stated in our [review](#) on the cohesion assurance framework, we consider that the Commission underestimates the level of error it reports, although it agrees with our overall conclusion that cohesion spending is materially affected by errors. **Chapter 1** (paragraph **1.36**) describes the difference between our error rate and the rate calculated by the Commission.

Closure of the 2007-2013 and 2014-2020 programming periods

6.59. The deadline for member states to submit the 2007-2013 closure documents was 31 March 2017, although this has been repeatedly delayed. By the end of 2024, the situation was as follows:

- DG REGIO had fully closed 282 out of 322 OPs, only three more than 2023. The remaining 40 OPs for the 2007-2013 programming period are pre-closed.
- DG EMPL had closed 101 out of 118 OPs and pre-closed 15 OPs. Only two Romanian ESF programmes are still open. The Commission indicates in its AAR that it will pre-close these two programmes in 2025.

6.60. For DG REGIO's 40 pre-closed programmes and DG EMPL's 15 pre-closed programmes, the Commission agreed to make a partial closure payment covering only the uncontested amounts. It withheld any expenditure affected by potential irregularities or ongoing investigations at national or EU level. Most of these pre-closed programmes are still affected by ongoing procedures at national level resulting in a lengthy closure process and making it difficult to predict the date of full closure. Considering the slow progress made, there is an increased risk of overlapping with the closure of the OPs for the 2014-2020 programming period, which may lead to further delays.

6.61. For the 2014-2020 programming period, the [STEP](#) regulation extended the deadline for member states to submit their final assurance packages to 15 February 2026. However, the Commission reported ten 2014-2020 OPs as closed (two in 2023 and eight in 2024).

6.62. In its AAR, DG REGIO reported that "final assurance packages were submitted by 1 March 2025 for 58 out of the 313 programmes not yet closed". Similarly, DG EMPL

²⁶ [DG EMPL's 2024 AAR](#), p. 8.

reported that “final assurance packages were submitted for 43 out of the 211 programmes not yet closed”. Both DGs will only start reporting on the state of closure of these programmes in their 2025 AARs.

Conclusion and recommendations

Conclusion

6.63. We estimate that the overall level of error for the ‘Cohesion, resilience and values’ MFF heading for the 2024 financial year is 5.7 %.

6.64. Our audit showed that further improvements are necessary in the way the assurance framework for cohesion spending is applied, both by the member states’ programme authorities and by the Commission, considering that the 2021-2027 assurance architecture for shared management remains similar.

6.65. Our work shows that managing authorities’ controls do not always effectively prevent or detect irregularities in expenditure declared by beneficiaries. Moreover, the weaknesses we found in the work of several audit authorities in our sample (see paragraphs [6.44-6.49](#)) currently limit the reliance that can be placed on their work. The recalculated error level was above the 2 % materiality threshold in 16 of the 30 assurance packages for the 2014-2020 period. The Commission adjusted the residual error rates for five of these packages to a figure above 2 %.

6.66. Since 2017, the assurance packages in our annual samples have consistently accounted for over one third of the expenditure accepted by the Commission. The proportion of expenditure covered by assurance packages with residual error rates above 2 % is still significant, 44 % in 2024 (see [Figure 6.9](#)).

Recommendations

6.67. [Annex 6.2](#) shows the findings of our follow-up review of two recommendations we made in our [2021 annual report](#). The Commission had implemented one recommendation in full, and one in some respects. We also reviewed three recommendations from the [2022](#) and [2023](#) annual reports that were targeted for implementation by the end of 2024, of which one was fully implemented. We also assessed recommendations from the [2017](#), [2018](#), [2019](#) and [2020](#) annual reports that had not yet been fully implemented, but which remain relevant.

6.68. Based on our findings and conclusions for 2024, we recommend that the Commission:

Recommendation 6.1 – Ensure that audit authorities improve the way they operate

Ensure, through its desk reviews and audits, that audit authorities strengthen their control and detection capacity, by verifying that they:

- (a) plan properly the sampling and draw a representative, sufficient and relevant audit sample from the expenditure declared to the Commission, as required by the CPR;
- (b) confirm that compliance with eligibility criteria is proven with sufficient, appropriate and reliable evidence;
- (c) keep proper documentation to support the audit trail, including a clearly indexed audit file with reference to (i) evidence documents, (ii) detailed checklists and (iii) working papers including the description of the items tested, underlying calculations and formulas.

Target implementation date: starting in 2026.

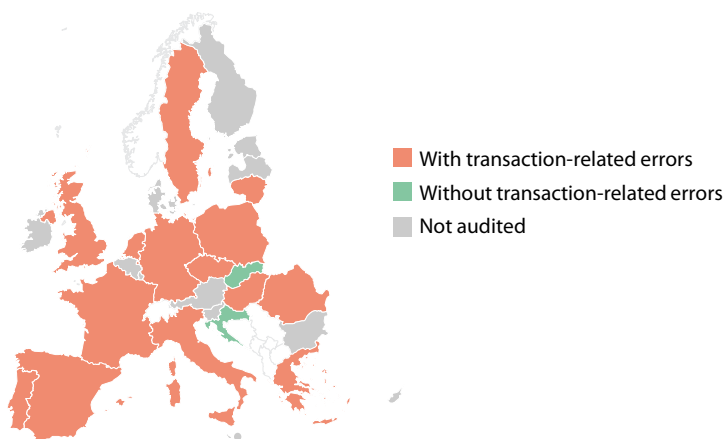
Recommendation 6.2 – Restart checks after flat rates imposed

Ensure, when systematic weaknesses have been detected in (operational) programmes and a flat rate has been consequently imposed, that member state authorities do not use the flat rate correction mechanism to avoid their responsibility to check the eligibility of the expenditure before declaring it to the Commission, and make individual recoveries as necessary.

Target implementation date: end of 2025.

Annexes

Annex 6.1 – Breakdown of our sample of shared management transactions and associated findings for the 2024 statement of assurance



Member state (*)	EU contribution (million euros)	Audited transactions	Transaction-related findings	
			Quantifiable errors	Non- quantifiable errors
Poland	9 002	41	6	1
Italy	5 775	27	3	3
Romania	3 670	13	-	3
Spain	3 532	17	7	3
Czechia	2 596	18	2	6
Germany	2 583	12	4	3
Portugal	2 369	10	4	4
Hungary	2 595	9	4	2
Greece	2 152	16	2	1
France	2 076	7	1	2
Croatia	1 775	5	-	-
United Kingdom	1 559	7	-	1
Slovakia	1 507	6	-	-
Lithuania	949	4	-	1
Bulgaria	854	--		
Latvia	463	--		
Estonia	401	--		
Slovenia	390	--		
Sweden	330	5	2	-
Belgium	288	--		
Finland	184	--		
Malta	171	--		
Netherlands	135	4	3	3
Cyprus	107	--		
Austria	40	--		
Denmark	35	--		
Luxembourg	19	--		
Ireland	10	--		
TOTAL	45 567	201	38	33

(*) Our sample is not designed to conclude on each member state separately.

Source: ECA.

Annex 6.2 – Follow-up of previous recommendations for ‘Cohesion, resilience and values’

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented.

Year	ECA recommendation	The Commission's acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2017	We recommend that the Commission: Recommendation 1: ensure that the audit arrangements for financial instruments managed by the <i>EIF</i> are adequate at the level of financial intermediaries. When the <i>EIB/EIF</i> uses agreed-upon procedures with external auditors, the Commission should define the minimum conditions of such contracts with a view to the need to provide assurance, in particular the obligation for sufficient audit work at the level of the member state. (Implementation date: immediate).			The <i>Omnibus Regulation</i> introduced a requirement for audit authorities to perform system audits and audits of operations on financial instruments at the level of financial intermediaries, including financial instruments managed by the <i>EIB Group</i> but excluding <i>SME Initiative</i> programmes set up before 2 August 2018. The Commission has taken additional measures by including, in the audit methodology for financial instruments, a recommendation that audit authorities audit financial intermediaries for instruments implemented by the <i>EIB Group</i>, regardless of when they were set up. However, the methodology cannot extend the regulatory mandate of audit authorities. The Commission provided proof that in some member states the audit authorities already perform checks at the level of the financial intermediaries. However, our 2020 and 2022 (SMEi Spain) audits revealed that those checks are not yet performed consistently (in the member state we audited, neither the external auditor nor the audit authorities carried out any audit at the level of financial intermediaries). No new elements were provided to show that this was corrected in 2024.

Year	ECA recommendation	The Commission's acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	Recommendation 3: address the weaknesses we have identified in its verification of the audit authorities' work in the context of the Commission's regularity audits. (Implementation date: immediate).			See paragraphs 6.58-6.64 of the 2018 annual report , paragraphs 5.48-5.62 of the 2019 annual report , paragraphs 5.43-5.44 of the 2020 annual report , paragraphs 5.40-5.43 of the 2021 annual report , paragraph 6.47 of the 2022 annual report , paragraphs 6.50-6.53 of the 2023 annual report , and paragraphs 6.44-6.49 of the current annual report. Despite the Commission's increased compliance audit work, we still encounter weaknesses in the audit authorities' work.
	Recommendation 4: address the complexity of the information presented on the 2014-2020 control and assurance framework in the AARs of DGs REGIO and EMPL, by: (...) (iii) disclosing an overall residual error rate for MFF subheading 1b for each accounting year. (Implementation date: June 2019).			
	Recommendation 5: ensure that audit arrangements are changed in accordance with the proposal made by the Commission for financial instruments in the post-2020 regulatory framework so that only the actual use of funds at final recipient level is used for the calculation of residual error rates.			The common provisions regulation for the 2021-2027 period (Regulation (EU) No 2021/1060) provides for a single advance payment for financial instruments to be included in the first payment application. In its replies to the follow-up for the 2020 annual report , the Commission stated its intention to adopt a delegated act requiring audit authorities to exclude this advance from the audit population. The Commission has now reassessed this position and stated that the initial

Year	ECA recommendation	The Commission's acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	(Implementation date: before implementation of the post-2020 legislative framework begins).			advance will remain part of the audited population for the accounting year concerned.
	Recommendation 6: carry out sufficient regularity checks to conclude on the effectiveness of audit authorities' work and obtain reasonable assurance on the regularity of expenditure at the latest in the AARs it publishes following the year of accepting the accounts. (Implementation date: immediate).			See paragraph 5.64 of the 2021 annual report .
2018	We recommend that the Commission: Recommendation 6.1 – Audit arrangements for SME Initiative programmes Ensure that: regular checks, based on a representative sample of disbursements to final recipients, are carried out at the level of financial intermediaries either by the audit authority or by an auditor selected by the EIB Group; where such checks were insufficient, develop and implement appropriate control measures to prevent the possibility of material irregular expenditure at closure. (Target implementation date: immediate).			Our previous audits confirmed that the EIF has already made or is making improvements to its monitoring and control systems and has voluntarily extended the use of reasonable assurance reports to SMEi programmes. While we acknowledge that some audit authorities have already carried out verifications at the level of financial intermediaries, the full effectiveness of these measures has not yet been proven. We point as an example the results of the audit to SMEi Spain carried out in context of the 2022 SoA.

Year	ECA recommendation	The Commission's acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2019	Recommendation 5.2 – Action to increase the reliability of the residual rates reported by audit authorities Analyse the main sources of undetected errors and develop the necessary measures together with audit authorities to improve the reliability of reported residual rates. (Timeframe: June 2021).			Despite the Commission's efforts, as presented in the AARs of DG REGIO (2019: pp. 25 and 2020: pp. 41-43 and 2021: pp. 32-33) and DG EMPL (2019: pp. 37, 2020: pp. 43-44 and 2021: pp. 49), our audit work since 2020 did not show a significant improvement in this respect (see for example paragraph 5.38 of the 2020 annual report, paragraphs 5.40 and 5.41 of the 2021 annual report, paragraphs 6.48, 6.49 and 6.50 of the 2022 annual report, paragraphs 6.50-6.53 of the 2023 annual report, and paragraphs 6.44-6.49 of the current annual report. The Commission has carried out the analysis of main sources of undetected errors.
2020	We recommend that the Commission: Recommendation 5.2 – Keeping track of the risk of fraud in audit authorities' audits of operations Encourage audit authorities explicitly to introduce specific questions in their checklists on fraud risks and document the steps taken to address any such risks discovered in the course of an audit. Audit authorities should work in collaboration with national anti-fraud coordination services (AFCOSs) and take account of cases of suspected or established fraud reported to the Commission via the Irregularities Management System (IMS). We also refer to our recommendations in special report 06/2019.			

Year	ECA recommendation	The Commission's acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	(Timeframe: June 2022).			
2021	Recommendation 5.2 – Contribution of national schemes to ESF objectives Ensure that, when operational programmes are based on existing national schemes, the operation implemented contribute effectively to programme objectives, taking particular account of the situation detected this year in relation to <i>participants not in employment, education or training (NEET)</i> in Spanish ESF/YEI operational programmes. (Target implementation date: November 2022).			The Commission had taken action in relation to the Spanish case referred to in the recommendation. However, it did not address the issue of how operations financed through OPs based on existing national schemes contribute effectively to the programme objectives.
	Recommendation 5.6 – Rule of law Provide information in its annual activity reports about ongoing rule of law procedures against member states and how these may affect the assurance that the Commission can obtain about regularity of expenditure from the assurance and control systems of the countries concerned. (Target implementation date: April 2023 (next AARs)).			
2022	Recommendation 6.3 – Thematic audits on conflicts of interest Plan and implement focused thematic audits on conflicts of interest for the 2021-2027 programmes, based on its			

Year	ECA recommendation	The Commission's acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	own risk assessment and in view of the shortcomings identified. (Target implementation date: December 2024).			
	Recommendation 6.5 – Reliability of self-declarations Ensure that audit authorities have appropriate methods in place to check the validity and reliability of self-declarations and share good practices, taking particular account of the situation detected this year. (Target implementation date: December 2023).			We take note that the Commission has taken several actions in this respect and we take note that the Commission is planning to further share best practices.
2023	Recommendation 6.2 – Harmonised treatment of public procurement errors under direct and shared management Establish a harmonised treatment of public procurement irregularities for projects financed under both direct and shared management, such as projects financed by both CEF and ERDF. Irregularities resulting from the breach of the same legal provisions should lead to the same assessment and correction rate. (Target implementation date: December 2024).			

Source: ECA.

Chapter 7

Natural resources and environment

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Introduction

7.1. This chapter presents our findings for the *multiannual financial framework (MFF)* heading 3 'Natural resources and environment'. *Figure 7.1* gives an overview of the main activities and spending under this heading in 2024.

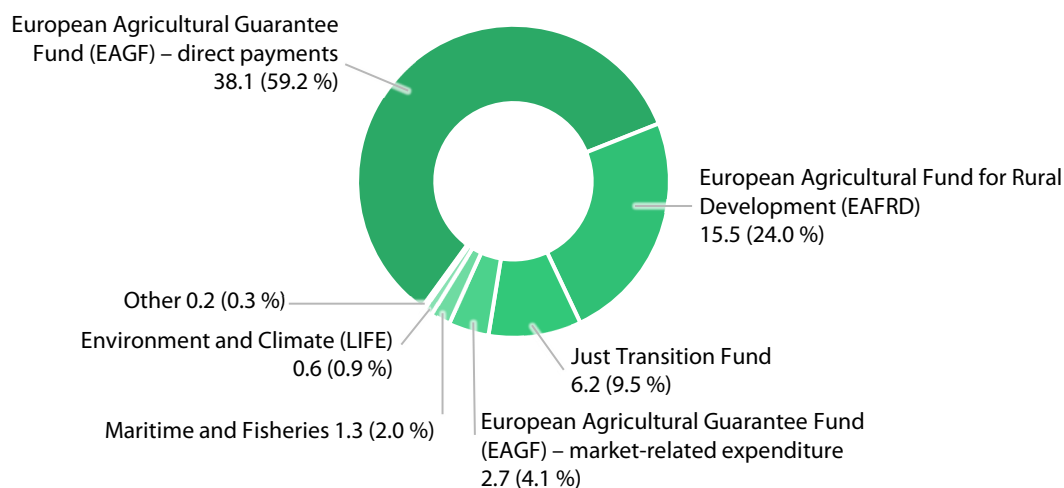
Figure 7.1 – Payments and audit population

Natural Resources and Environment
€64.4 billion (33.7 % of EU budget spending)



2024 payments breakdown by fund

(billion euros)



2024 audit population compared to payments

Payments – total 64.4



Audit population – total 57.9



Source: ECA, based on data from the 2024 consolidated accounts of the European Union.

Brief description

Policy objectives and areas

7.2. In 2024, the *common agricultural policy (CAP)* represented the main share (87.3 %) of EU spending on ‘Natural resources and environment’. While the European Commission, in particular the Directorate-General for Agriculture and Rural Development (DG AGRI), is ultimately responsible for the CAP, it shares its management with *paying agencies* in the member states that are responsible for ensuring the *legality and regularity* of the spending declared to the Commission. The CAP has three general objectives for the 2023-2027 period¹:

- to foster a smart, competitive, resilient and diversified agricultural sector ensuring long-term food security;
- to support and strengthen environmental protection, including biodiversity, and climate action;
- to strengthen the socio-economic fabric of rural areas.

7.3. MFF heading 3 includes also the *Just Transition Fund (JTF)*, which was established for the 2021-2027 period to support regions and people affected by the transition towards climate-neutrality². It accounts for 9.5 % of payments under this heading. Nearly all the payments from the JTF in 2024 were uncleared pre-financing, which we do not include in the audit population.

7.4. This MFF heading also covers EU spending under the maritime and fisheries policy financed by the *European Maritime and Fisheries Fund (EMFF)*, which falls under the responsibility of the Directorate-General for Maritime Affairs and Fisheries (DG MARE), and the *LIFE programme* for the environment and climate action under the responsibility of the Directorates-General for the Environment (DG ENV), Climate Action (DG CLIMA) and Energy (DG ENER).

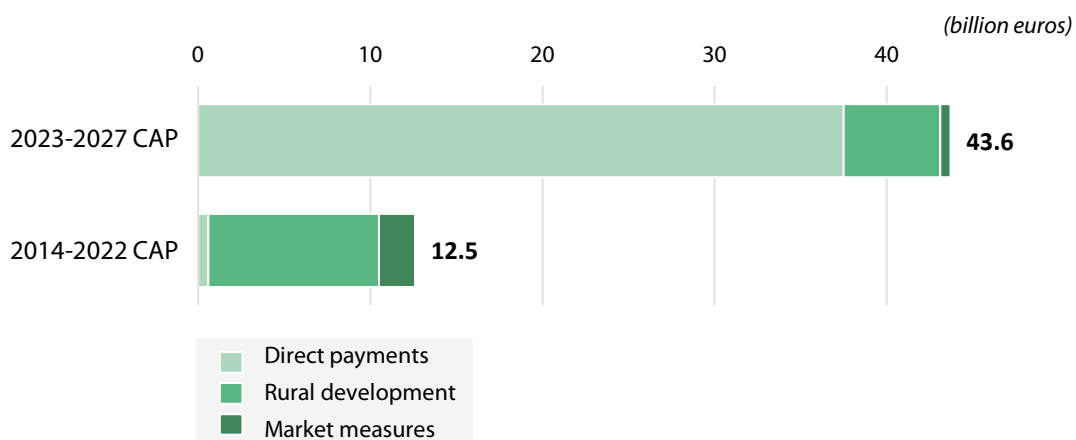
¹ Article 5 of [Regulation \(EU\) 2021/2115](#) establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans).

² Article 2 of [Regulation \(EU\) 2021/1056](#) establishing the Just Transition Fund.

Spending instruments and frameworks

7.5. For the 2023-2027 period, member states have established *CAP strategic plans* covering spending from the *European Agricultural Guarantee Fund (EAGF)* and the *European Agricultural Fund for Rural Development (EAFRD)*. In total, €43.6 billion out of €56.0 billion of the CAP payments in 2024 were made under *CAP strategic plans* while €12.5 billion were made under the 2014-2022 CAP framework. See [Figure 7.2](#) below:

Figure 7.2 – Type of CAP spending by period



Source: ECA.

7.6. For 2024, the main spending instruments ('interventions') for the CAP were:

- *direct payments* to farmers, fully funded by the EU budget (EAGF);
- member states' national and regional *rural development interventions*, co-financed by the EU budget (EAFRD) and the member states;
- agricultural *market measures*, fully funded by the EU budget (EAGF) except for certain measures, such as agri-food promotion measures, which are co-financed by the member states.

7.7. Direct payments accounted for 59.2 % of spending under *MFF* heading 3 (€38.1 billion in 2024). Nearly all direct payments in 2024 were made under CAP strategic plans for the 2023-2027 period (€36.9 billion). The main direct payment interventions were as follows.

- The '*basic income support for sustainability*' intervention (€19.0 billion) and the '*complementary redistributive income support for sustainability*' (€4.0 billion),

which provide income support based on the area of agricultural land declared by farmers.

- 'Eco-schemes' (€8.6 billion), a new type of intervention introduced under the 2023-2027 CAP, to support agricultural practices that contribute to the climate and the environment goals and animal welfare. Under an eco-scheme, the *beneficiary* has to fulfil requirements that go beyond the relevant statutory management requirements and *standards for good agricultural and environmental conditions of land (GAEC)*. **Box 7.1** provides an example.
- 'Coupled income support' (€4.4 billion) for specific types of agricultural produce, such as beef and veal, milk, or protein crops.

Box 7.1

An example of an eco-scheme for the cultivation of extensive grassland

In Finland, a farmer received payments under an eco-scheme for the cultivation of extensive grassland. The scheme is designed to improve biodiversity. The photo shows a parcel with old natural grassland that has developed into a multi-species environment supporting a variety of plants, field birds and insects. During our audit, we confirmed that the beneficiary had respected the eligibility conditions.



Source: ECA.

7.8. Direct payments to farmers are entitlement-based; receiving them depends on meeting certain conditions. Such payments carry a lower risk of *error* than reimbursement-based payments, provided the attached conditions are not complex (see paragraph **1.18**). With the exception of certain eco-schemes, we consider that the conditions for receiving direct payments are not complex.

7.9. Direct payments are managed by each member state through an *integrated administration and control system (IACS)*, which interlinks databases of holdings, aid applications, animal registries and agricultural areas. The IACS incorporates an

identification system for agricultural parcels (ISAP), a geo-spatial application system (GSA), and an area monitoring system (AMS). The IACS helps farmers to fill in their area-related aid applications and provide evidence of their activities, which facilitates checks carried out by paying agencies. This allows certain errors in aid applications to be corrected prior to payment and reduces the risk of error.

7.10. Rural development accounted for 24.0 % of spending under MFF heading 3 (€15.5 billion) and consisted of:

- payments to farmers based on environmental and climate-related criteria (€6.9 billion) applied to the agricultural area or on the number of animals in the holding ('area or animal-related') which are also covered by member states' IACS;
- aid to investment projects (€8.6 billion) to support social and economic development in rural areas ('non-area-based').

7.11. In 2024, most rural development spending by member states continued to be related to *commitments* made under national and regional *rural development programmes* covering the 2014-2022 period (€9.9 billion). Under the United Kingdom Withdrawal Agreement, the former member state's rural development programmes ran until the end of 2023 and were closed in 2024.

7.12. Agricultural market measures, which accounted for 4.1 % of MFF heading 3 spending (€2.7 billion), include several schemes, such as support for fruit and vegetables producer organisations and the restructuring of vineyards – each with their own eligibility conditions. Market measures in the wine sector aim to increase producers' competitiveness and help them adapt to market demands.

7.13. The remaining 3.2 % of MFF heading 3, spending, mainly under the European Maritime and Fisheries Fund (EMFF) and LIFE programmes, also involves a variety of selection criteria, eligibility requirements and disbursement methods.

7.14. The eligibility conditions for eco-schemes, most spending on rural development, market measures, and the MFF heading 3 policy areas outside the CAP are more complex than for direct payments (excluding eco-schemes), and the risk of error is higher (see paragraph **1.18**).

Audit scope and approach

7.15. The objective of our audit work was to contribute to the overall *statement of assurance (SoA)* as described in **Annex 1.1**, and to provide an assessment of the regularity of expenditure under this MFF heading. We examined the following for this MFF heading in 2024:

- (a) A statistically representative sample of 228 *transactions* covering all spending under this MFF heading, including:
 - 65 direct payments covering the main schemes,
 - 35 eco-scheme transactions,
 - 41 area or animal-related rural development transactions,
 - 63 non-area-based rural development transactions (investment projects),
 - 14 transactions related to market measures, and
 - 10 transactions under policy areas outside the CAP, including six transactions under the EMFF, three under the LIFE programme and one under a sustainable fisheries partnership agreement .
- (b) The regularity information given in the *annual activity reports (AAR)* of DG AGRI and DG CLIMA and then included in the Commission's *annual management and performance report (AMPR)*.

7.16. The 228 transactions we audited covered 19 member states³ and the United Kingdom. Of the 218 CAP transactions, 128 related to the 2023-2027 CAP, and were mainly direct payments, and 90 to the 2014-2022 CAP, and were mainly rural development and market measures.

³ Bulgaria, Czechia, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Lithuania, Hungary, Netherlands, Austria, Poland, Portugal, Romania, Slovakia, Finland and Sweden.

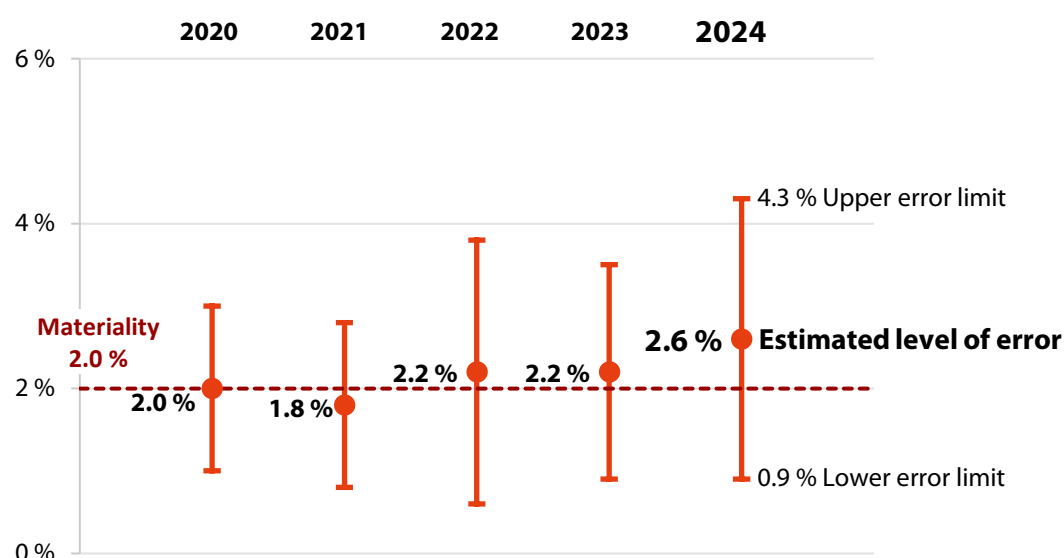
Regularity of transactions

Results of transaction testing

7.17. Of the 228 transactions examined, 39 (17 %) contained errors. Based on the 22 errors we have quantified, we estimate the level of error to be 2.6 % (see [Figure 7.3](#)).

Figure 7.3 – Results of transaction testing

Estimated level of error (ELE)



Sample size (transactions)

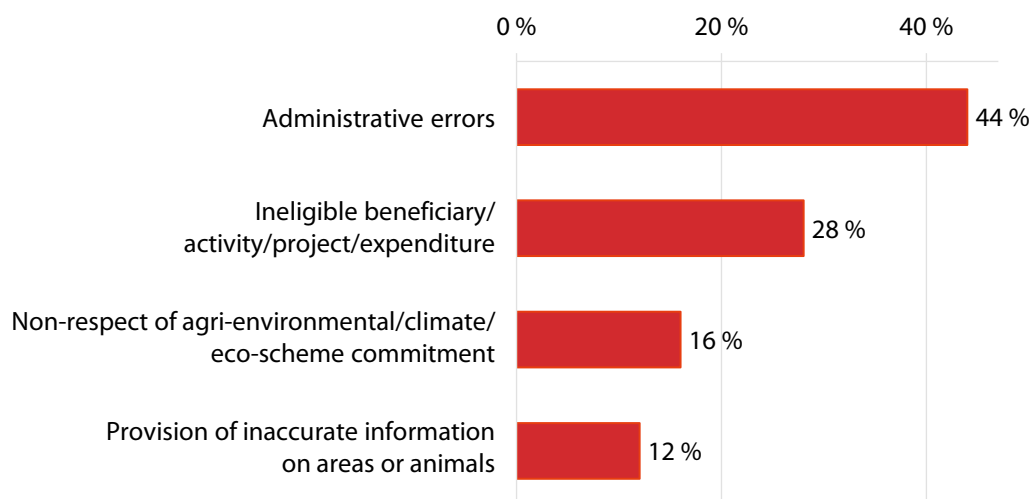
2020	2021	2022	2023	2024
218	212	218	218	228

Source: ECA.

7.18. Eco-scheme transactions accounted for the largest number of quantifiable errors we found (8) along with rural development transactions (8). We found three quantifiable errors in direct payments (excluding eco-schemes), two in market measures, and one in non-CAP expenditure. We also found 19 compliance issues with no impact on the error rate. [Annex 7.1](#) presents an overview of MFF heading 3 expenditure and the results of our transaction testing by member state.

7.19. *Figure 7.4* gives a breakdown of our estimated level of error for 2024, by category of error.

Figure 7.4 – Much of the estimated level of error is related to administrative errors



Source: ECA.

7.20. The member state authorities had applied corrective measures that directly affected 51 of the transactions we sampled. These measures were relevant to our calculations, as they reduced our estimated level of error for this chapter by 0.4 percentage points. In 13 cases of *quantifiable errors*, the member state authorities had sufficient information to prevent, or to detect and correct, the error before accepting the expenditure. Had the member state authorities made proper use of all the information at their disposal, the estimated level of error for this chapter would have been 2.2 percentage points lower.

Direct payments

7.21. In the 65 direct payment transactions (excluding eco-schemes) tested, we found three quantifiable errors: two over-declarations of area or number of animals under the basic income support for sustainability intervention and an undue payment of support under the POSEI scheme for outermost regions⁴.

⁴ Programme of Options Specifically Relating to Remoteness and Insularity (POSEI). Regulation (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union.

7.22. In the 35 eco-schemes transactions, we found 8 quantifiable errors. Five of them were at the level of the final beneficiary including two for over-declaration of area, two for non-compliance with the eco-scheme commitment or incorrect application of the rules and one ineligible beneficiary. Three errors were at the level of the managing authority, all due to a deficient legal framework or incorrect application of the rules, which shows the general complexity of the eco-schemes in the first year of implementation. [Box 7.2](#) provides an example of such an error where the eco-scheme's requirements did not go beyond those already established by national law.

Box 7.2

An example of a deficiency in the national rules for an eco-scheme

In Germany, a beneficiary received a payment under an eco-scheme providing support for the application of nature protecting agricultural practices in Natura 2000 areas. According to CAP strategic plans Regulation⁵, under such eco-schemes, member states shall – amongst other things – only provide payments covering commitments which go beyond the relevant mandatory requirements established by national law. The farmer applied for compensation payments under the eco-scheme for not carrying out measures on his land, such as digging new or mending existing drainage, fillings, embankments, or excavations. However, for some of the farmer's parcels, most of these measures were already prohibited by the national legislation for nature protected areas, and so the farmer should not have been eligible to receive payments for them.

⁵ Article 31 paragraph 5 (b) of [Regulation \(EU\) 2021/2115](#).

Rural development, market measures and other policy areas

Area or animal-related rural development spending

7.23. We examined 41 rural development payments based on the area or animal numbers declared by farmers. These included payments for meeting specific *agri-environment-climate commitments*, compensation payments for organic farming, payments to farmers in areas with natural constraints and compensation payments for farming in Natura 2000 protected areas. Of the 41 payments, 21 related to the 2023-2027 CAP and 20 to the 2014-2022 CAP.

7.24. In the 41 area or animal-related rural development transactions we tested, two contained quantifiable errors: one related to the over-declaration of the eligible area, and the other to non-compliance with animal welfare on a pig farm.

Investment projects

7.25. We examined 63 rural development payments to investment projects, such as investments in physical assets, start-up aid for young farmers and risk management (insurance). Of the 63 payments, 7 related to the 2023-2027 CAP and 56 to the 2014-2022 CAP.

7.26. We quantified errors in six payments, resulting from beneficiaries having declared expenditure or activities that did not meet the eligibility conditions. In one case, the error resulted from a farmer failing to meet the conditions for receiving support for a non-productive investment (see [Box 7.3](#)).

Box 7.3**An example of a farmer not meeting the conditions for investment support**

In Ireland, a beneficiary applied for support for a non-productive investment associated with an agri-environment climate measure. To receive the support, the beneficiary undertook to create a vegetation area next to a stream protecting it from pollution (a 'Riparian buffer zone') by fencing off a parcel to prevent animal encroachment. During our on-the-spot visit, we observed that the area had not been completely fenced off and the electric fence, which had been installed, was not functioning, as it was overgrown with vegetation and lying on the ground in places.



Source: ECA.

Market measures

7.27. In the 14 market measure transactions tested, we quantified errors in two cases.

Maritime, fisheries, the environment and climate action

7.28. For the maritime, fisheries, and the environment and climate action areas, we audited 10 transactions and we found one quantifiable error in a *shared management* transaction under the EMFF.

Annual activity reports and other governance arrangements

DG AGRI and DG CLIMA reporting on the regularity of spending

7.29. In 2024, two sets of arrangements applied to DG AGRI's reporting on the regularity of spending, the new performance-based assurance model for CAP strategic plan spending, and the compliance framework from the 2014-2022 CAP. The latter continues to apply for spending outside CAP strategic plans, including the remaining payments made by member states' during the year under their 2014-2022 rural development programmes. For spending under CAP strategic plans, neither the Commission nor the member states are required to provide estimates of the risk of error at payment.

7.30. Each member state is required to provide DG AGRI with an '*assurance package*'. The package includes the annual accounts on expenditure and the new *annual performance report (APR)* for each paying agency, and a management declaration from its director. This declaration states that the information provided is complete and accurate and that the governance systems are functioning properly, including those for ensuring the legality and regularity of declared expenditure. The package also includes the reports and opinions of independent *certification bodies* with regard to the paying agencies' financial accounts, governance systems, annual performance report, and the legality and regularity of the spending outside CAP strategic plans.

7.31. For spending under CAP strategic plans covered by the new performance-based assurance model (€42.9 billion), DG AGRI assessed the risk to spending of interventions, based on the certification bodies' reports and on its own audit work. For 2024, the Commission assessed 82 % of CAP strategic plan spending as low-risk, 11 % as medium-risk, and the remaining 7 % as high-risk. Low-risk spending corresponds to interventions unaffected by potential serious deficiencies in their governance systems. Most low-risk spending relates to direct payments and other support covered by the IACS (€33.8 billion).

7.32. As regards eco-schemes, DG AGRI considers that whilst they are a very important policy instrument, some have a higher degree of inherent complexity and their correct implementation proved challenging. In all, the Commission assessed that 26 % of eco-scheme spending was covered by governance systems that either do not

function or that only partially function (and so high- or medium-risk), in contrast to 10 % for direct payment interventions (excluding eco-schemes).

7.33. For spending outside the CAP strategic plans covered by the compliance framework from the 2014-2022 CAP (€12.5 billion), DG AGRI continued to use the error rates reported by the paying agencies. It makes adjustments based on the results of the certification bodies' audits, and its own audits of paying agencies' systems and spending. This allows it to calculate a figure for 'risk at payment' for direct payments, rural development and market measures.

7.34. For 2024, DG AGRI calculated the 'estimated amount at risk at payment' at around 2.8 % of €12.5 billion of spending outside CAP strategic plans, including around 5.9 % for direct payments, 2.8 % for rural development and 2.0 % of €2.1 billion for market measures. The figure for direct payments is not comparable to that of previous years as it largely relates to support for the outermost regions under the POSEI scheme, which accounted for only around 1.2 % of direct payments (€0.5 billion).

7.35. For 2024, DG AGRI combined the result of the performance-based and compliance-based payments and assessed 77 % of CAP spending as low-risk, 10 % as medium-risk, and 13 % as high-risk. By way of comparison, DG AGRI provides an estimate in the 2024 AAR of 69 % for low-risk CAP spending for 2023, when the overall 'estimated amount at risk at payment' was 1.9 %.

7.36. We also performed a limited review of the regularity information in DG CLIMA's annual activity report. We noted that the methodology for the calculation of the risk at payment and at *closure* for DG CLIMA was in line with the Commission guidelines.

The Commission's annual management and performance report (AMPR)

7.37. The Commission no longer provides an estimate of risk at payment for 'Natural resources' in its AMPR, as only 23 % of the heading is covered by the compliance frameworks of DG AGRI, DG MARE, DG ENV and DG CLIMA.

Review of new performance reporting systems

7.38. As part of our 2024 audit, we collected and analysed information on the introduction of annual performance reports (APR), as follows:

- for the 19 countries in our sample, we carried out a survey to collect information on their reporting arrangements, IT systems and data processing mechanisms;
- for nine paying agencies where our sample included transactions under CAP strategic plans, we checked how the outputs corresponding to the audited payments were recorded in the paying agencies' APR systems; and
- for 76 national and regional paying agencies and coordinating bodies, we analysed the certification bodies' assessments of the proper functioning of the performance reporting component in the governance systems and the accuracy and completeness of their APRs.

7.39. Based on our survey, we found that paying agencies' performance reporting systems were still under development in 2024. While 18 paying agencies had automated the production of performance indicators, two reported that they were using a manual or partly automated approach to produce some key output indicators for their 2024 APRs. Due to ongoing developments, the upgraded IT systems for producing the APRs had not yet undergone full testing to check their compliance with the international information security standards (ISO 27001).

7.40. At the time of our audit and for the nine paying agencies with CAP strategic plan transactions, we were able to establish the correspondence between payments made and the outputs recorded in their IT systems for producing annual performance reports.

7.41. Member states submitted their first full APRs covering the 2024 financial year by 3 March 2025, along with the certification bodies' reports. We found that certification bodies rated 93 % of the paying agencies' performance reporting systems as either 'working' or 'work well'. The remaining systems were assessed as 'partially working', suggesting minor deficiencies. As regards the accuracy of output and result indicators, certification bodies assessed 92 % of paying agencies' indicator reporting as 'working' or 'working well'.

7.42. The results of our review suggest that annual performance reporting has, for the most part, been introduced as planned. We have not identified any issues with the reported data. With regard to the set-up and design of performance reporting systems,

the accreditation criteria for paying agencies and coordination bodies cover the proper deployment of the IT systems. This includes the performance reporting systems designed within their scope. Member states have to ensure that information security management systems have the appropriate certification and that those systems function properly.

Conclusion and recommendations

Conclusion

7.43. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘Natural resources and environment’ as a whole was material (see paragraph 7.17). For this MFF heading, our testing of transactions produced an estimated overall level of error of 2.6 %.

7.44. Our results indicate that the level of error was not material for direct payments (excluding eco-schemes), representing 46 % of spending under this MFF heading while it was material for the other spending areas taken as a whole (eco-schemes, rural development, market measures, maritime, fisheries, the environment and climate action), representing 54 % of spending.

Recommendations

7.45. The follow-up of the two recommendations we made in our 2021 annual report was already performed in 2023⁶. The Commission had implemented both recommendations in full.

7.46. We also reviewed the recommendations from the 2022 and 2023 annual reports that either required immediate action or were targeted for implementation during 2024. One recommendation made in the 2022 annual report was targeted for implementation in 2024 (see Annex 7.2).

7.47. We consider recommendation 7.1 in the 2022 annual report, concerning monitoring the quality of agricultural area data, to have been implemented. This reflects our assessment that the Commission evaluates the *land parcel identification system (LPIS)* quality assessment reports submitted by the member states every year, and checks the completeness of the reports and the remedial actions proposed.

7.48. Based on our findings and conclusions for 2024, we recommend that the Commission:

⁶ 2023 annual report, Annex 7.2.

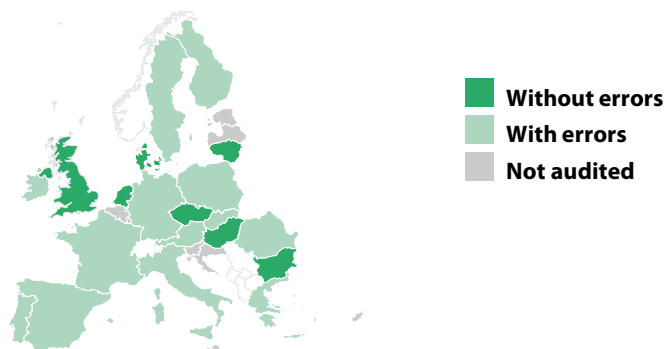
Recommendation 7.1 – Support member states in designing their eco-schemes

Given the importance of eco-schemes in achieving environmental and climate goals, provide additional support to member states in designing less complex schemes without compromising their ambition, based on sharing knowledge and expertise gained through the implementation of the initial schemes of the 2023-2027 period.

Target implementation date: 2026.

Annexes

Annex 7.1 – Information on EU action in member states and the UK



Member state / country (*)	EU contribution (million euros)	Audited transactions	Quantifiable errors	Non-quantifiable errors
CAP spending	56 300	218	21	16
France	9 737	30	2	2
Spain	7 332	30	2	4
Germany	6 303	14	1	2
Italy	6 143	23	1	1
Poland	4 819	19	1	1
Romania	3 197	12	3	
Greece	2 694	7	1	3
Hungary	1 978	8		
Portugal	1 543	9	2	1
Ireland	1 520	5	1	
Austria	1 271	9	4	1
Bulgaria	1 213	8		
Denmark	999	5		
Czechia	983	4		
Netherlands	976	4		
Sweden	911	8	1	1
Lithuania	878	5		
Finland	779	5	1	
Slovakia	647	9	1	
United Kingdom	254	4		
Member states not audited	2 122	N/A	N/A	N/A
Other policies	8 100	10	1	3
TOTAL	64 400	228	22	19

(*) Our sample is not designed to conclude at member state level.

Source: ECA, based on Commission data.

Annex 7.2 – Follow-up of previous recommendations

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2022	We recommend that the Commission: Recommendation 7.1: Monitoring the quality of agricultural area data Given that agricultural area will be the basis for performance indicators under the new CAP 2023-2027, continue monitoring how accurately members states assess the eligible area in the Land Parcel Identification System. Target implementation date: 2024.			

Source: ECA.

Chapter 8

Migration and border management
Security and defence

Contents

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Annex 8.1 – Follow-up of previous recommendations for 'Migration and border management' and 'Security and defence'	

Introduction

8.1. This chapter presents our findings for the *multiannual financial framework* (MFF) headings 4 ‘Migration and border management’ and 5 ‘Security and defence’. **Figure 8.1** and **Figure 8.2** give an overview of the main activities and spending under these headings in 2024.

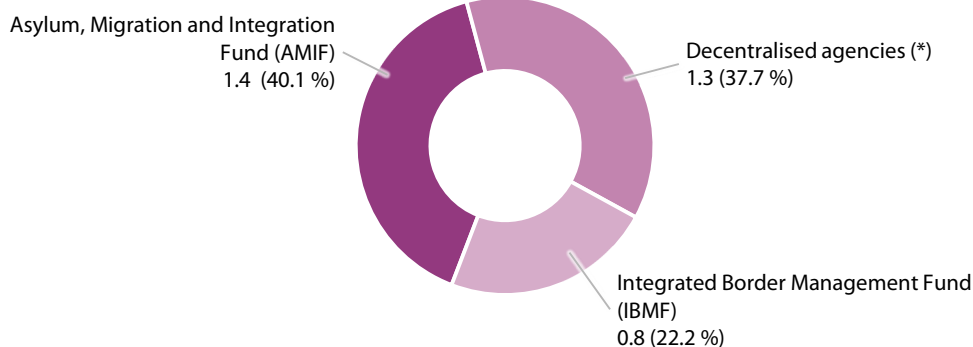
Figure 8.1 – Payments and audit population – Migration and border management

Migration and border management
€3.4 billion (1.8 % of EU budget spending)



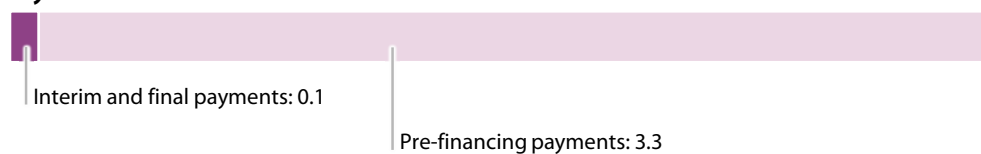
(billion euros)

2024 payments breakdown by fund

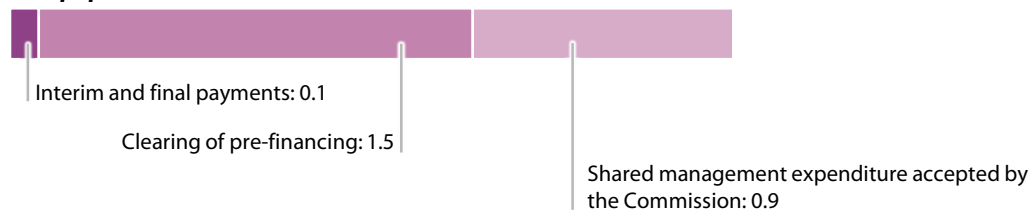


2024 audit population compared to payments

Payments – total 3.4



Audit population – total 2.5



(*) We report on payments to decentralised agencies in our annual report on EU agencies.

Source: ECA, based on data from the 2024 *consolidated accounts* of the EU.

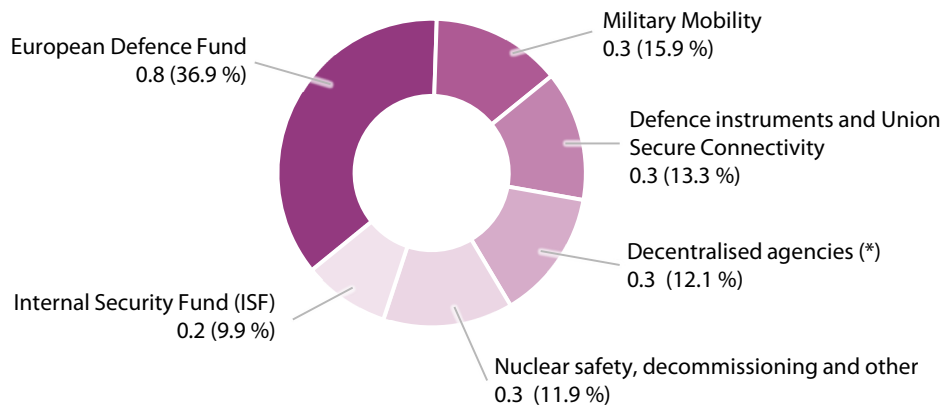
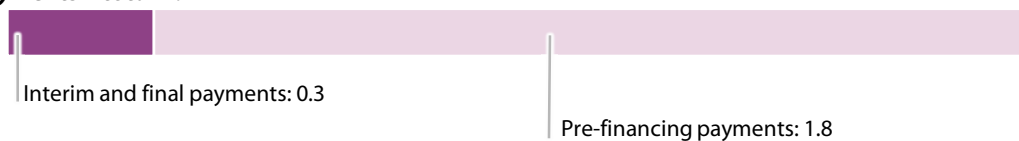
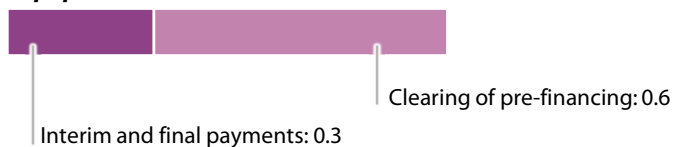
Figure 8.2 – Payments and audit population – Security and defence

Security and defence

€2.1 billion (1.1 % of EU budget spending)



(billion euros)

2024 payments breakdown by fund/spending area**2024 audit population compared to payments****Payments – total 2.1****Audit population – total 1.0**

(*) We report on payments to decentralised agencies in our annual report on EU agencies.

Source: ECA, based on data from the 2024 consolidated accounts of the EU.

Brief description

Migration and border management

8.2. Heading 4 of the 2021-2027 MFF covers the policy areas of migration and border management. Details are shown in [Figure 8.1](#). A substantial part of the spending under this heading in 2024 still concerned the completion of projects and programmes outstanding from the 2014-2020 MFF, relating to the winding-up of the *Asylum, Migration and Integration Fund*¹ (AMIF) and the *Internal Security Fund – Borders and Visa instrument*² (ISF-BV). These funds are now undergoing the closure process and have been replaced in the 2021-2027 MFF by the new AMIF³, and the *Instrument for Financial Support for Border Management and Visa Policy*⁴ (BMVI) of the *Integrated Border Management Fund*.

8.3. Another significant spending area for MFF heading 4 is the funding for *decentralised agencies* ([European Border and Coast Guard Agency](#) (Frontex), [European Union Agency for Asylum](#) (EUAA), and [European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice](#) (eu-LISA)).

Security and defence

8.4. In the 2021-2027 MFF, heading 5 covers security and defence. Details are shown in [Figure 8.2](#). The ‘security’ component includes funding from the Internal Security Fund (ISF) for 2021-2027⁵ and the completion of projects and schemes funded from the Internal Security Fund – Police instrument (ISF-P) for 2014-2020⁶, which comprised a sizeable portion of the spending in this area in 2024. This component also

¹ [Regulation \(EU\) No 516/2014](#) establishing the Asylum, Migration and Integration Fund.

² [Regulation \(EU\) No 515/2014](#) establishing, as part of the Internal Security Fund, the instrument for financial support for external borders and visa.

³ [Regulation \(EU\) 2021/1147](#) establishing the Asylum, Migration and Integration Fund.

⁴ [Regulation \(EU\) 2021/1148](#) establishing, as part of the Integrated Border Management Fund, the Instrument for Financial Support for Border Management and Visa Policy.

⁵ [Regulation \(EU\) 2021/1149](#) establishing the Internal Security Fund.

⁶ [Regulation \(EU\) No 513/2014](#) establishing, as part of the Internal Security Fund, the instrument for financial support for police cooperation, preventing and combating crime, and crisis management.

includes funding for nuclear decommissioning in Bulgaria, Lithuania and Slovakia, and funding for EU decentralised agencies in the area of security ([European Union Drugs Agency](#) (EUDA, until 1 July 2024 European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)), [European Union Agency for Law Enforcement Cooperation](#) (Europol), and [European Union Agency for Law Enforcement Training](#) (CEPOL). The 'defence' component includes the European Defence Industrial Development Programme (EDIDP)⁷ and the European Defence Fund⁸ that support collaborative defence projects at all stages of research and development and are managed by the Commission's Directorate-General for Defence Industry and Space (DG DEFIS). The component also supports military mobility through a dedicated budget within the *Connecting Europe Facility*⁹ that relates to adapting sections of the *Trans-European Transport Network* for civilian-military dual use purposes. There are also specific projects funded under the European Defence Fund linked to military mobility.

Implementation of shared management programmes

8.5. The management of most AMIF and ISF funding for 2014-2020 and most AMIF, BMVI and ISF funding for 2021-2027 is shared between the member states (or the four Schengen associated countries - Iceland, Liechtenstein, Norway and Switzerland) and the Commission's Directorate-General for Migration and Home Affairs (DG HOME). For 2021-2027, all funding for Liechtenstein is directly managed by the Commission. Under this arrangement, member states implement multiannual *programmes* that have been approved by the Commission.

8.6. Information is provided in **paragraph 2.16** on the implementation of AMIF and ISF shared management programmes for 2021-2027. Considered cumulatively, member states have stepped up implementation of the 2014-2020 programmes since 2020 because funding for 2014-2020 had to be spent by June 2024¹⁰ and the final accounts submitted by 31 December 2024. Nevertheless, a material amount of funding remained to be cleared (12 % or €528 million for AMIF and 16 % or €505 million for the ISF) pending acceptance of these final accounts by the Commission. [Figure 8.3](#) sets out

⁷ [Regulation \(EU\) 2018/1092](#) establishing the European Defence Industrial Development Programme.

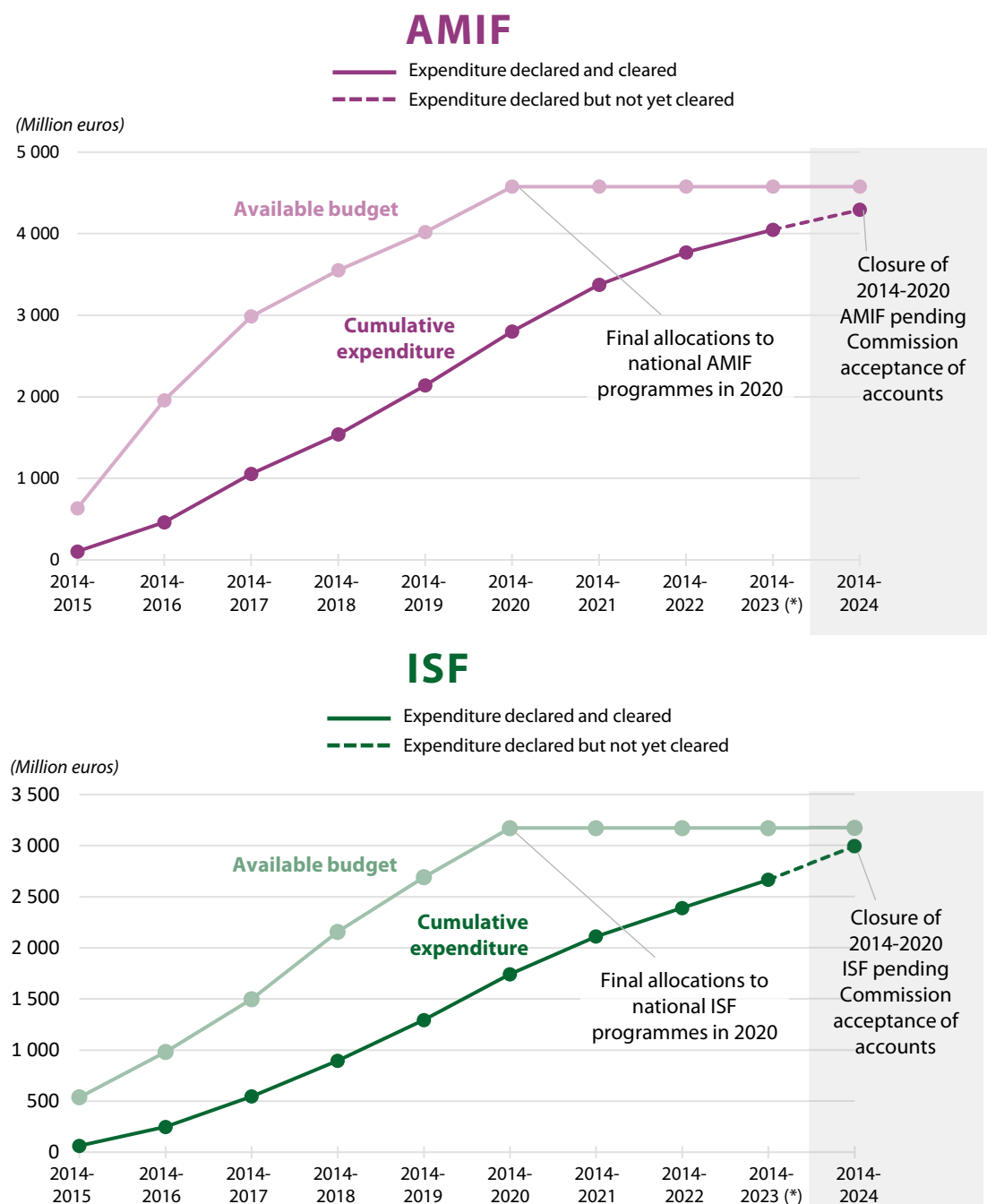
⁸ [Regulation \(EU\) 2021/697](#) establishing the European Defence Fund.

⁹ [Regulation \(EU\) 2021/1153](#) establishing the Connecting Europe Facility.

¹⁰ [Regulation \(EU\) 2022/585](#) amending Regulations (EU) No 514/2014, No 516/2014 and No 2021/1147.

the expenditure that member states have declared to the Commission for reimbursement since the beginning of the 2014-2020 *programming period*.

Figure 8.3 – Progress of 2014-2020 AMIF and ISF shared management programmes



(*) Member states generally declare AMIF/ISF expenditure to the Commission for acceptance the year after it is incurred. Thus, the Commission's 2024 accounts show the expenditure incurred by the member states in 2023.

Source: ECA, based on Commission data (programmes and clearance decisions until the end of 2024).

Audit scope and approach

8.7. For 2024, we applied the audit approach and methods set out in **Annex 1.1** for MFF headings 4 and 5, while taking account of the results of our *compliance audits* of agencies. We examined a sample of 23 *transactions* which contributed to our overall *statement of assurance*. However, this sample is not representative of the spending under these MFF headings, and so does not allow us to *estimate the error rate* for these headings. The sample comprised:

- (a) 12 transactions under *shared management* with member states - France, Italy, Lithuania, Portugal and Sweden for MFF heading 4; and Poland for MFF heading 5;
- (b) seven transactions under the Commission's *direct management* (four for MFF heading 4; three for MFF heading 5); and
- (c) four transactions under *indirect management* (two for MFF heading 4; two for MFF heading 5).

8.8. We also examined selected control systems by reviewing:

- (a) the 2023 *annual control reports* of national *audit authorities* for AMIF (Germany, Finland and Sweden) and BMVI (Croatia, Lithuania and Finland) under the 2021-2027 MFF;
- (b) the work done by these audit authorities on their member states' 2023 AMIF or BMVI annual accounts for their audit opinions provided to the Commission. We assessed whether these audit authorities had¹¹:
 - (i) put in place adequate procedures for providing reliable audit opinions and annual control reports;
 - (ii) used an appropriate sampling methodology;
 - (iii) sampled sufficient transactions to allow conclusions to be drawn for the whole population;
 - (iv) correctly calculated the error rate.

¹¹ As required by [Regulation \(EU\) 2021/1060](#).

8.9. Furthermore, we reviewed the regularity information given in the *annual activity report* (AAR) of DG HOME and then included in the Commission's *annual management and performance report* (AMPR).

Regularity of transactions

8.10. Of the 23 transactions we examined, eight were affected by *errors*. We have quantified three of these errors which had a financial impact on the amounts charged to the EU budget. These errors related to expenditure falling outside the implementation period, absence of essential supporting documents, and other types of ineligible expenditure. **Box 8.1** shows an example of the errors we have quantified.

Box 8.1

Expenditure falling outside implementation period

We audited an AMIF resettlement project under shared management with Portugal. The project was implemented from July 2021 to September 2023. The project provided direct legal and social support as well as guidance for vocational training and employment to refugees settled in Portugal. It targeted the needs of resettled groups and their long-term integration and autonomy in Portuguese society, with particular attention to programmes for learning Portuguese language.

We noted that the cost claim included an invoice for the purchase of electricity that included the provision of power supply that fell outside the implementation period.

Consequently, we considered 3.7 % of the related project costs to be ineligible expenditure.

8.11. We also found seven cases of non-compliance with legal and financial provisions, which had no financial impact on the EU budget. These cases related, for example, to shortcomings in *grant* award procedures, project monitoring, EU funding not fully used for intended purpose, and deficiencies in public procurement procedures. **Box 8.2** shows examples of the errors we found.

Box 8.2

Shortcomings in grant award procedures

We audited four open calls for proposals under shared management for ISF borders and AMIF in France and Portugal, respectively. The call in France required proposals to enhance security at external EU borders. The call in Portugal required services to facilitate the integration of third-country nationals.

In the case of France, we found that grant applicants had not been properly informed about the evaluation process. Important information on the appraisal methodology, such as applicable thresholds or different weightings applicable to individual criteria, had not been published.

In the case of Portugal, we found that the scoring methodology did not allow for sufficient differentiation of projects on merit, as only the scores of 1, 3, or 5 could be awarded. As a result, 19 project applications obtained exactly the same score and ranking. Since there was insufficient funding available to finance all projects, the funding cut-off was determined by the order in which applications were received rather than by applying robust criteria to differentiate projects on the basis of the quality of their proposals.

EU funding not fully used for intended purpose

We audited an ISF borders project under shared management with France. The project was implemented from January 2019 to December 2021. It consisted of feasibility and definition studies to integrate specific surveillance equipment into a particular aircraft type to be used exclusively to enhance the security of the EU's external borders (Schengen area). Due to delays, the subsequent installation of the equipment was then financed through a connected project under the BMVI (2021-2027). Nonetheless, both projects were designed as a single investment, and there was one tendering procedure to select a contractor for both the definition study and the installation.

We noted that on occasion the equipped aircraft were deployed outside the Schengen area in contravention of the applicable legislative and contractual requirements of the ISF instrument, which require that such projects contribute to the internal security of the EU's borders. According to information provided by the French authorities, the deployments outside the Schengen area accounted for almost a third of flight time.

However, as no supporting evidence was provided by the French authorities to substantiate actual deployments, the project is affected by a non-quantifiable error.

8.12. Although not affected by regularity errors, we also found in our sample two transactions that did not comply with the principles of *sound financial management*. These related to inadequate protection of EU-funded equipment and reimbursement of *value added tax* to public bodies above incurred costs contrary to Commission guidance. **Box 8.3** shows an example of the cases we found.

Box 8.3

Inadequate protection of EU-funded equipment

We audited an AMIF project under direct management in Greece for the provision of accommodation facilities in Greek migrant hotspots. The maximum eligible expenditure is €276 million and the ongoing project is being implemented by the responsible Greek authority. Our transaction related to the third *interim payment* amounting to €52.9 million. In October 2024, we carried out on-the-spot visits to the facilities on the islands of Samos and Kos.

We found that there had been substantial damage to basic equipment (e.g. furniture and fittings) during the first 2 years of operation. Furthermore, firefighting equipment had been moved from its original planned locations throughout the facilities in such a manner that will make its use difficult, should need arise, as shown below.



Source: ECA on-the-spot checks of the project.

8.13. Some international organisations restricted our access to documents only to a temporary electronic consultation in a view-only environment without transferring them to us. They considered that the contractual arrangements they had with the Commission allowed them to do so. This hindered our audit planning, execution and quality control. Our right to be forwarded any document or information necessary to carry out our task is established in Article 287 of the [Treaty on the Functioning of the](#)

European Union. We previously made related observations in our annual reports¹² and in our [opinion 10/2018](#)¹³. The potential for discretionary interpretation of our right to access documents, which results in an unlawful obstruction of the capability to carry out our audit, indicates a lack of precision in the contractual arrangements. After the audit work and before the audit was closed, all but one international organisation eventually allowed the download of the requested documents, but this only on a voluntary basis as part of a pilot project. Therefore, we do not consider this issue to be effectively resolved.

¹² [2023 annual report](#), paragraph 9.17, and [2018](#), [2020](#) and [2023](#) annual reports on the European Development Funds.

¹³ [Opinion 10/2018](#) concerning the proposal for a Regulation of the European Parliament and of the Council establishing the Neighbourhood, Development and International Cooperation Instrument, paragraph 18.

Examination of elements of internal control systems

Review of audit authorities' work in relation to their annual control reports and audits of expenditure

8.14. Member states submitted their first national annual accounts for the 2021-2027 AMIF and BMVI programmes in 2024.

8.15. The five audit authorities we reviewed had developed and implemented detailed procedures of sufficient quality to report on their work in the annual control report. However, we found that the Finnish audit authority did not perform any audits of operations on the expenditure declared (*lump sums*) in the AMIF annual accounts. Despite being aware of this, the Commission accepted the audit authority's opinion and paid the final balance without contradictory procedure. We also found that the Swedish audit authority did not perform any systems audit work for the audited financial period. As a result, while both audit authorities issued unqualified audit opinions, components of these opinions were not supported by sufficient audit work, which risks limiting the level of assurance provided.

8.16. We selected 14 audit files from the same five audit authorities. We used these files to check their underlying audit work and see whether it covered specific key requirements¹⁴. Overall, we found that the audit authorities had detailed audit programmes and used checklists to support their conclusions. However, we detected some shortcomings, see examples in [Box 8.4](#).

¹⁴ Key requirement 12 – appropriate systems audits, key requirement 13 – appropriate audits of operations and key requirement 15 – appropriate procedures for providing a reliable audit opinion and for preparing the annual control report, as set out in Annex XI to [Regulation \(EU\) 2021/1060](#).

Box 8.4**Shortcomings in the work of audit authorities**

Member state and fund	Shortcomings	Potential impact
Sweden AMIF	Inadequate documentation of the checks performed to confirm compliance with key eligibility requirements of reported expenditure.	Risk of failure to detect ineligible expenditure.
Finland BMVI	No financial correction was applied after identifying a procurement procedure error.	Risk to accuracy of the accounts.
	The <i>audit trail</i> was not complete and the checklists used were not up to date.	Risk to reliability of the audit authority's opinion.
Lithuania BMVI	The audit standards for the audit of the financial statements were not appropriate.	

Annual activity reports and other governance arrangements

8.17. For the 2024 financial year, we reviewed the AAR of DG HOME. Our analysis focused on whether DG HOME had presented the regularity information in its AAR in accordance with the Commission's instructions, and had applied the methodology for estimating future corrections consistently.

8.18. We found that DG HOME's estimates for overall risk at payment and at closure were calculated and reported in the AMPR in accordance with internal methodology. Of total expenditure in 2024 (€3 507.5 million), DG HOME estimated the total amount at risk at payment to be €44.6 million (1.3 %), and it estimated a figure of €41.0 million for overall risk at closure resulting from its estimated future corrections of €3.6 million.

8.19. The Director-General of DG HOME declared that she had reasonable assurance that the resources assigned to the activities described in the AAR had been used for their intended purpose and in accordance with the principles of sound management, but with some *reservations*. As the number of transactions we check is only a small proportion of those managed by DG HOME, we cannot validate this statement based on the results of our audit work.

Conclusion and recommendations

Conclusion

8.20. Our examination of transactions and systems highlighted some areas in which there is scope for improvement. While we did not audit sufficient transactions to estimate the level of error for these MFF headings (see paragraph [8.7](#)), our audit results indicate that this is a high-risk area, given the frequency of errors we found. The results of transaction testing contribute to our statement of assurance.

Recommendations

8.21. [Annex 8.1](#) shows the findings of our follow-up review of the two recommendations we made in our 2021 annual report, and the one made in our 2022 annual report. The Commission had implemented all recommendations in full.

8.22. Based on our findings and conclusions for 2024, we recommend that the Commission:

Recommendation 8.1 – Take further steps to ensure complete access to documents

Take further steps to ensure that international organisations provide the ECA with complete, unrestricted and timely access to documents necessary to carry out its task in accordance with the TFEU. In particular, ensure that contractual arrangements with international organisations are clear and fully respect the ECA's right to receive, at our request, any document or information necessary to perform our audit functions.

Target implementation date: end of 2026.

Recommendation 8.2 – Provide further guidance to member states on applicable rules governing calls for proposals

Provide further guidance to member state *managing authorities* under shared management on their obligations to respect the principles of equal treatment and transparency in the execution of calls for proposals to address shortcomings in grant award procedures.

Target implementation date: end of 2025.

Recommendation 8.3 – Follow-up shortcomings in audit authorities' work

Follow-up shortcomings in the audit authorities' work and, if found to call an unqualified audit opinion into question, implement appropriate control measures, to reduce the risk of irregular expenditure being undetected.

Target implementation date: end of 2026.

Annexes

Annex 8.1 – Follow-up of previous recommendations for ‘Migration and border management’ and ‘Security and defence’

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2021	We recommend that the Commission: Recommendation 1: Provide further guidance to the beneficiaries of Union action and emergency assistance, and the member state authorities responsible for implementing DG HOME funding, on adhering to:			The recommendation has been fully implemented. For Union actions and emergency assistance, the Commission has provided guidance during various meetings (e.g. kick-off meetings, ad hoc technical meetings, monitoring meetings) with beneficiaries to address part (a) of the recommendation

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	(a) the rules for collecting appropriate supporting documentation that can be produced in the event of checks or audits; (b) the obligation to comply with the national rules on public procurement when purchasing goods or services.)			concerning the rules on maintaining an adequate audit trail. For member state authorities responsible for implementing DG HOME funding, the Commission held a webinar in June 2024. Part (b) of the recommendation was implemented by the Commission by the end of 2024.
2021	Recommendation 2: Carry out better targeted <i>ex ante</i> checks on the eligibility of expenditure, especially in the case of emergency assistance, with a specific focus on the potential risks related to: (a) the type of expenditure (e.g. procurement); and (b) the type of beneficiary (e.g. beneficiaries with little or no experience of EU funding). In doing this, the Commission should take into consideration the fact that using audit			The recommendation has been fully implemented. The Commission has set up a DG-level strategy bringing together the different existing control elements, and conducted better targeted <i>ex ante</i> checks. As a similar recommendation was issued by the ECA in our 2022 annual report in relation to Union actions (see below), the Commission decided to address the implementation of both recommendations together to ensure a coherent approach for all actions directly managed by DG HOME.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	certificates to support beneficiaries' payment claims has limitations.			
2022	Carry out better targeted <i>ex ante</i> checks on the eligibility of expenditure for Union actions, with a specific focus on the potential risks related to, for example, the type of expenditure (e.g. personnel costs, equipment, procurement), or the type of beneficiary. When preparing its risk assessment, the Commission should take into consideration that audit certificates supporting beneficiaries' payment claims have limitations.	✓		The recommendation has been fully implemented. See remarks on the implementation of the previous recommendation.

Source: ECA

Chapter 9

Neighbourhood and the world

Contents

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Introduction

9.1. This chapter presents our findings for *multiannual financial framework (MFF)* heading 6 ‘Neighbourhood and the world’. **Figure 9.1** gives an overview of the main activities and spending under this heading in 2024.

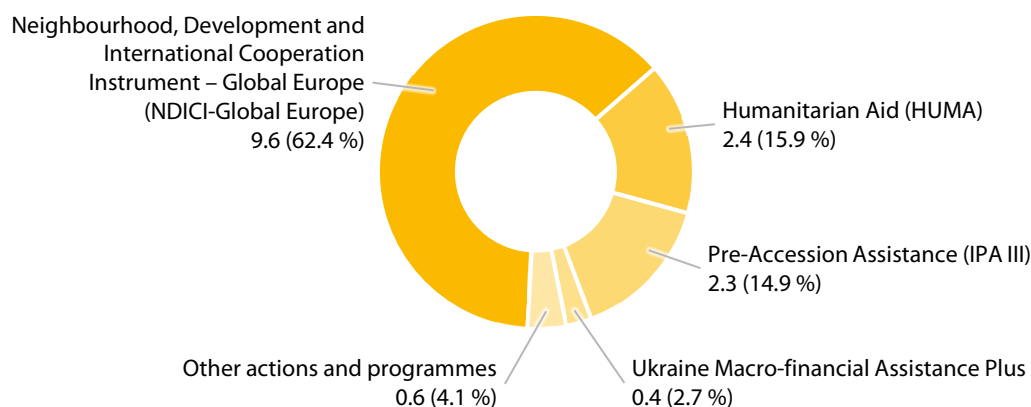
Figure 9.1 – Payments and audit population

Neighbourhood and the world
€15.4 billion (8.0 % of EU budget spending)



2024 payments breakdown by fund

(billion euros)

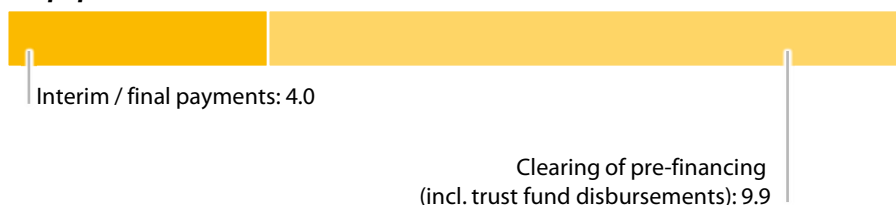


2024 audit population compared to payments

Payments – total 15.4



Audit population – total 14.0



Source: ECA, based on data from the 2024 *consolidated accounts* of the European Union.

Brief description

9.2. This spending area comprises several funding instruments, most notably the *Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI - Global Europe)*¹, the humanitarian aid budget and the Instrument for Pre-accession Assistance².

9.3. The general objective of NDICI - Global Europe is to uphold and promote EU values, principles and fundamental interests worldwide, and help promote multilateralism and stronger partnerships with non-EU countries. The NDICI - Global Europe instrument brings together 11 previous instruments for the 2021-2027 MFF, including the European Neighbourhood Instrument and the European Development Funds (the latter having been outside of the EU budget).

9.4. The EU also provides needs-based humanitarian assistance to people hit by human-induced disasters and natural hazards, with a particular focus on the most vulnerable.

9.5. The general objective of the Instrument for Pre-accession Assistance is to support *beneficiary* countries in adopting and implementing the reforms required to align with EU values with a view to membership, thereby contributing to their stability, security and prosperity.

9.6. These *external action* instruments are implemented in challenging geopolitical and organisational environments. Their activities span diverse regions with varying legal and institutional frameworks, requiring the ability to adapt to different regulatory and operational conditions.

9.7. The main directorates-general (DGs) and services implementing EU external action in 2024 were the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), the Directorate-General for International Partnerships (DG INTPA), the Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO) and the Service for Foreign Policy Instruments (FPI). Since 1 February 2025, DG NEAR has been split into two separate DGs: the Directorates-

¹ [Regulation \(EU\) 2021/947](#) establishing the Neighbourhood, Development and International Cooperation Instrument - Global Europe.

² [Regulation \(EU\) 2021/1529](#) establishing the Instrument for Pre-Accession assistance (IPA III).

General for Enlargement and the Eastern Neighbourhood (DG ENEST) and for the Middle East, North Africa and the Gulf (DG MENA).

9.8. In 2024, *payments* for ‘Neighbourhood and the world’ amounted to €15.4 billion (*pre-financing, interim* and final payments) and were disbursed using several instruments (see [Figure 9.1](#)) and delivery methods. These include works/supply/service contracts, *grants*, special loans, loan guarantees and financial assistance, *budget support* and other targeted forms of budgetary aid in non-EU countries (see [Annex 9.1](#)). Total payments under this heading increased from €15.2 billion in 2023 to €15.4 billion in 2024.

Audit scope and approach

9.9. Applying the audit approach and methods set out in [Annex 1.1](#), we examined 139 *transactions* in 2024, divided as follows:

- (a) a statistically representative sample of 137 transactions covering all spending under this MFF heading. We sampled 57 transactions from DG NEAR, 47 from DG INTPA, 18 from DG ECHO and seven from FPI, as well as eight transactions from other DGs (the Directorates-General for Agriculture and Rural Development (DG AGRI), Education, Youth, Sport and Culture (DG EAC), Environment (DG ENV), Structural Reform Support (DG REFORM), Regional and Urban Policy (DG REGIO) and Trade and Economic Security (DG TRADE), as well as the European Education and Culture Executive Agency (EACEA)). Our objective was to estimate the level of error for this MFF heading and to contribute to the statement of assurance;
- (b) two transactions relating to the ‘Ukraine Facility’. This facility, differently from the Ukraine Macro-financial Assistance Plus (see [Figure 9.1](#)), is financed outside the annual MFF ceiling. The *results* of our audit work on these transactions have no *impact* on the *estimated level of error* for MFF heading 6 ‘Neighbourhood and the world’ but do affect our overall estimated level of error.

9.10. We also examined:

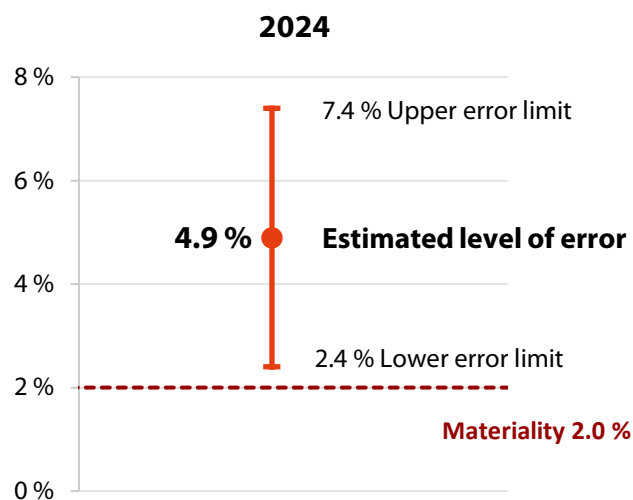
- (a) the *regularity* information presented in the *annual activity reports (AARs)* of DG ECHO and DG INTPA, the consistency of the methodology used to estimate amounts at risk and future corrections and recoveries, and the presentation of these amounts in the Commission’s *annual management and performance report (AMPR)*; and
- (b) the follow-up of our previous recommendations.

Regularity of transactions

9.11. For 2024, unlike previous years, we are providing a specific assessment of the regularity of underlying transactions for MFF heading 6 ‘Neighbourhood and the world’. Of the 137 transactions we examined, 56 (40.9 %) contained errors. Based on the 42 errors we have quantified, we estimate the level of error to be 4.9 % (see [Figure 9.2](#)).

Figure 9.2 – Results of transaction testing

Estimated level of error (ELE)



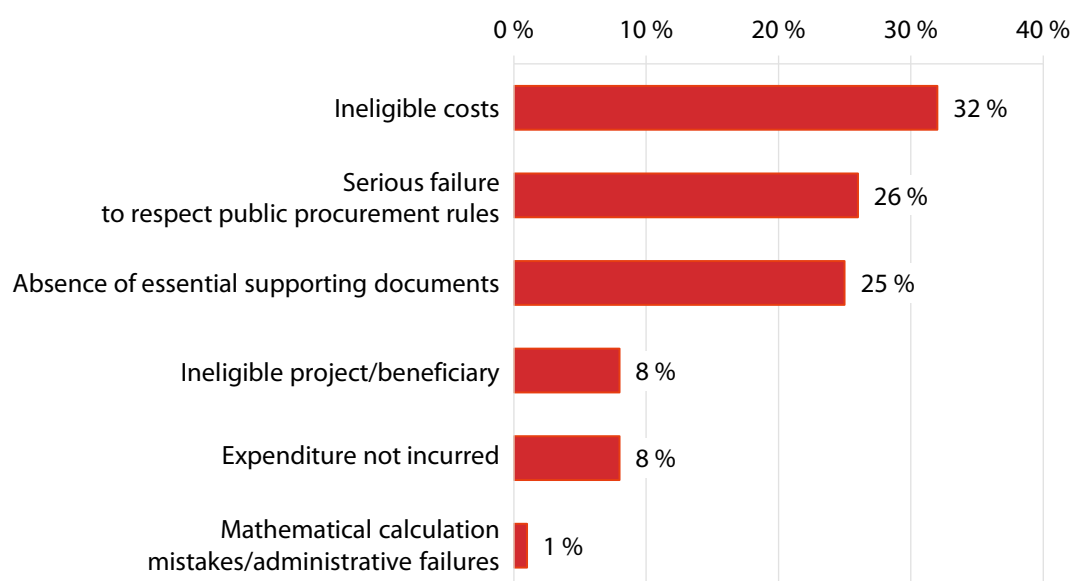
Sample size (transactions)

2024
137

Source: ECA.

9.12. [Figure 9.3](#) gives a breakdown of our estimated level of error for 2024 by error type.

Figure 9.3 – Breakdown of estimated level of error, by error type



Source: ECA.

9.13. We identified various error types, affecting multiple transactions, which have recurred over multiple audit years (see examples in [Box 9.1](#), [Box 9.2](#) and [Box 9.3](#)). The main types were:

- ‘cascading’ of *indirect costs* charged to the EU (i.e. sub-implementing organisations’ indirect costs being reported as part of the beneficiary’s direct costs, on top of the indirect costs already charged by the beneficiary). We made a recommendation on the cascading structure of implementation in our special report on health systems in partner countries³;
- inclusion of ineligible payroll costs, such as *provisions* and indirect costs;
- application of incorrect exchange rates;
- failure to respect *public procurement* rules; and
- clearing of advance payments claimed as incurred costs.

9.14. As in previous years, a large proportion of the errors we identified concerned contracts implemented by *pillar-assessed* organisations (international organisations,

³ [Special report 18/2024](#): “EU financial support for health systems in selected partner countries – Broad strategic objectives followed but interventions affected by coordination and sustainability issues”, recommendation 4.

international financial institutions and state agencies) under *indirect management*. For such contracts, the Commission accepted expenditure on the basis of a financial report and a management declaration. The latter is a self-declaration from the pillar-assessed organisation certifying that the financial information submitted is properly presented, complete and accurate, and in compliance with the obligations laid down in the contract. Of the 42 errors we quantified (see paragraph 9.11), 26 related to such contracts, contributing 3.1 percentage points to the estimated level of error.

9.15. Once again, we faced delays in receiving requested documentation from some international organisations and international financial institutions and, consequently, in carrying out our work (see [Annex 9.2](#), recommendation 1 from 2020). They restricted our access to documents only to a temporary electronic consultation in a view-only environment without transferring them to us. This hindered the planning, execution and quality control of our audit. This concerned 19 of the transactions we audited. These difficulties persisted despite the Commission's attempts to resolve them through ongoing communication with the international organisations concerned (see also paragraph 8.13 in **chapter 8** of this report and paragraph 26 of our annual report on the EDFs).

9.16. Examples of some of the errors we have quantified can be found in [Box 9.1](#).

Box 9.1

Ineligible expenditure: indirect costs claimed as direct – cost cascading

DG INTPA

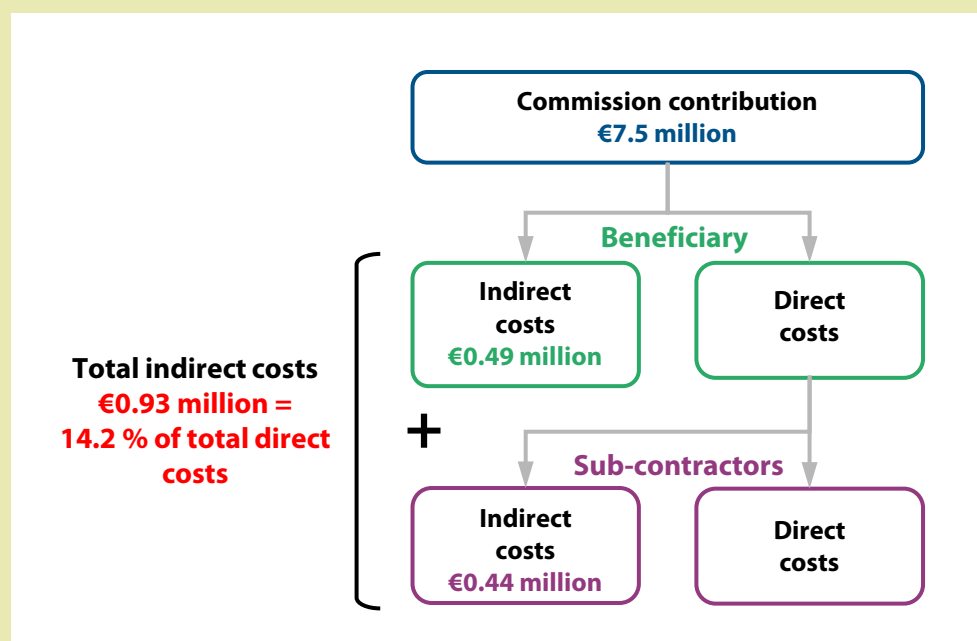
We audited a €3.1 million invoice under a delegation agreement signed with a member state's development agency, implemented under indirect management. The total contract expenditure was €8.4 million, with an earmarked EU contribution of €7.5 million.

The audited invoice was based on a financial report covering the full implementation period, from July 2019 to June 2021.

The agency had claimed €0.49 million from the EU in remuneration for indirect costs, calculated at the contractually agreed maximum rate of 6.95 % of direct costs. However, our audit found a 'cascading' of indirect costs, with the development agency sub-contracting the implementation of the agreement to

other organisations and including those organisations' indirect costs in its reported direct costs.

In its financial report to the Commission, the agency had consolidated the organisations' financial reports and reported all their expenditure as direct costs. However, these organisations' own reports included €0.44 million in indirect costs. Adding this amount to the €0.49 million gives total indirect costs of €0.93 million (14.2 % of direct costs) – significantly more than the contractually agreed limit of 6.95 %. We deemed the excess costs ineligible.



Source: ECA.

Ineligible expenditure: provisions included in payroll costs

DG ECHO

We audited a €1.2 million invoice related to a *contribution agreement* signed with an international organisation and implemented under indirect management. The contract's estimated costs amounted to €7.6 million, partially financed by the EU (50.2 %).

While auditing the expenditure claimed through this invoice, we examined the monthly contribution to the 'separation fund' for an employee working on the EU-funded project. This contribution, calculated as a fixed percentage of the employee's basic salary, is intended to cover potential future costs or indemnities the organisation may incur in the event of the employee's departure.

Given its nature, we determined that this contribution constituted a provision – an amount set aside to cover potential future expenses – and was therefore explicitly ineligible for EU financing. We concluded that this error stemmed from a lack of

clarity in the way ‘provisions’ were defined in the contribution agreement and related guidelines.

Absence of essential supporting documents: lack of audit trail for unit cost calculation

DG INTPA

We audited a €1.4 million invoice under a grant agreement signed with an international organisation, which was implemented under indirect management. The contract’s estimated costs amounted to €5.3 million, partially funded by the EU (91.4 %).

The invoice related to the clearing of costs based on the financial report submitted by the international organisation for the period up to 10 June 2024.

We audited 10 cost items in detail. In three cases we were unable to obtain sufficient evidence to verify that the unit cost calculations were accurate or compliant with the eligibility conditions. We therefore deemed these costs ineligible.

9.17. In 10 cases of *quantifiable error*, the Commission had sufficient information to prevent, or to detect and correct, the error before accepting the expenditure. Had the Commission made proper use of all the information at its disposal, the estimated level of error would have been 1.4 percentage points lower.

9.18. We also found 34 cases of non-compliance with legal and financial provisions, though with no direct financial impact on the EU budget. [Box 9.2](#) shows examples of errors that we have not quantified.

Box 9.2

Unclear technical specifications in public procurement

DG NEAR

We audited a €6.3 million invoice for a supply contract to purchase IT assets for the public administration of a beneficiary country. The contract was implemented under indirect management and fully funded by the EU, for a total amount of €9.6 million.

The Commission had awarded the contract through a procurement procedure. During our audit, we found that the technical specifications included in the tender

dossier were not sufficiently specific regarding the minimum technical requirements for the items to be supplied.

Complex design of exchange rate rules

DG NEAR and DG INTPA

We audited expenditure claimed through two different invoices under direct-management grant agreements with non-governmental organisations (NGOs).

The cost of some items on these invoices was stated in the local currency. The beneficiaries were unable to provide us with the information necessary to verify that the exchange rate used to convert the amounts into euros, the reporting currency, complied with the rules laid down in the grant agreement.

We concluded that this difficulty stemmed from the complex design of the grant agreement's rules on currency conversion.

Lack of an appropriate accounting system

DG INTPA

We audited a €0.65 million invoice related to a grant agreement signed with a consortium of NGOs and implemented under *direct management*. The final cost of the contract was €0.8 million, partially financed by the EU (80 %).

The grant agreement required beneficiaries to use an 'appropriate accounting and double-entry book-keeping system' for the financial management of the contract. However, during our audit, we found that one of the NGOs implementing the contract did not use an appropriate accounting system. This resulted in the absence of a clear audit trail, making it difficult for us to trace, identify and verify the expenditure incurred by this NGO in implementing the grant agreement.

9.19. We also identified one shortcoming of a different nature, i.e. a case of systematic weakness, related to indirect costs included in payrolls. [Box 9.3](#) provides details on this case.

Box 9.3**Systematic weakness**

DG INTPA

We audited expenditure claimed through three different invoices under delegation agreements with an international organisation.

When auditing staff-related expenditure, we found that this organisation systematically included costs that are inherently indirect – such as payroll management, security, IT and training costs – in its payrolls. It then claimed these costs as direct costs in the invoices audited.

Furthermore, we did not receive supporting documents during our audit to confirm they were actually incurred, identifiable and calculated correctly. We therefore deemed them ineligible as direct costs.

As this issue was found in three invoices from this international organisation related to 2024 expenditure and had already been identified in previous years, we consider it a systematic weakness on the part of the international organisation.

9.20. Over the years, we have consistently found fewer errors in two spending areas due to their specific payment conditions. These areas are (i) budget support and (ii) projects subject to the '*notional approach*'. In 2024, we audited three budget support transactions and 10 '*notional approach*' transactions.

9.21. Budget support is a contribution to a state's general budget or its budget for a specific policy or objective. Budget support payments financed by the EU general budget amounted to €1.2 billion in 2024. We examined whether the Commission had complied with the conditions governing budget support payments to partner countries and had verified that these countries met the eligibility conditions (such as satisfactory improvement in public-sector financial management). Our regularity audit cannot cover anything that happens after the Commission pays aid to the *recipient* country, since these funds then merge with that country's own budget resources.

9.22. Under the '*notional approach*', when contributions from the Commission to multi-donor projects are pooled with those from other donors and not earmarked for specific, identifiable items of expenditure, the Commission assumes that expenditure is compliant with EU eligibility rules provided that the total pooled amount includes sufficient eligible expenditure to cover the EU's contribution. When relevant, we took this approach into account in our substantive testing.

9.23. When examining the regularity of transactions, we also noted examples of effective Commission controls. We present one such example in [Box 9.4](#).

Box 9.4

Effective controls on clearing of pre-financing paid to international organisations

DG NEAR

We audited an invoice related to a contribution agreement signed with an international organisation and implemented in the Balkan region under indirect management.

The invoice related to the clearance of costs incurred up until 31 December 2023. The Commission required the international organisation, when submitting its financial report, to distinguish between expenditure already incurred, commitments not yet paid, and advances paid to other organisations implementing EU-funded project activities on its behalf.

This distinction enabled the Commission to clear and accept as eligible only expenditure that had actually been incurred, and thus to avoid clearing ineligible costs.

Annual activity reports and other governance arrangements

DG ECHO's annual activity report

9.24. We reviewed DG ECHO's AAR for the 2024 financial year. We focused on whether DG ECHO had presented the regularity information in its AAR in accordance with the Commission's instructions and had been consistent in its application of the methodology for estimating future corrections and recoveries.

9.25. Of the total expenditure accepted in 2024 (€3 605 million), DG ECHO estimated the total amount at risk at the time of payment to be €15.56 million (0.43 %). It estimated the value of corrections resulting from its checks in subsequent years at €3.5 million (0.1 % of the total relevant expenditure).

9.26. DG ECHO's Director-General declared that the DG's financial exposure was below the *materiality threshold* of 2 % of total accepted expenditure. As the number of transactions we checked is only a small proportion of those managed by DG ECHO (see paragraph [9.9 \(a\)](#)), we cannot validate this statement based on the results of our audit work.

DG INTPA's annual activity report

9.27. Our work on DG INTPA's 2024 AAR is presented in detail in our annual report on the 9th, 10th and 11th European Development Funds (EDFs).

Annual management and performance report

9.28. We reviewed the information in the Commission's 2024 AMPR regarding the estimated risk at payment in the policy areas under 'Neighbourhood and the world'. The Commission calculated a risk at payment of 0.8 % for this MFF heading. This percentage is below our estimated error range and below materiality.

Other elements

9.29. We audited two transactions related to grants provided under the ‘Ukraine Facility’, which concern expenditure outside the annual MFF ceilings (see paragraph [9.9](#)). Our audit of these transactions did not identify any findings. As these payments do not fall under MFF heading 6, the corresponding audit results have no impact on the estimated level of error for this heading but do affect our overall estimated level of error.

Conclusion and recommendations

Conclusion

9.30. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘Neighbourhood and the world’ was material. For this MFF heading, our testing of transactions produced an estimated overall level of error of 4.9 %.

Recommendations

9.31. *Annex 9.2* shows the findings of our follow-up of the recommendations we made in previous annual reports. We still consider recommendation 1 from our 2020 annual report, on complete and timely access to documents, to have been implemented in only some respects. Moreover, in our 2023 annual report we indicated that the Commission had implemented in full all three recommendations made in our 2021 annual report.

9.32. We also reviewed the three recommendations made in our 2022 annual report that required immediate action or were targeted for implementation during 2023 and 2024. The Commission had implemented them all in full.

9.33. Based on our findings and conclusions for 2024, we make the following recommendations to the Commission:

Recommendation 9.1 – Ensure beneficiaries comply with contractual limits on costs of indirect nature

The Commission should establish procedures to ensure that, before clearing pre-financing or making payments, checks are conducted to verify that beneficiaries have not claimed, as direct costs, indirect costs incurred by organisations implementing EU-funded project activities on their behalf. These checks must ensure that the total amount claimed as remuneration for indirect costs does not exceed the contractually agreed flat rate. The *Financial Regulation* provides that, for grant agreements, this rate must not exceed 7 %.

Target implementation date: end of 2026.

Recommendation 9.2 – Ensure clear and consistent definitions of ‘provision’ in contract conditions and guidelines

In order to eliminate ambiguity, ensure consistent interpretation and reduce the risk of errors, the Commission should clearly define and standardise the term ‘provision’ in its contract conditions and guidelines for beneficiaries.

Target implementation date: end of 2026.

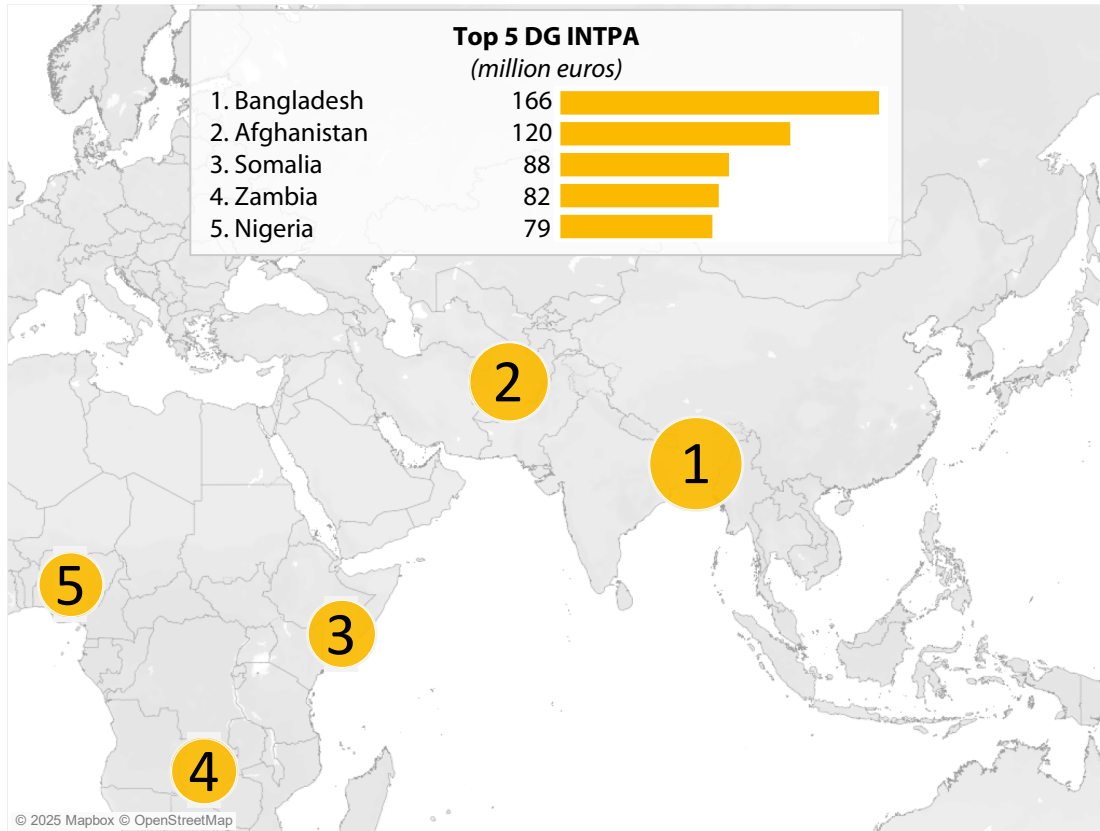
Recommendation 9.3 – Simplify and standardise currency conversion rules in grant agreements

In order to ensure consistency and reduce administrative burden and the risk of errors, the Commission should simplify and standardise currency conversion rules in grant agreements.

Target implementation date: end of 2026.

DG NEAR: Top 5 in previous years <i>(in million euros)</i>							
2020		2021		2022		2023	
Morocco	411	Türkiye	127	Ukraine	714	Türkiye	992
Türkiye	314	Moldova	109	Tunisia	268	Ukraine	399
Tunisia	248	Morocco	106	Egypt	124	Serbia	338
Palestine (*)	174	Egypt	88	Palestine (*)	120	Palestine (*)	223
Georgia	119	Jordan	70	Morocco	102	Morocco	195

(*) This designation shall not be construed as recognition of a State of Palestine and is without prejudice to the individual positions of the member states on this issue.



Source: Map background © Mapbox and © OpenStreetMap licensed under the [Creative Commons Attribution-ShareAlike 2.0](#) license (CC BY-SA).

DG INTPA: Top 5 in previous years (in million euros)							
2020		2021		2022		2023	
Bangladesh	153	Bangladesh	140	Afghanistan	200	Afghanistan	135
Afghanistan	138	Iraq	103	Congo (Kinshasa)	79	Bangladesh	120
Myanmar/Burma	74	Pakistan	89	Pakistan	76	Iraq	81
Iraq	59	Nepal	85	Ethiopia	76	Pakistan	79
Cambodia	50	Afghanistan	77	Yemen	69	Congo (Kinshasa)	76

Annex 9.2 – Follow-up of previous recommendations for ‘Neighbourhood and the world’

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2020	We recommend that the Commission: Recommendation 1: Take steps so that international organisations provide the ECA with complete, unlimited and timely access to documents necessary to carry out our task in accordance with the TFEU, and not just in read-only format. Timeframe: by the end of 2021.			The Commission stepped up communication with international organisations regarding our access to documents. Some international organisations continue to provide read-only access to supporting documentation, or do not provide access to all supporting documentation requested (see paragraph 9.15).
2021	We recommend that the Commission: Recommendation 1: Take appropriate measures aimed at ensuring that any commitments or advance payments claimed as incurred costs by beneficiaries in their financial reports are deducted before carrying out payments or clearings. Target implementation date: End of 2023.			

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2021	We recommend that the Commission: Recommendation 2: Strengthen controls when drafting financing agreements for budget support operations in order to set clear conditions in financing agreements regarding the transfer of funds to the treasury account in the beneficiary country's central bank and the applicable exchange rate; these should be consistent with the budget support guidelines. Target implementation date: End of 2023			
2021	We recommend that DG NEAR: Recommendation 3: Disclose the type and value of contracts excluded from the population of the RER study in the 2022 annual activity report and future annual activity reports. Target implementation date: in the 2022 annual activity report			

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2022	We recommend that the Commission: Recommendation 1: Strengthen controls to prevent irregular alteration of proposals at the contracting stage when awarding grants on the basis of a call for proposals. Target implementation date: June 2024.			
2022	We recommend that the Commission: Recommendation 2: Carry out risk assessments, as required by the manual of procedures, to ensure that pre-financing payments of between €60 000 and €300 000 are only made without a bank guarantee if the risk is assessed as low. Target implementation date: end of 2024.			
2022	We recommend that DG NEAR: Recommendation 4: Enhance controls to exclude recovery orders for unspent pre-financing from the calculation of DG NEAR's corrective capacity. Target implementation date: from the 2023 annual activity report onwards.			

Source: ECA.

Chapter 10

European public administration

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Introduction

10.1. This chapter presents our findings for *MFF* heading 7, ‘European public administration’. **Figure 10.1** gives an overview of the spending of the EU institutions and bodies under this heading in 2024.

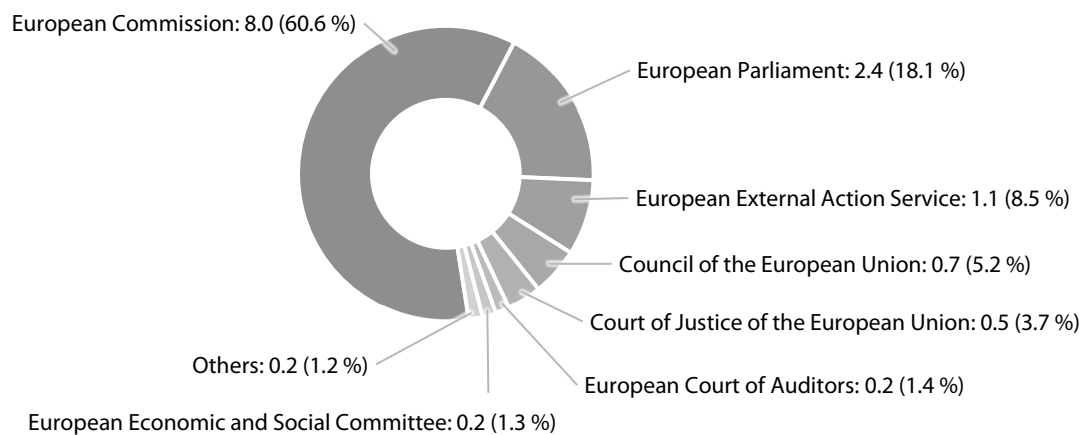
Figure 10.1 – Payments and audit population

European public administration
€13.3 billion (6.9 % of EU budget spending)



(billion euros)

2024 payment breakdown by institution



2024 audit population compared to payments

Payments – total 13.3



Audit population – total 13.3



Source: ECA, based on data from the 2024 consolidated accounts of the European Union.

10.2. We report separately on EU agencies, *Joint Undertakings* and European Schools. Our specific annual reports on these bodies are published on our [website](#).

Brief description

10.3. Administrative expenditure comprises expenditure on human resources including pensions, which in 2024 accounted for about 69 % of the total, and on buildings, equipment, energy, communications and information technology. Our work over many years indicates that, overall, this spending is low risk.

Audit scope and approach

10.4. Applying the audit approach and methods set out in **Annex 1.1**, we examined the following for this MFF heading in 2024:

- (a) a *statistically representative sample* of 70 transactions covering the full range of spending under this heading, drawn from each EU institution and body. Our objective was to estimate the level of *error* and contribute to *the statement of assurance*.
- (b) the *regularity* information given in the *annual activity reports* of all EU institutions and bodies, including those of the Commission's directorates-general and offices primarily responsible for administrative expenditure¹, as reflected in the Commission's *annual management and performance report*.

¹ DG Human Resources and Security, Office for the Administration and Payment of Individual Entitlements, Offices for Infrastructure and Logistics in Brussels and Luxembourg, and DG Digital Services.

Regularity of transactions

10.5. Out of the 70 transactions examined, 16 (23 %) were found to contain errors. Based on the three errors we could quantify, we estimate the level of error to be below the *materiality threshold*. The remaining errors were not quantifiable.

Observations on the transactions examined

10.6. Our observations concern the European Parliament, the European Commission, and the *European External Action Service*. We did not identify any significant issues concerning the Council of the European Union, the Court of Justice of the European Union, the European Economic and Social Committee, the European Committee of the Regions, the European Ombudsman or the European Data Protection Supervisor. Our external auditor did not report significant issues.

European Parliament

10.7. Our sample of 15 transactions included one payment to a political group and one to a political party. As we previously reported, most recently in our [2023 annual report](#), the internal rules² adopted by the Bureau of the European Parliament for managing political group *appropriations* were not fully aligned with the *Financial Regulation*, because they allow *negotiated procurement procedures* for high-value contracts instead of open or restricted ones, thereby limiting competition.

10.8. The political group examined had awarded three such high-value contracts. In two of these cases, it also did not fully follow the European Parliament's rules³ as they did not seek sufficient tenders. In one case, the political group extended a framework contract by 18 months with higher unit prices. In our assessment, this amendment restricted competition.

10.9. We identified additional errors in the expenditure declared by the political group. *Recoverable VAT* was declared for some eligible purchases but not reclaimed resulting in a loss for the EU budget. The group also used flat-rate reimbursement for

² Rules for Budget item 400, last amended on 15 July 2024.

³ Ibid.

staff travel that overestimated actual costs. We reported the same issues in our [2022 annual report](#).

10.10. The Financial Regulation⁴ provides that funds from the EU budget may be awarded to European political parties in view of their contribution to forming European political awareness and to expressing the political will of the citizens of the Union. We consider that the legal basis for determining which costs are eligible is open to interpretation. We audited one such transaction, where ineligible expenditure, initially claimed by the political party, has already been recovered by the Parliament.

10.11. We found non-quantifiable errors in the transaction for the European political party. These concerned unclear contract selection and award criteria, weaknesses in the evaluation of offers, and, in one case, the absence of a formal contract.

10.12. The *contribution agreements* between the European Parliament and political parties require the parties to prevent conflicts of interest. The political party examined lacked clear procedures to do so. We reported a similar finding in our [2023 annual report](#). The Parliament has not issued clear guidelines on how to interpret this requirement.

10.13. Among the 13 other transactions we examined, we identified weaknesses in two procurement procedures led by the European Parliament. One involved an IT contract with a specific 6-year duration that was not sufficiently justified, despite the Financial Regulation generally limiting such contracts to 4 years, except in duly justified cases.

⁴ Article 221 of [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 966/2012.

European Commission

10.14. Among the 25 payments examined, we raised eight non-quantifiable errors, including four related to the payment of salaries or pensions. In three of these cases, pension files lacked a recent life certificate for the pensioner's partner, required to confirm ongoing entitlement to allowances. The Commission is developing a new system to improve entitlement checks.

10.15. One transaction relates to a payment for IT services from an external service provider, where the requirements for education and certification to determine the daily rate were not clearly and consistently set in the procurement documents.

10.16. One transaction, paid by another institution, involved a framework contract managed by the Commission for the purchase of equipment and acquisition of professional services. The specific 6-year contract duration was not sufficiently justified, similar to the case reported for the European Parliament in paragraph [10.13](#).

10.17. One transaction, also paid by another institution, concerned a salary managed by the Commission. Family allowances were incorrectly paid to a staff member who had not declared recent changes in their personal situation. The error resulted from a flaw in the underlying IT system algorithm, which the Commission has since improved.

10.18. One transaction involved an €85 million payment by the Commission for the continued right of use ("usufruct") of buildings it had sold in Brussels. This was the first of three annual instalments under a contract signed in April 2024, which covered the sale of 23 buildings for €900 million and the right to use 17 of them for periods up to 2029. The sale and usufruct were awarded after a call for applications by the Commission, which received only one bid, from a Belgian state-owned company that had submitted an indicative offer before the Commission launched the call for applications. The call for applications required tenderers to submit a bank guarantee of €80 million, valid for 6 months, to secure commitment to the contract, including the usufruct arrangement. The sole bidder submitted a guarantee in its own name, valid for only 2 months. The Commission accepted it and concluded the contract within the 2-month validity period. We found that the guarantee did not comply with the original requirements set out in the call for applications. We also note that the Commission's evaluation committee lacked sufficient independence, as all members were subordinate to the responsible *authorising officer*.

European External Action Service

10.19. Among the 15 payments examined, we found two *quantifiable errors*. One concerned a substantial contract amendment without a valid procurement procedure and without *ex post* publicity measures. The other related to the use of an incorrect exchange rate when recording a rental payment.

Annual activity reports and other governance arrangements

10.20. The annual activity reports we reviewed did not identify material levels of error, which is consistent with our audit findings (see paragraph [10.5](#)).

Conclusion and recommendations

Conclusion

10.21. The overall audit evidence we obtained and have presented in this chapter indicates that the level of error in spending on ‘European public administration’ was not material.

Recommendations

10.22. [Annex 10.1](#) shows the findings of our follow-up on the recommendations made to the European Parliament and the European External Action Service in our [2021 annual report](#).

10.23. In our 2022 annual report, we recommended⁵ that the European Parliament’s administration strengthen its guidance of implementation of budget appropriations by political groups, and propose to Parliament’s Bureau actions to require political groups to effectively apply internal rules and comply with procurement procedures. Our findings for 2023⁶ and 2024 (see paragraph [10.8](#)) indicate that this recommendation remains highly relevant.

10.24. Based on our audit work, we recommend the following:

Recommendation 10.1 – Enhance controls before contracting IT services at the Commission

To ensure that it pays for IT services from external service providers at the correct rates, the Commission should improve the clarity of qualification requirements in procurement documents so as to enhance checks on compliance (see paragraph [10.15](#)).

Target implementation date: for tender procedures launched after 1 June 2026.

⁵ See [2022 annual report](#), paragraph 10.19.

⁶ See [2023 annual report](#), paragraphs 10.9-10.10.

Recommendation 10.2 – Reinforce independence of evaluation committees for transactions which include the sale of property

To strengthen the independence of evaluation committees for transactions which include the sale of property, the Commission should ensure that their members are not all hierarchically subordinate to the responsible authorising officer (see paragraph [10.18](#)).

Target implementation date: for evaluation committees appointed after 1 June 2026.

Annexes

Annex 10.1 – Follow-up of previous recommendations for ‘European public administration’

Level of acceptance:  accepted;  partially accepted;  not accepted.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2021	We recommend that: Recommendation 1: The European Parliament’s administration should revise its guidelines on the application by the political groups of the rules on <i>public procurement</i>, and it should propose a revision of these rules to the Parliament’s Bureau to better align them with the Financial Regulation. It should better monitor the application of these rules. Timeframe: by the end of 2023.			The Parliament’s administration did not revise its guidelines on the application by the political groups of the rules on public procurement and did not propose a revision of the relevant rules to the Parliament’s Bureau to better align them with the Financial Regulation. Thus, the Parliament’s rules still do not require open or <i>restricted procurement procedures</i> for high-value contracts. While Parliament’s administration organised training sessions, and provided assistance to the political groups regarding the application of the rules on public procurement, the main elements of our recommendation have not been addressed. Our annual reports for 2022, 2023 and 2024 reported similar findings for public procurement by political groups as in 2021.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2021	We recommend that: Recommendation 2: The EEAS should take appropriate measures to ensure the application of procurement rules by EU Delegations such as enhancing training, improving guidelines and templates. Timeframe: by the end of 2023.			The EEAS improved its training, guidelines and templates for the application of procurement rules by EU Delegations. Further action on the classification of procurement procedures in the accounting system is needed.
2021	We recommend that: Recommendation 3: The EEAS should enhance training and guidance on the EU Delegations' recruitment procedures for local agents to ensure compliance with the principles of transparency and equal treatment. It should also strengthen its oversight that the EU Delegations document the relevant steps of the recruitment process. Timeframe: by the end of 2023.			The EEAS undertook significant corrective actions, including issuing improved guidance for EU Delegations' recruitment procedures for local agents, improved templates for vacancy notices, and use of standard checklists. Further improvements to the template, and full implementation of the guidance, is needed.

Source: ECA.

Chapter 11

Recovery and Resilience Facility

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Introduction

Brief description of the RRF

11.1. The *Recovery and Resilience Facility (RRF)* was established by [Regulation \(EU\) 2021/241](#) ('Regulation') which entered into force on 19 February 2021. It was amended in February 2023, allowing member states to add a '*REPowerEU* chapter' in their national recovery and resilience plans (NRRPs)¹ and in February 2024² allowing member states to include in their NRRPs, as estimated costs, the amount of the cash contribution for the purpose of establishing the *Strategic Technologies for Europe Platform (STEP)*. The RRF has supported reforms and investments in member states since the start of the COVID-19 pandemic in February 2020 (since 1 February 2022 in the case of REPowerEU) and will run until 31 December 2026.

Policy objectives

11.2. The main objective of the RRF is to mitigate the economic and social consequences of the COVID-19 pandemic, while making member states' economies more resilient and better prepared for future challenges, also by accelerating their progress towards the green and digital transitions. The REPowerEU plan – the EU's response to global energy-market disruption caused by Russia's war of aggression against Ukraine – added a further objective, namely ending the EU's dependence on Russian fossil fuels by transforming the EU's energy system.

Management and control framework

11.3. The Commission implements the RRF through *direct management*, meaning that the Commission is directly responsible for its implementation. Payments under the RRF are conditional upon member states satisfactorily fulfilling the *milestones* and *targets* set out in the annexes to the *Council implementing decisions* (CIDs) approving their NRRPs³. Further requirements are that targets or milestones that have previously been satisfactorily fulfilled should not have been reversed, and that there is no breach of the double-funding principle. The eligibility conditions laid down in the [Regulation](#)

¹ [Regulation \(EU\) 2023/435](#).

² [Regulation \(EU\) 2024/795](#).

³ [Regulation \(EU\) 2021/241](#), Article 24(2).

include compliance with the eligibility period, the ‘Do No Significant Harm’ (DNSH) principle, and non-substitution of recurring national budgetary expenditure (except for duly justified cases)⁴. The member states must ensure that the use of funds complies with the applicable Union and national law, in particular regarding the prevention, detection and correction of *fraud*, corruption and conflict of interest. Member states may request disbursements up to twice a year if they provide sufficient evidence that the related milestones and targets have been satisfactorily fulfilled. They also need to accompany their payment requests with a summary of audits and a management declaration regarding the information provided.

11.4. As required by the [Regulation](#), the Commission verifies the satisfactory fulfilment of milestones and targets, which is the condition for payment under the RRF. This means that compliance of expenditure with EU and national rules is not a condition for member states to receive RRF payments. As reported in previous years, this involves a significant difference⁵ for our audit work compared to what we do for other areas of the EU budget, where we assess compliance with all relevant EU and national rules down to final recipient level (e.g. the eligibility of costs incurred or compliance with *state aid* and *public procurement* rules)⁶.

State of implementation

11.5. By the end of 2024, the Commission had made 65 *grant* payments (one in 2021, 13 in 2022, 23 in 2023 and 28 in 2024) totalling €178.5 billion. This means that it had only paid 50 % of the total available, with less than 2 years remaining before the end of the RRF’s implementation period in August 2026 (see [Figure 11.1](#)). There is no information made available on the overall amounts paid by member states to *final recipients*⁷.

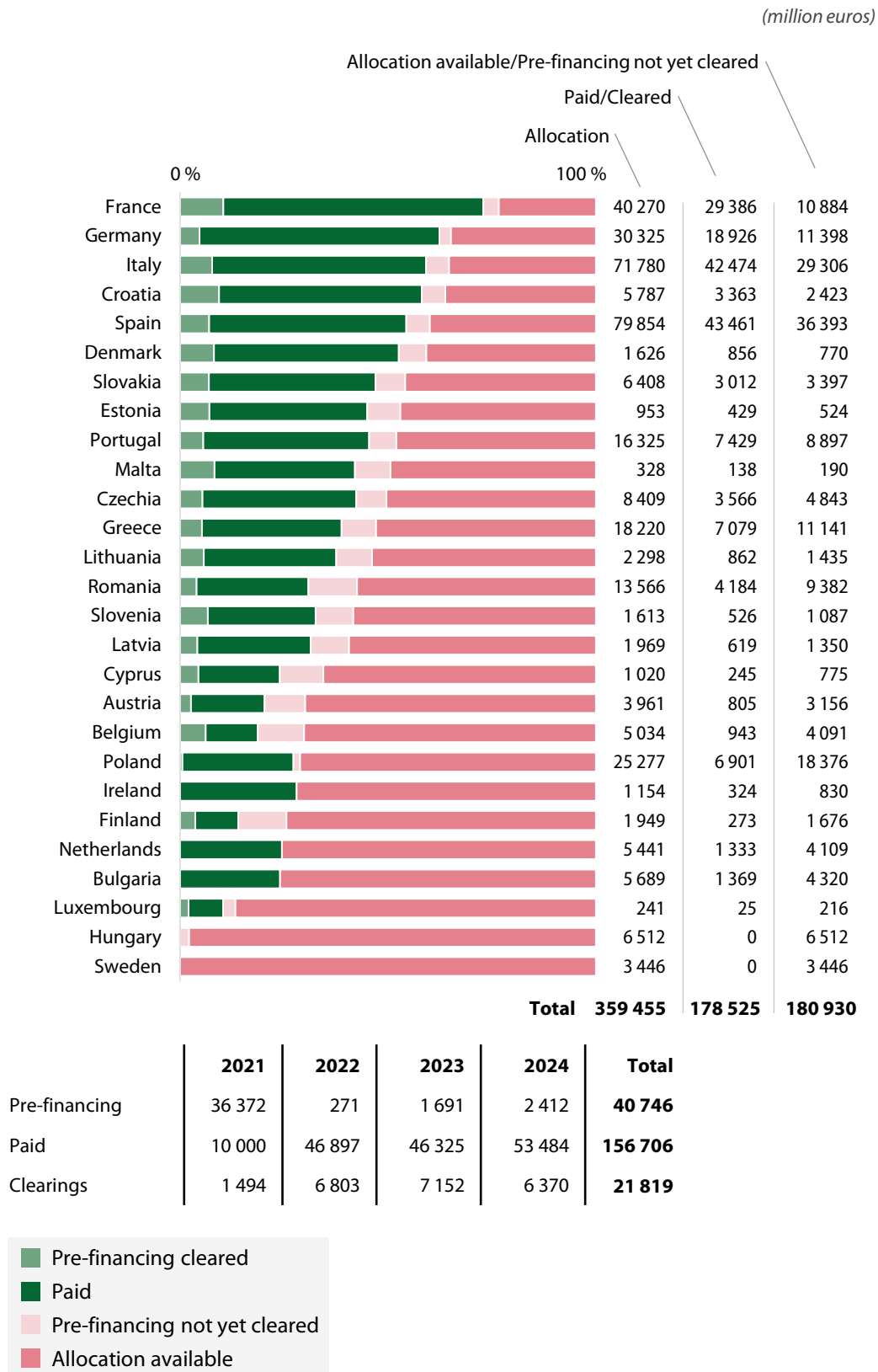
⁴ [Ibid.](#), Articles 5, 9, 17(2) and 24(3).

⁵ [2023 annual report](#), paragraph XXXVIII.

⁶ [Ibid.](#), paragraph 11.13.

⁷ [Special report 13/2024](#): “*Absorption of funds from the Recovery and Resilience Facility – Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives*”, paragraphs 53-54.

Figure 11.1 – Progress of RRF grant payments to member states as of 31 December 2024



Source: ECA.

11.6. In 2024, the Commission's preliminary assessments identified six milestones and targets in five grant payment requests as not being satisfactorily fulfilled. Consequently, the Commission partially suspended them (see [Table 11.1](#)). Member states have 6 months from the suspension date to act.

Table 11.1 – Grant payment requests suspended by the Commission in 2024

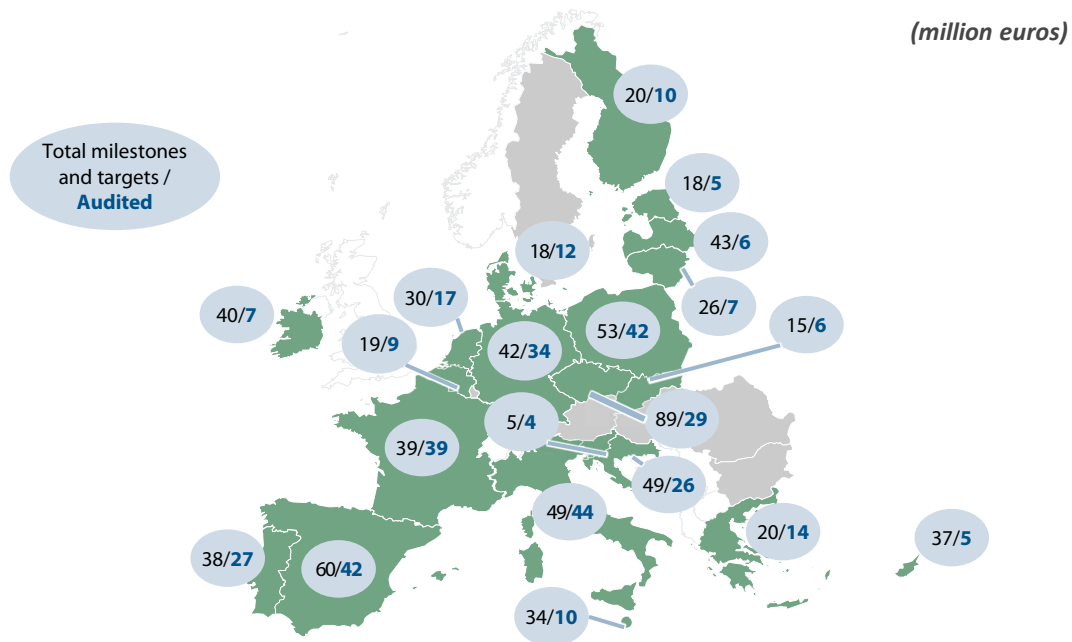
Member state	Milestones / targets (Not satisfactorily fulfilled / total)	Partial payment (million euros)	Suspended amount (million euros)	Suspension date	Status (as of mid-2025)
Belgium	1/20	631.6	31.0	16.9.2024	Closed based on NRRP revision
Czechia	2/63	1 482.5	260.3	18.12.2024	Ongoing
Spain	1/61	9 882.6	158.1	19.7.2024	Ongoing
Italy	1/23	3 130.2	110.1	26.7.2024	Closed based on NRRP revision
Cyprus	1/38	115.0	43.1	14.11.2024	Ongoing

Source: ECA.

Audit scope and approach

11.7. RRF expenditure in 2024 totalled €59.9 billion and our audit covered all 28 grant payments totalling €53.5 billion and *clearing* of pre-financing totalling €6.4 billion (see [Figure 11.2](#)). Our audit covers neither the regularity of expenditure incurred by final recipients nor the loans component of the RRF (see [Annex 11.1](#)).

Figure 11.2 – Total and audited milestones and targets underpinning 2024 RRF expenditure



Member state	Expenditure	Audit population		Audit sample		Percentage of total milestones/ targets audited
		Total milestones	Total targets	Milestones audited	Targets audited	
Belgium	943	18	1	8	1	47 %
Czechia (*)	2 499	55	34	9	20	33 %
Denmark	510	6	12	5	7	67 %
Germany	14 581	16	26	8	26	81 %
Estonia	143	15	3	3	2	28 %
Ireland	324	35	5	4	3	18 %
Greece	1 155	16	4	10	4	70 %
Spain	11 277	41	19	23	19	70 %
France	8 663	15	24	15	24	100 %
Croatia (*)	949	30	19	14	12	53 %
Italy (*)	5 675	26	23	21	23	90 %
Cyprus	147	32	5	3	2	14 %
Latvia	388	40	3	3	3	14 %
Lithuania (*)	239	24	2	5	2	27 %
Malta	78	29	5	5	5	29 %
Netherlands	1 333	25	5	12	5	57 %
Poland (*)	6 901	52	1	41	1	79 %
Portugal (*)	2 688	24	14	13	14	71 %
Slovenia	164	5	0	4	0	80 %
Slovakia	924	15	0	6	0	40 %
Finland	273	20	0	10	0	50 %
Total	59 854	539	205	222	173	53 %

(*) There was more than one payment in 2024.

For the selection of the milestones and targets, see [Annex 11.1](#), paragraphs 9 to 11.

Source: ECA.

11.8. In line with our audit approach set out in [Annex 11.1](#), for our opinion on the regularity of 2024 RRF expenditure, we examined;

- (a) 222 milestones and 173 targets (a total of 395) included in the requests for the 28 grant payments made in 2024 to assess whether they comply with the payment and eligibility conditions. This assessment included:
 - (i) a desk review of the Commission’s preliminary assessments, including the 12 milestones and targets linked to the member states’ audit and control systems;
 - (ii) on-the-spot visits for 26 milestones and targets in five member states (Germany, Greece, Spain, France, and Italy);
- (b) four Commission *ex post audits* (Czechia, Denmark, Estonia, and Poland) to assess whether they were carried out effectively to provide a level of assurance;
- (c) member states’ implementation of recommendations stemming from Commission *ex post audits* on the milestones and targets; and
- (d) the reporting by the Commission’s Directorate-General for Economic and Financial Affairs (DG ECFIN) on the regularity of 2024 RRF expenditure in its *annual activity report (AAR)* and the way this information is presented in the *annual management and performance report (AMPR)*.

11.9. Given the importance of transparency for the protection of the EU’s financial interests⁸, for those member states in which we carried out on-the-spot visits, we also examined the traceability of RRF grant funds from the national budget down to final recipients and beyond (e.g. contractors or subcontractors).

11.10. Moreover, we reviewed 38 public procurements in five member states (Czechia, Germany, Greece, Spain and France) and 37 state aid cases in six member states (Czechia, Denmark, Germany, Spain, France and Italy) related to RRF payments made in 2024. The objective of this work was to conclude whether they had been conducted in line with the EU and national rules.

⁸ [Financial Regulation](#), Recital 11 and Article 36(3).

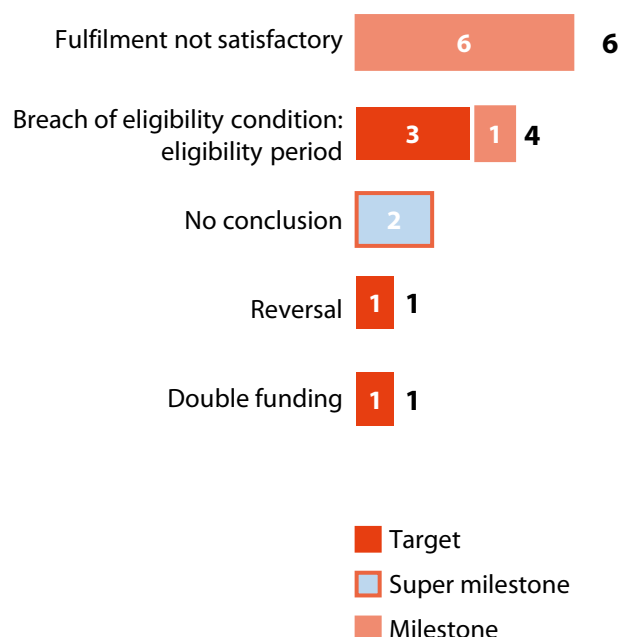
Our assessment of compliance with payment and eligibility conditions

11.11. We found that 12 of the 395 milestones and targets examined were affected by findings with a financial impact (see [Annex 11.2](#)). These concerned six of the 28 RRF payments (and related clearings of pre-financing) in six member states. We conclude that the minimum financial impact of the 12 findings is above our *materiality threshold*. We do not conclude on the satisfactory fulfilment of two ‘audit and control’ milestones related to the reform of the judiciary in Poland for the reasons explained below (see paragraph [11.16](#)). These milestones had to be fulfilled before any payment can be made by the Commission to that member state.

11.12. Given the nature of the RRF spending model, and since the Commission’s payment suspension methodology⁹ relies on many judgements, possibly leading to different interpretations, we do not provide an *error* rate comparable to other EU spending areas (see [Annex 11.1](#)). [Figure 11.3](#) presents the types of findings concerning breaches of payment and eligibility conditions.

⁹ [COM\(2023\) 99 final](#): Annex II of communication from the Commission to the European Parliament and the Council: Recovery and Resilience Facility: Two years on – A unique instrument at the heart of the EU’s green and digital transformation.

Figure 11.3 – Types of findings related to payment and eligibility conditions



Source: ECA.

Fulfilment of certain milestones/targets not satisfactory

11.13. The [Regulation](#) does not stipulate criteria on how to interpret the word ‘satisfactory’ in connection to the fulfilment of milestones and targets. When assessing this, the Commission accepts minimal deviations in substance, form, timing and amounts¹⁰. We note that in the case of qualitative criteria this assessment relies on many judgements, leading to several possible interpretations as to whether milestones or targets have been satisfactorily fulfilled.

11.14. Our checks identified six milestones in five payments that had not been satisfactorily fulfilled. We found that not all elements required by the *milestone* or *target* had been fulfilled, and that these missing elements represented more than a minimal acceptable deviation (see example in [Box 11.1](#)). The Commission had nevertheless made the corresponding payments. In one of the six cases the Commission, during its preliminary assessment, relied on data and checks submitted by the member state without performing further testing to assess its reliability. In this one case we asked the member state further information we needed to conclude on the fulfilment of the milestone in question.

¹⁰ Ibid., Annex I.

11.15. In addition, we found another 12 cases of weaknesses in the Commission's assessment that did not impact on the satisfactory fulfilment of the milestone/target. In these cases, the Commission did not carry out sufficient checks to assess the reliability of data and checks provided and we asked the member states further information we needed to conclude.

Box 11.1

Milestone not satisfactorily fulfilled

Spanish milestone 408 – 'Adjustment of the computation period for the calculation of the retirement pension'

Description of the milestone (CID): 'Entry into force of legislation for the adjustment of the computation period, extending the computation period for the calculation of the retirement pension.'

The justification of fulfilment provided was the entry into force on 1 April 2023 of a Royal Decree-Law ((RDL) 2/2023 of 16 March 2023) on urgent measures to extend pensioners' rights, reduce the gender gap and establish a new sustainability framework for the public pension system.

Two requirements set in Spain's CID concerned the new rule on the contribution period used to calculate the reference period (Article 209(1)) and the inclusion of periods in which contributions are not payable (Article 322) until the gender gap is reduced (41st transitional provision). The entry into force of some important provisions addressing these two main requirements will only be on 1 January 2026. The CID does not provide any exception relating to the entry into force. Furthermore, the delay contrasts with the fact that the Spanish authorities consider the measures introduced by the Royal Decree both extraordinary and urgent.

The Commission issued a positive preliminary assessment regarding the satisfactory fulfilment of the milestone on 12 March 2024 and made the corresponding payment on 26 July 2024. In its assessment, it noted that the time between the adoption of this law and the actual application of its provisions constituted a minimal deviation as it was both limited and proportional.

We took the view that, for the milestone to be satisfactorily fulfilled, the relevant provisions of the law had to be applicable (i.e. have entered into force, not merely been adopted or published). We also considered the time between the payment and the date of application to be more than a minimum deviation in timing. As the relevant elements of the legislation had not entered into force within the year of the payment being made, we assessed that the milestone had not been satisfactorily fulfilled.

We also found milestones/targets that were not satisfactorily fulfilled in payments made to Greece, France, Croatia, and Poland.

11.16. The first payment to Poland included two milestones aimed at strengthening the independence and impartiality of courts by reforming the disciplinary regime for judges to improve the judicial protection. We found serious weaknesses in the appointment of judges. However, due to an ongoing Court of Justice of the European Union (CJEU) case C-517/24 regarding a request for preliminary ruling directly related to this matter, we decided at this stage to refrain from concluding on the satisfactory fulfilment of these two milestones. The satisfactory fulfilment of these milestones was a precondition for any RRF payment to Poland (see [Box 11.2](#)).

Box 11.2

Serious weaknesses in the appointment of judges

Polish milestone F1G – ‘Entry into force of a reform strengthening the independence and impartiality of courts’

The milestone required Poland to reform specific elements of the disciplinary regime applicable to judges.

To fulfil this milestone, the Polish authorities amended the Law on the Supreme Court and certain other acts (the “Act”). The Act entered into force on 15 July 2022 and in addition, the Polish authorities also adopted various other measures.

One of the five requirements of the milestone is that the reform shall *“in all cases relating to the judges, including the disciplinary and waiver of judicial immunity, determine the scope of jurisdiction of the Supreme Court Chamber, other than the existing Disciplinary Chamber, meeting the requirements ensuing from Article 19 paragraph 1 of the TEU. This shall ensure that the above- mentioned cases shall be examined by an independent and impartial court established by law, (...)”*. To fulfil the requirement of this point, Poland set up a Professional Liability Chamber (the “PLC”) to replace the abolished Disciplinary Chamber in all disciplinary and judicial immunity waiver cases concerning judges.

As a basis for our assessments, both the Commission and we have used CJEU case C-791/19, which concerns the independence and impartiality of the abolished Disciplinary Chamber. In line with this case, our assessment of whether a body constitutes an independent and impartial tribunal is based on three elements: (1) the objective circumstances in which that body was created; (2) the characteristics of that body; and (3) the way in which its members were appointed.

We found that the PLC's characteristics and the objective circumstances in which it was created is aligned with the standards expected of an independent and impartial tribunal, meaning it satisfied two of the three elements.

However, we found that the manner in which the PLC's members had been appointed could undermine the independence and impartiality of the PLC. Specifically, the chamber included four judges who did not meet the criteria of independence and impartiality, as referred to by a previous CJEU judgment in case C-718/21. In addition, we identified two additional judges appointed to the PLC which were originally appointed upon recommendation of the Polish National Council of the Judiciary, which is, for the most part, made up of members chosen by the legislature. We also found that, in practice, these six judges were not excluded from the PLC's deliberations, as 69 % of all cases submitted to the chamber had been adjudicated upon by panels that included at least one of these judges.

The Act also includes a verification mechanism to examine whether a judge meets the criteria of independence and impartiality. However, we found that the six judges referred to above could sit on the panels conducting these verifications and that at least one of them had actually done so for 21 % of the verifications requested.

Polish milestone F2G – 'Entry into force of a reform to remedy the situation of judges affected by the decisions of the Disciplinary Chamber of the Supreme Court in disciplinary cases and judicial immunity cases'

The measure is intended to remedy the situation of judges affected by decisions of the Disciplinary Chamber of the Supreme Court in disciplinary cases and judicial immunity cases. The milestone requires Poland to ensure that such judges have access to review proceedings and that cases already decided by the Disciplinary Chamber are reviewed by a court that meets the requirements of Article 19(1) of the Treaty on European Union.

However, we found that most panels adjudicating upon cases of judges affected by final disciplinary decisions of the Disciplinary Chamber included at least one 'irregularly' appointed judge (see above).

In our view, a conclusion on the independence and impartiality of the PLC is crucial to enable an assessment of the satisfactory fulfilment of these milestones. We note that this matter is currently the subject of an ongoing request for preliminary ruling by the CJEU in case C-517/24. Pending a final ruling by the CJEU on this matter, we do not conclude on the independence and impartiality of the PLC and thus, on the satisfactory fulfilment of these milestones at this stage.

The satisfactory fulfilment of the two milestones was a precondition for the two RRF payments to Poland in 2024, which amounted to €6.9 billion.

11.17. We also found four cases of vaguely defined milestones or targets which had also been identified and documented by the Commission in its preliminary assessment. We note that if milestones and targets are defined vaguely, the criteria for assessing their fulfilment will also be vague.

Double funding

11.18. Avoiding double funding is key principle for the eligibility of EU expenditure¹¹, one that is fundamental for the protection of the EU's financial interests¹². The absence of double funding is also a pre-requisite for the *sound financial management* of the EU budget¹³.

11.19. The [Regulation](#) uses the traditional cost-based definition of double funding¹⁴, even though RRF payments do not reimburse eligible costs incurred but rather reward the satisfactory fulfilment of milestones and targets¹⁵. For the RRF, double funding can occur when the same underlying cost of a milestone or target is financed twice and/or when the same outputs/results are declared, and thus funded, twice. The same deliverable cannot be financed twice from the EU budget, even if one of financing instruments concerned is not cost based.

11.20. In [special report 22/2024](#), we concluded that the systems set up and implemented by the Commission and the member states were not sufficient to adequately mitigate the increased risk of double funding between the RRF, the cohesion policy funds and the Connecting Europe Facility.

11.21. We found one case of double funding in Croatia (see example in [Box 11.3](#)).

¹¹ [Financial Regulation](#), Article 191(3).

¹² [Council Regulation \(EC, EURATOM\) No 2988/95](#), Article 1.

¹³ [Financial Regulation](#), Recital 130 and Articles 36 and 63.

¹⁴ [Regulation](#), Article 9.

¹⁵ [Special report 22/2024](#): “Double funding from the EU budget: Control systems lack essential elements to mitigate the increased risk resulting from the RRF model of financing not linked to costs”, paragraph 101.

Box 11.3

Target funded by the RRF and other EU funds

Croatian target 217 – ‘New training programmes introduced in the framework of the judicial training programme’

Description of the target (CID): *‘Six new training programmes shall be completed as part of the judicial training programme for judicial officials and officers of the judicial authorities in the Judicial Academy: (...)’*

We found that three of these six training programmes were also co-financed by the European Social Fund, which had already reimbursed €4.03 million out of the total eligible project expenditure of €4.74 million. In addition, the fourth training programme was financed by the Commission’s Directorate-General for Structural Reform Support.

Although the target was declared as a zero-cost measure, Croatia received RRF funds for its satisfactory fulfilment. Therefore, the *output* of this target was financed twice from the EU budget.

Reversal

11.22. The [Regulation](#) stipulates that, measures and actions relating to previously fulfilled milestones and targets must not have been reversed. Member states are required to confirm this non-reversal in the management declarations accompanying their payment requests.

11.23. We found one case of reversal of a Greek target relating to the establishment and full operation of 50 mental health care establishments. The target was included in Greece’s third payment request. In our 2023 annual report we found that it was not satisfactorily fulfilled as five of the 50 establishments were not operational, meaning they did not have the minimum staff capacity required by the Greek Ministry of Health’s guidelines. During our on-the-spot visit, we found that by the time of the fourth payment to Greece, five additional establishments were no longer operational. Part of the target that we considered fulfilled in our 2023 annual report, was thus reversed in 2024 ([Figure 11.3](#)).

Some measures started before the eligibility period

11.24. The [Regulation](#) stipulates that only measures which started from 1 February 2020 onwards¹⁶ can be funded under the RRF, but does not provide further criteria to define regarding what constitutes the ‘start’ of a measure. In October 2024, the Commission issued guidance¹⁷ clarifying that it interprets the ‘start’ of a measure as the beginning of that measure’s implementation on the ground when costs materialise.

11.25. Our view, as also previously expressed¹⁸, is that the start of a measure should be considered the date of the first (legal) *commitment* (e.g. in the form of a contract, purchase order, or financing decision), since this constitutes the start of the first activity related to the measure. Such a contract or financing decision establishes an obligation and triggers economic and productive activity at contractor and subcontractor levels and leads to results in subsequent payments.

11.26. We found that projects relating to one milestone and three targets for two payments had started before February 2020. Therefore, these projects should not have been funded by the RRF (see [Box 11.4](#)).

¹⁶ [Regulation](#), Article 17(2).

¹⁷ [COM\(2024\) 474 final](#): Annex II to the report from the Commission to the European Parliament and the Council on the implementation of the Recovery and Resilience Facility.

¹⁸ [2023 annual report](#), paragraph 11.22.

Box 11.4**Example of non-compliance with eligibility period****French milestone 7-22 – ‘Investment to reinforce the digital equipment of the Ministry of Interior’**

Description of the milestone (CID):

‘Completion of the six actions to reinforce the digital equipment of the Ministry of Interior: • State interministerial network • IT base of the territorial administration of the State • Police prefecture video protection plan • Network security • Data centre resilience • Population alert and information system.’

During our on-the-spot visit in France, we assessed the evidence provided by the national authorities and considered by the Commission, for the completion of the population alert and information system, which included installing or repairing 98 sirens. We found that the purchase order of 13 out of our sample of 30 sirens was dated before 1 February 2020.

We found non-compliance with eligibility period also in one payment to Czechia.

Our examination of selected monitoring and control systems

Member states do not promptly implement most Commission open audit recommendations related to critical and very important findings

11.27. In line with the *Financial Regulation*¹⁹, and with the financing agreements signed with member states, the Commission carries out *ex post* audits to detect and correct errors relating to operations after they have been authorised. These audits check the regularity of payments.

11.28. In our previous annual report, we highlighted that weaknesses in member state monitoring and control systems persisted and that the Commission's *ex post* audits had identified many such weaknesses²⁰. Therefore, our assessment this year focused on the implementation of the Commission's recommendations.

11.29. Since 2021, there have been 20 Commission final audit reports that relate to milestones and targets with 591 recommendations to 15 member states. As of 30 April 2025, the Commission considered that 417 (71 % recommendations had been implemented and the remaining 174 (29 % were open. The Commission categorises its findings as critical, very important, important or desirable. Critical or very important findings may trigger a *reservation* in the Commission's Annual Activity Report if member states have not yet accepted them, rejected them, or failed to implement them. Those critical or very important findings may also represent a serious breach of obligations of the financing agreement, and may result in a flat-rate correction²¹.

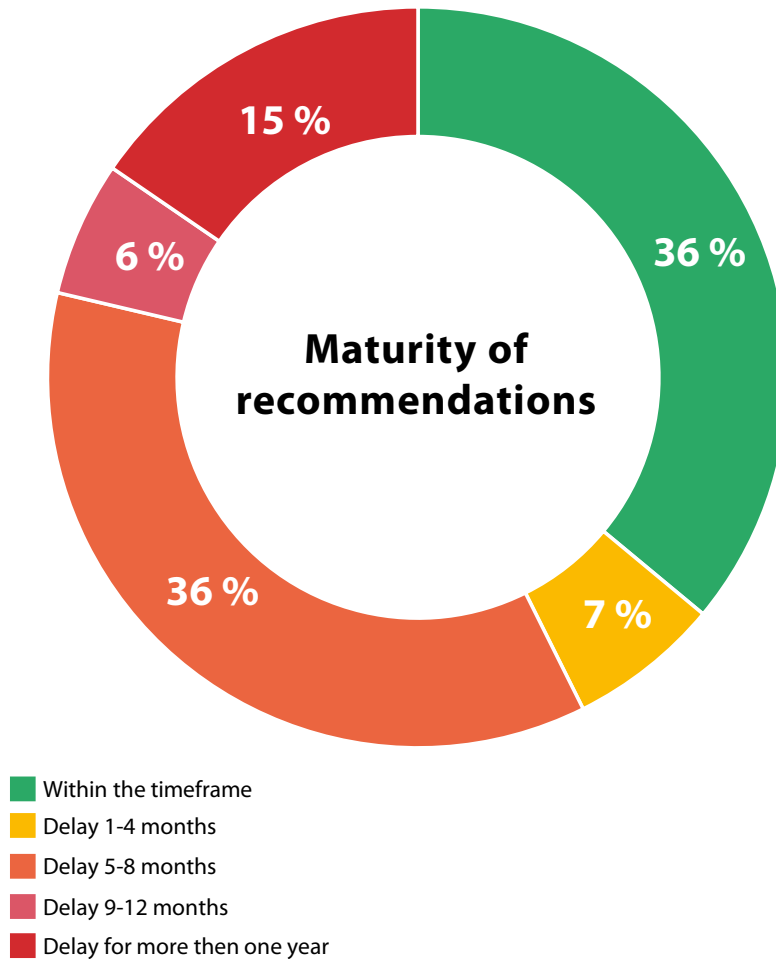
11.30. For most (64 %) of the 136 recommendations related to critical and very important findings that remained open, the implementation deadline set in the audit report had passed (see [Figure 11.4](#)).

¹⁹ *Financial Regulation*, Article 74(6).

²⁰ *2023 annual report*, paragraphs 11.33-11.42.

²¹ Financing agreement, Annex I.

Figure 11.4 – Delays in implementing open recommendations related to critical and very important findings



Source: ECA.

11.31. *Table 11.2* presents the number of recommendations related to critical and very important findings concerning member state systems (nine member states with open recommendations) with details about their implementation.

Table 11.2 – Most open recommendations related to critical and very important findings are overdue

	Critical			Very Important		
	Open 		Closed 	Open 		Closed 
	Open (within the deadline)	Open (beyond the deadline)		Open (within the deadline)	Open (beyond the deadline)	
Weaknesses in member states' control systems and protection of EU financial interest						
Weaknesses in checks on conflict of interest, double funding, fraud and corruption	-	6	16	27	19	31
Inadequate or insufficient checks on compliance with EU and national rules (including public procurement and state aid) or with DNSH principle	-	-	1	8	11	9
Suspected fraud case	-	3	-	-	2	4
Lack or limited use of Arachne as a risk detection tool	-	-	-	1	2	3
Weaknesses in payment request						
Ineligible declared projects or items	-	-	2	-	4	-
Weaknesses in the audits by national audit bodies (incorrect assessment, methodological weaknesses etc.)	-	-	-	6	10	7
Inadequate or weak <i>audit trail</i> or data management process	-	3	37	3	7	60
Other weaknesses (including repository system)						
Inadequate data collection contrary to Article 22.2.d of the Regulation	-	2	9	4	-	6
Lack of administrative capacity/training or clear organisational structure	-	-	2	-	11	20
Non-compliance with publicity rules	-	4	2	-	3	39
Totals (Number of recommendations/ member states)	-	18/4	69/10	49/3	69/7	179/12

Source: ECA.

11.32. We reviewed the implementation of 10 recommendations that the Commission considered had been fully implemented. We found one recommendation rated important to have been only partially implemented as for some elements we received no evidence of implementation.

Member state systems are insufficiently effective

Need for *control milestones*

11.33. If the Commission detects weaknesses in a member state's control system during its audits, it may add *control milestones* when revising that country's NRRPs. The addition of control milestones blocks all future RRF payments until the member state fulfils them satisfactorily. We consider the existence of control milestones to be a positive step in improving member state control systems²². However, it also indicates that member state systems are not entirely effective. Weaknesses in the control systems of those member states whose second or subsequent payments were conditional upon the achievement of control milestones pose a risk to the protection of the EU's financial interests until they are fulfilled, with a potential impact on the regularity of expenditure.

11.34. We concluded that the 12 milestones linked to member state control systems (Belgium, Denmark, Ireland, Netherlands, Poland, and Finland) and related to 2024 RRF grant payments were satisfactorily fulfilled. However, the Commission requested additional commitments from Belgium, Ireland, and Finland. Although in our view these additional commitments do not call into doubt the satisfactory fulfilment of those member states' control milestones, they do show that further minor improvements were needed in their national systems.

11.35. Three control milestones were added to the relevant member state's second or third payment requests (for two member states they concerned repository systems for monitoring the RRF's implementation as well as systems for protecting the EU financial interests) during the revision of the NRRPs. The remaining nine control milestones concerned first payment requests.

²² Review 02/2025: "Performance-orientation, accountability and transparency – lessons to be learned from the weaknesses of the RRF", paragraph 63.

Weaknesses in some member states' systems to ensure compliance with public procurement and state aid

11.36. The protection of the EU's financial interests requires member states to ensure that RRF projects comply with all applicable EU and national rules. In our [special report 09/2025](#), we assessed if the systems for RRF spending ensure compliance with public procurement and state aid rules. We found that the work underlying the management declarations of some member states we examined provided insufficient assurance due to weaknesses in the coverage, quality, timing, and documentation of checks.

11.37. Although compliance with public procurement and state aid rules generally has no bearing on the regularity of RRF funds paid by the Commission to member states, these rules are important to ensure an effective internal market. Breaches of these rules are a perennial problem in cohesion and other areas of budget expenditure. As part of our 2024 RRF work, we identified the following weaknesses in 22 individual public procurement procedures, which do not call into doubt the regularity of the procedures or cases in question:

- (a) lack of checks to prevent/detect conflict of interest (18 cases in four member states);
- (b) weakness in justifying the use of urgent procedure (two cases in one member state); and
- (c) weakness in estimating the procurement value and project duration leading to significant differences between the tender documents and the actual contracts signed (two cases in one member state).

11.38. We note that four member states' (Belgium, France, Slovenia and Finland) summary of audits (out of 28) identified and reported weaknesses in checks on public procurement procedures while two audit bodies' summary of audits (those of Estonia and Greece) reported nine breaches of public procurement rules. These resulted in recommendations from the national audit bodies.

11.39. Our examination of state aid cases found that member states were using electronic national state aid registers as their main tool for ensuring compliance with EU state aid rules. One member state²³ relied on final recipients' own self-declarations

²³ [Special report 09/2025](#): "Systems for ensuring compliance of RRF spending with public procurement and state aid rules", Table 4.

to verify that they were not undertakings in difficulty or that they had small or medium-sized enterprise status, as well as to verify *de minimis* aid previously received.

Weaknesses in payment requests

11.40. We also identified weaknesses in the management declarations of five member states (Czechia, Spain, France, Croatia and Slovakia). The aim of these declarations is to provide assurance that the information submitted with the payment requests is complete, accurate and reliable²⁴. In their management declarations to the Commission, member states should include *reservations* to highlight missing evidence when needed. We found that the five member states were aware of insufficient evidence for the satisfactory fulfilment of some milestones and targets when submitting the payment request. However, none of the member states included any reservation in their management declaration highlighting that a milestone/target was only partially fulfilled at the time of the payment request.

Information available to the Commission on detected fraud is limited

11.41. As regards the protection of the EU's financial interests, in a previous review²⁵, we highlighted that the Commission must have sufficient assurance from the member states on the *effectiveness* of national systems to prevent, detect and correct fraud, corruption and conflicts of interest. Compared to the cohesion policy funds, the Commission relies to a greater degree on the member states' systems²⁶. Member states are obliged to report on cases of suspected fraud not in an integrated IT system, but rather in the management declaration accompanying each payment request. We are currently carrying out an audit to assess whether the systems established by the Commission and the member states for the RRF are effective in protecting the EU's financial interests against fraud.

11.42. A key indicator for the risk of fraud is the scale of suspected fraud. The only EU-level published data on the scale of RRF suspected fraud comes from the 2024 annual report of the European Public Prosecutor's Office (EPPO). As of the end of

²⁴ Regulation, Article 22(2)(c).

²⁵ Review 01/2023: "EU financing through cohesion policy and the Recovery and Resilience Facility: A comparative analysis", paragraph 107.

²⁶ Regulation, Article 22(1).

2024, the EPPO was handling 311 active cases related to NextGenerationEU. All but four of these concerned the RRF, representing approximately 17 % of all active expenditure fraud investigations. The estimated damage to the EU's financial interests is €2.8 billion, representing 30 % (2023: 25 %) of the overall estimated damage resulting from all EU expenditure fraud²⁷. This contrasts with the low number of cases (five) reported by member states in management declarations accompanying payment requests in 2024.

11.43. National audit bodies provide the Commission with assurance as to whether member state control systems are effective in preventing, detecting and correcting serious irregularities (including fraud). Twelve of the 28 summaries of audits we reviewed, concerning nine member states (Belgium, Czechia, Ireland, Greece, France, Italy, Latvia, Poland, Finland), highlighted inadequacies in those countries' *management and control systems* for ensuring the protection of the EU's financial interests.

²⁷ 2024 EPPO annual report.

Traceability of RRF funds

11.44. Traceability of funding, which can be defined²⁸ as the ability to track the flow of money from its source to its destination, is important for the protection of the EU's financial interests. It enables the identification of the natural persons ultimately benefitting, directly or indirectly, from EU funding. We are currently carrying out an audit on transparency and traceability of the RRF funding. This audit aims to assess whether the Commission and member states ensure clear traceability, timely monitoring, accurate cost assessment and transparent publication of information related to RRF funding and its implementation.

Traceability of RRF funds is not systematic across member states

11.45. The [Regulation](#) does not oblige member states to collect and publish information about expenditure incurred by final recipients in pursuit of milestones or targets nor to provide such information with their RRF payment requests. They are, however, obliged to collect data for audit and control purposes and to provide for comparable information on the use of funds, including information on the final recipients, (sub)-contractors and beneficial owner(s)²⁹. Nevertheless, member states are only required to publish this information for the 100 'final recipients' receiving the most funding^{30,31}.

11.46. We assessed the national systems of five member states (Germany, Greece, Spain, France and Italy) to see whether they were capable of tracking RRF funds from the national budget down to final recipients and beyond (e.g. to contractors, or subcontractors) and providing data on expenditure incurred by final recipients (see [Figure 11.5](#)). We also analysed these member states' interpretation of the term 'final recipients' including the method they use to establish their lists of the 100 biggest final recipients in accordance with Article 25a of the [Regulation](#).

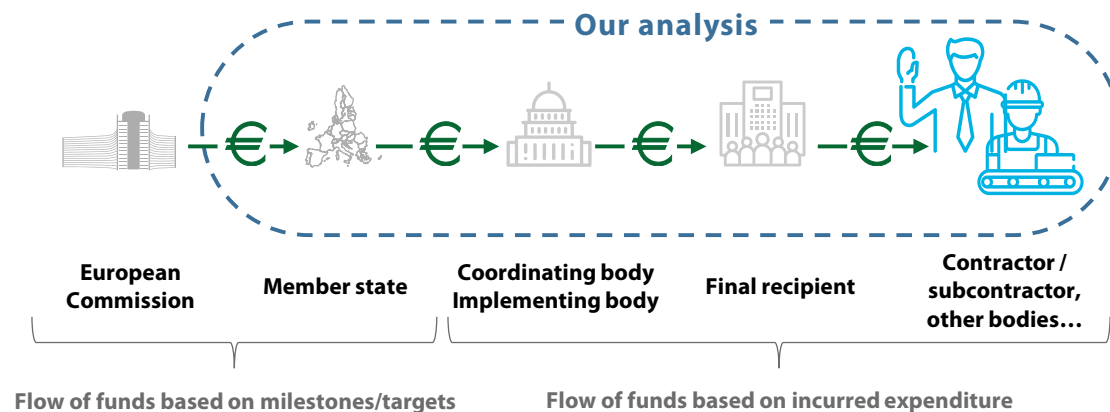
²⁸ International Organization for Standardization (ISO), "Quality management systems — Fundamentals and vocabulary", ISO 9000:2015.

²⁹ [Regulation](#), Article 22(2)(d)(i)-(iv).

³⁰ [Review 02/2025](#), paragraph 90.

³¹ [Regulation \(EU\) 2023/435](#), Article 1(10).

Figure 11.5 – Flow of RRF funding



Source: ECA.

11.47. Two of the five member states (Italy and Greece) had systems in place allowing central authorities to track the flow of RRF funds down to expenditure incurred by final recipients (see [Box 11.5](#)).

Box 11.5

Italian system for tracking RRF funds down to final recipient

In Italy, all RRF funds (grants and loans) are credited to a dedicated current account opened at the state treasury and dedicated to manage funds flowing between Italy and the EU. The RRF funds are then transferred to two separate current accounts, one for grants and one for loans. The public funds needed to implement RRF measures are pre-financed from the national budget based on the RRF funding allocated to each implementing authority.

The Central Service (Italy's RRF coordinating body) ensures that the funds are made available for each RRF measure up to the total expenditure incurred based on the requests presented by the relevant implementing authorities (e.g. ministries). Implementing authorities make the related payments to the bodies responsible for the implementation of individual projects, or to the final recipients of the funds (in cases where the implementing authority is also the implementing body).

To monitor and ensure the traceability of these financial movements, Italy uses the ReGIS IT system. This provides information on RRF projects including: (a) name(s) of final recipient(s) of RRF funds; (b) amount allocated to final recipient(s) to implement RRF project(s); (c) measure to which the project concerned contributes, and (d) the expenditure declared/incurred by final recipients.

Information on the amounts allocated to and expenditure declared by each implementing body/final recipient is available on a [national website](#).

11.48. The data we collected shows that at the end of 2024, final recipients in Italy and Greece incurred expenditure 49 % and 39 % respectively of the total amounts planned in their national budgets for RRF reforms and investments. This represents 76 % (in the case of Italy) and 82 % (in the case of Greece) of the total amount received from the Commission. We found that the systems in place in two member states (Spain and France) did not ensure the systematic collection of data on expenditure incurred by final recipients of RRF funds while for one member state (Germany) such information was provided to us upon request for five RRF measures (see [Table 11.3](#)).

Table 11.3 – Grant payments and expenses incurred

Member state	A. Total amount of planned RRF grants (in billion euros)	B. Total amount of RRF grants disbursed by the Commission (in billion euros)	C. Total amount declared as expenditure by the final recipients (in billion euros)	Expensed vs allocated in CID (C/A)	Expensed vs disbursed by the Commission (C/B)
Germany	30.3	19.8	Not provided	n/a	n/a
Greece	18.2	8.6	7.0	39 %	82 %
Spain	79.9	48.0	Not provided	n/a	n/a
France	40.3	30.9	Not provided	n/a	n/a
Italy	71.8	46.4	35.2	49 %	76 %

Source: ECA, based on member states data.

11.49. We reviewed the methodology followed by the member states for publishing the 100 biggest final recipients and we found significant variation in the type of information published. In line with Commission guidance³² two member states (Germany and Italy) reported amounts effectively disbursed. However, two member states (Greece and Spain) reported amounts allocated (i.e. budgeted) and one (France) reported amounts disbursed but in some cases only to the level of intermediate bodies and in some cases combined with national funding. Moreover, Spain only reported data related to measures with milestones and targets submitted for payment to the Commission, which does not fully reflect implementation of ongoing measures. All these are against the Commission guidance³³.

³² COM(2024) 474 final Annex V, Annex to the Report from the Commission to the European Parliament and the Council on the implementation of the Recovery and Resilience Facility.

³³ Ibid.

Issues related to the design of measures, milestones and targets

11.50. This part of the chapter presents issues not directly linked to our *statement of assurance* but highlights weaknesses in the design of measures, milestones and targets. Special reports³⁴ and our review³⁵ provide a more comprehensive view of sound financial management aspects concerning the RRF.

11.51. Milestones and targets should measure the member states' progress in implementing the investments and reforms contained in their national RRFs – and therefore the achievement of the RRF's objectives. To ensure that these milestones and targets are meaningful and in line with sound financial management principles, it is important that they cover all the main elements of the underlying reform or investment, in particular its completion³⁶.

11.52. We identified five cases of reforms or investments where either not all elements were covered by milestones or targets, or the completion was not captured by a milestone or target, or the milestone was irrelevant to the measure (similar cases were found in previous years³⁷). We note that some of these cases were addressed through the revised CIDs.

³⁴ [Special report 21/2022](#): “The Commission’s assessment of national recovery and resilience plans – Overall appropriate but implementation risks remain”.

[Special report 26/2023](#): “The Recovery and Resilience Facility’s performance monitoring framework – Measuring implementation progress but not sufficient to capture performance”.

[Special report 13/2024](#): “Absorption of funds from the Recovery and Resilience Facility – Progressing with delays and risks remain regarding the completion of measures and therefore the achievement of RRF objectives”.

[Special report 10/2025](#): “Labour market reforms in the national recovery and resilience plans – Some results, but not sufficient to address structural challenges”.

[Special report 14/2024](#): “Green transition – Unclear contribution from the Recovery and Resilience Facility”.

³⁵ [Review 02/2025](#).

³⁶ [Special report 26/2023](#), paragraphs 30-32.

³⁷ [2022 annual report](#), paragraph 11.36 and [2023 annual report](#), paragraphs 11.44-11.46.

Annual activity reports and the annual management and performance report

11.53. AARs are the main tool the Commission's directorates-general use to report whether they have reasonable assurance that control procedures guarantee the regularity of expenditure. For 2024, the Director-General of DG ECFIN provides reasonable assurance on the following three elements:

- (a) the legality and regularity of 2024 RRF payments;
- (b) in the area of public procurement and state aid, that member states regularly and effectively check that RRF financing has been used in compliance with all applicable rules, and measures to implement reforms and investment projects have complied with all applicable rules, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests³⁸; and
- (c) the implementation of proportionate reductions in cases of fraud, corruption, and conflicts of interests that a member state has not corrected, or a serious breach of an obligation of the financing agreement.

11.54. In its 2024 AAR, as in previous years, the Commission does not estimate a quantifiable risk at payment on the grounds that a meaningful error rate cannot be determined. Instead, the Commission assigns a risk level (low, medium or high) for the legality and regularity of each RRF payment, based on the results of its *preliminary assessments*, its *ex post* audits and of ECA audits when it agrees with them. High risk RRF payments above the *de minimis threshold* should lead to a reservation. The Commission assessed all 2024 payments as low risk. This is, however, not in line with our own findings.

11.55. As regards the assurance in the area of public procurement and state aid, in [special report 09/2025](#), we recommended that the Commission, *inter alia*, classify payments to member states as high risk where audits have identified critical or very important findings for more than one implementing body and there is no evidence that the member state has taken the recommended corrective action. However, the Commission accepted this recommendation only partially and thus classified payments

³⁸ [Regulation](#), Article 22(2).

in this situation as medium risk³⁹. It did so for 17 out of 27 RRF grant payments⁴⁰. We consider that this approach is likely to underestimate the level of risk, since there is no assurance that member states will actually take corrective action. Furthermore, our audit revealed that member states implement Commission recommendations with delays (see [Table 11.2](#)). Until the necessary corrective actions are completed, the member states' management and control systems may not be sufficiently effective to detect irregularities.

11.56. In [special report 09/2025](#), we acknowledged improvements in the Commission's checks of member states' systems related to public procurement and state aid. In particular, the Commission introduced enhanced checks on public procurement and state aid in all its audits. In the 2024 AAR, the Commission confirms that all member states' systems were covered by these checks. We recommended that the Commission disclose the proportion of implementing bodies with procurement and state aid relevant investments in each member state covered by its audits. However, this was not accepted by the Commission and, therefore, this information is not disclosed in the AAR.

11.57. As regards serious irregularities not corrected by the member state⁴¹, the Director-General of DG ECFIN qualified its assurance with a reservation following the high risk identified in one member state (Czechia) due to two cases of conflict of interest for which the member state refused to take corrective actions. This reservation concerns two RRF payments. The Commission also assessed 20 payments as medium risk and five payments as low risk for serious irregularities. As the risk assessment criteria are similar to those used by member states for checks on public procurement and state aid, we consider that this assessment also underestimates the level of risk (see paragraph [11.55](#)). We are currently carrying out an audit on the Commission and member states' control systems against fraud in the RRF (see paragraph [11.41](#)).

³⁹ DG ECFIN, 2024 AAR, Annexes, pp. 60-62.

⁴⁰ DG ECFIN, 2024 AAR, Annexes, pp. 207-208.

⁴¹ RRF Regulation, Article 22(5).

Conclusions and recommendations

Conclusions

11.58. The rules governing RRF spending are significantly different from those for the expenditure under the EU general budget. Within the RRF, expenditure incurred by final recipients is not a condition for the Commission making payments to member states. This affects the coverage of our regularity audit and the extent of the assurance that we can provide. The overall audit evidence from our work as presented in this chapter shows that:

- (a) 12 of the 395 milestones and targets we examined did not comply with the payment and eligibility conditions. These concern six payments made to six member states (see paragraphs [11.11-11.26](#)). The minimum financial impact of the 12 findings is above our *materiality threshold*;
- (b) we do not conclude on the satisfactory fulfilment of two Polish ‘audit and control’ milestones related to the reform of the judiciary (see paragraph [11.16](#));
- (c) we found weaknesses in the Commission *ex ante* assessment. In 13 cases, the Commission relied on member state information and checks without performing a sufficient level of testing of all the CID requirements (see paragraphs [11.14-11.15](#));
- (d) there were four cases of vaguely defined milestones/targets that contributed to a more discretionary assessment of their satisfactory fulfilment (see paragraph [11.17](#));
- (e) for most (64 %) of the Commission’s open *ex post* audit recommendations related to critical and very important findings, the agreed deadlines have already passed. This shows that weaknesses in the member states’ control systems persist, potentially leading to flat rate reductions (see paragraphs [11.29-11.31](#)); and
- (f) the information that member states included in their management declarations was not always reliable (see paragraph [11.40](#)).

11.59. RRF funds are not systematically traceable in all member states, which undermines the protection of EU financial interests (see paragraphs [11.44-11.49](#)). Moreover, there were five reforms and investments for which the corresponding milestones/targets were not defined in line with the principles related to the design of

measures, milestones and targets, limiting the results that can be achieved by RRF (see paragraphs [11.50-11.52](#)).

11.60. The declaration provided by DG ECFIN’s Director General is not in line with our findings and conclusions (see paragraphs [11.53-11.55](#)).

Recommendations

11.61. [Annex 11.3](#) shows the findings of our follow-up review of the recommendations we made in our [2022](#) and [2023](#) annual reports. Based on the review of our previous recommendations and on our findings and conclusions for 2024, we recommend that the Commission:

Recommendation 11.1 – Extend the coverage of checks performed during preliminary assessments

When assessing milestones and targets supported primarily by monitoring or implementation reports, instead of relying on member states’ data and checks, the Commission should perform sufficient substantive testing to ensure the reliability of the information supporting the member states’ compliance with the Council Implementing Decisions requirements.

Target implementation date: end 2025.

Recommendation 11.2 – Address delays in member states’ implementation of Commission audit recommendations

Analyse the reasons for delays for the implementation by member states of recommendations linked to critical or very important findings and consider applying flat rate reductions.

Target implementation date: end 2025.

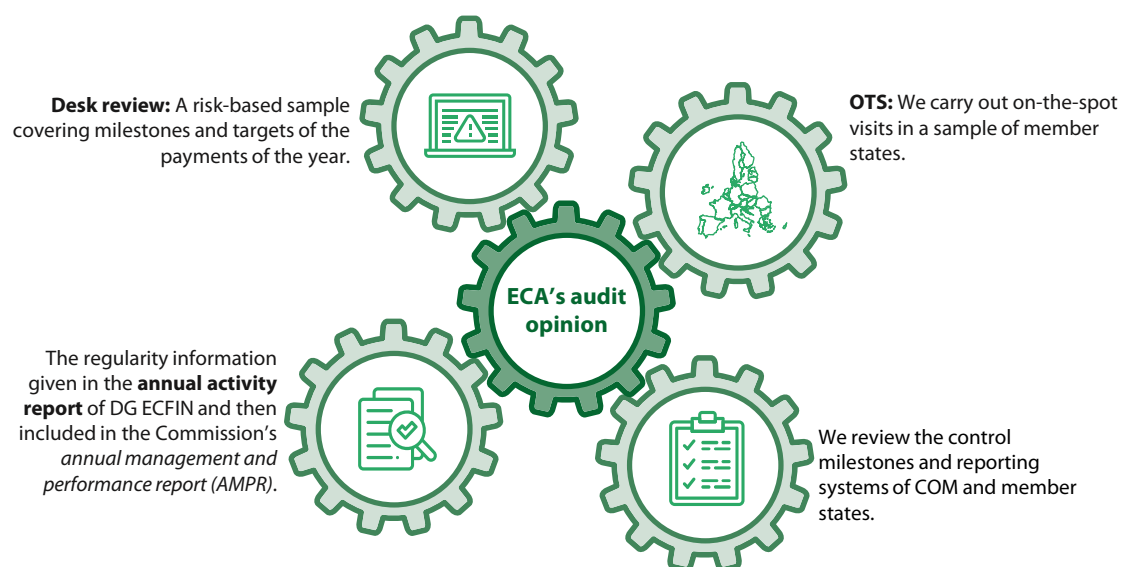
Annexes

Annex 11.1 – Audit approach and methodology

General

- (1) This annex covers our audit approach and methodology for the statement of assurance on the regularity of RRF expenditure.
- (2) We issue a separate opinion on the regularity of the RRF expenditure as part of our statement of assurance on the EU budget. This is because we consider the RRF delivery model to be different and a temporary instrument. With this opinion, we aim to provide reasonable assurance on the payments, and provide detailed information based on this opinion in the statement of assurance.
- (3) We derive most of our assurance from substantive testing and the assessment of the supervisory and control systems. Our assurance is complemented by the AARs-AMPR and the reports of the Internal Audit Service (see [Figure 11.6](#)).

Figure 11.6 – Audit opinion



Source: ECA.

- (4) Our work conforms to international audit standards and ensures that our audit opinions are supported by sufficient and appropriate audit evidence.
- (5) As regards our audit procedures in relation to fraud, we follow the approach detailed in part 3 of **Annex 1.1**.

Regularity of *transactions*

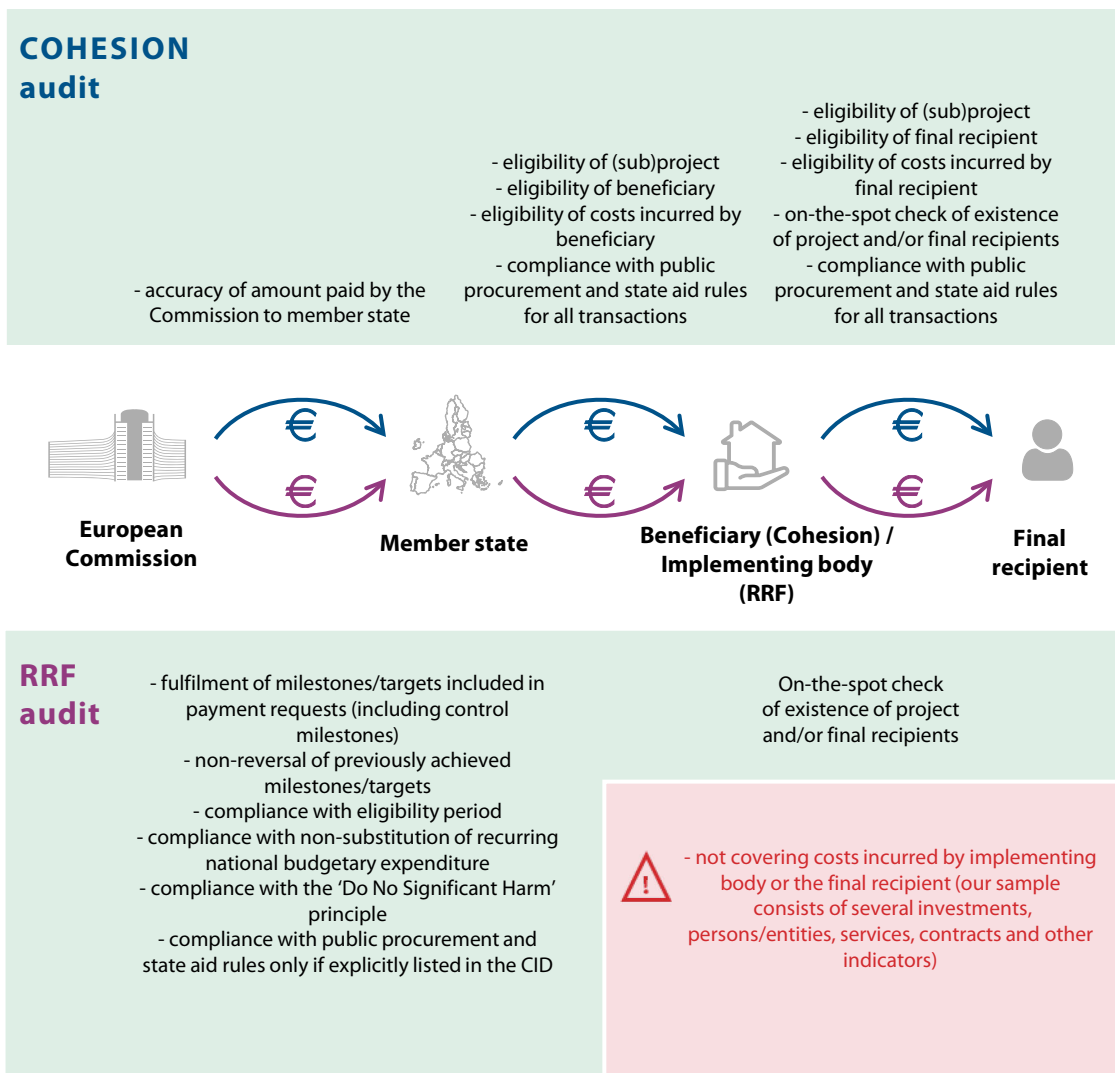
How we define underlying transactions and how we test them

- (6) The underlying transactions relevant for the statement of assurance work on the RRF are grant payments to member states and/or clearings of previous pre-financing. In contrast to most spending under the *Multiannual Financial Framework*, RRF payment requests are not supported by incurred costs, but by justification of satisfactory fulfilment of milestones and targets. As the RRF loans are not recognised as expenditure in the EU accounts, they are not part of our audit.
- (7) Our substantive testing mainly consists of assessing whether RRF payments were made in compliance with the payment conditions laid down in the [Regulation](#)⁴². Where feasible, we cover the non-reversal of previously fulfilled measures and double funding. We also assess the fulfilment of other eligibility conditions, such as non-substitution of recurring national budgetary expenditure, compliance with the eligibility period and the 'Do No Significant Harm' principle⁴³.
- (8) Our audit of the regularity of RRF grant payments to member states focuses on whether the predefined milestones and targets have been satisfactorily fulfilled, and whether the eligibility conditions defined by the [Regulation](#) were met. This represents a significant difference compared to our audit work in other areas of the EU budget, where we assess compliance with all relevant EU and national rules down to final recipient level (e.g. the eligibility of costs incurred, and compliance with state aid and public procurement rules). [Figure 11.7](#) compares what we audit for cohesion spending and RRF spending and illustrates the differences between our work in the two areas.

⁴² [Regulation](#), Article 24(3).

⁴³ [Ibid.](#), Articles 5, 9 and 17(2).

Figure 11.7 – Our audit work related to the regularity of cohesion and RRF expenditure



Source: ECA.

- (9) To reach our conclusion, we first used a risk-based sample to review whether the Commission had gathered sufficient and appropriate evidence during its preliminary assessments to support its assessment of satisfactory fulfilment. If we consider the evidence available in the Commission's files to be insufficient for us to reach a conclusion, we ask the member state directly to provide further evidence. We also carry out on-the-spot visits in a sample of member states.

- (10) First, we select control milestones and milestones related to the *general regime of conditionality* for the protection of the Union budget⁴⁴. We then apply a number of risk criteria to select the remaining sample.
- (11) For our assessment of whether individual milestones and targets have been satisfactorily fulfilled, we use the Commission's framework⁴⁵. In line with this framework, if the nature of the milestone (and, if applicable, the nature of the target) does not allow for an assessment based on quantitative elements, we will accept minimal deviations in substance, form and timing. For milestones or targets for which an assessment based on quantitative elements is possible, we will accept deviations below 5 %.
- (12) We may detect cases of fraud, corruption, conflicts of interest, double funding or breaches of the financing agreement (e.g. the unavailability of information on final recipients and of funding from other EU funds). In these cases, we assess (where feasible) how these 'serious irregularities' impact the legality and regularity of RRF expenditure.

How we evaluate the results of *transaction* testing

- (13) We determine the type of each finding.
- (14) Quantitative findings are related to cases of non-compliance with the payment and eligibility conditions laid down in the [Regulation](#), i.e. unsatisfactory fulfilment of milestones and targets; the reversal of previously fulfilled milestones and targets; non-compliance with the eligibility period, the DNSH principle and double funding.

In line with auditing standards, the auditor should consider using existing criteria⁴⁶. Following this consideration, to quantify the financial impact of these findings, we use the Commission's payment suspension methodology⁴⁷ as a basis. The methodology entails a three-step approach to arrive at the amount to be suspended:

- (i) determining the unit value of a milestone or target included in a plan;

⁴⁴ Regulation (EU, Euratom) 2020/2092.

⁴⁵ COM(2023) 99 final.

⁴⁶ ISSAI 4000.

⁴⁷ COM(2023) 99 final, Annex II.

- (ii) correcting unit values by applying a coefficient; and
- (iii) adjusting the corrected unit values.

We do not systematically estimate a financial impact when the milestone or target is satisfactorily fulfilled within 6 months⁴⁸ after the payment and within the audited year.

(15) Findings linked to suspicion of fraud, corruption and conflicts of interest are quantified only if there is sufficient evidence to prove that they impact the fulfilment of a milestone or target (i.e. a fraudulent case that calls into question the existence of the items, or the complete absence of a procurement procedure).

(16) Findings without a financial impact are qualitative findings.

Examination of supervisory and control systems

(17) Our examination of the supervisory and control systems may identify:

- (i) weaknesses in Commission and member state control and audit activity to ensure the regularity of RRF expenditure and the protection of the EU's financial interests;
- (ii) weaknesses in the availability of the list of final recipients, contractors, subcontractors and beneficial owners;
- (iii) weaknesses in the availability of information about the measure and the total public funding involved; and
- (iv) weaknesses in record-keeping.

(18) Such weaknesses might affect the regularity of RRF expenditure at member state level and result in a recovery (i.e. a reduction in the overall amount of the plan) after the Commission has made the payment to the member state. The financing agreements provide for flat-rate corrections for serious breaches, by taking account of the frequency and extent of such breaches. For our assessment, we consider system weaknesses and breaches of the financing agreements as qualitative findings.

(19) We also assess the Commission's *ex post* audits. These audits may identify milestones and targets as not having been satisfactorily fulfilled. Where feasible,

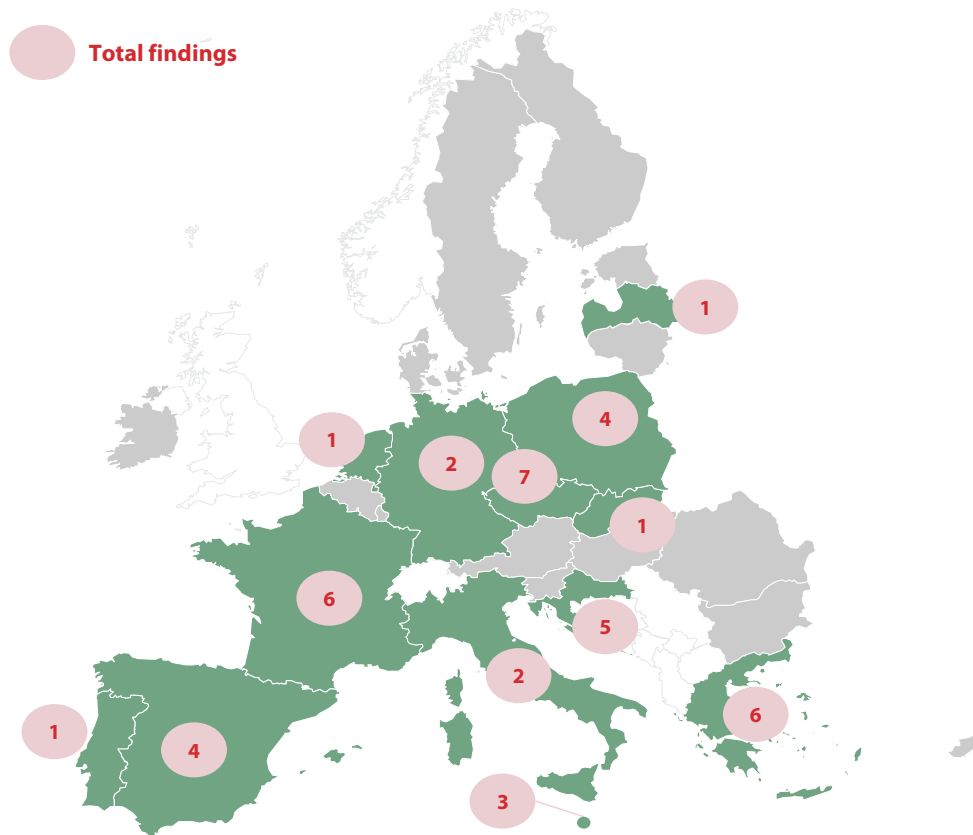
⁴⁸ Regulation, Article 24(8).

we use the findings that have not been corrected during the year of the payment to formulate our opinion.

Formulating our audit opinion

- (20) Materiality is a fundamental concept, as it sets the level of deviation that we consider is likely to influence our stakeholders' decisions.
- (21) We define materiality on both a quantitative and a qualitative basis.
- (22) By analogy with other audits, we use the level of 2 % as the materiality threshold for our opinion, and we also take account of the nature, amount and context of errors and other available information.
- (23) The quantitative findings are an important element for reaching our conclusion. To assess the regularity of RRF expenditure, we will reach a conclusion, based on the quantitative findings, as to how the estimated amount of error compares to the materiality threshold. To calculate the overall impact of quantitative findings (including those initially identified by the Commission's *ex post* controls), we use the Commission's payment suspension methodology as a basis.
- (24) We also consider the impact of the qualitative findings and the system weaknesses. In addition to our professional judgment, we take into account the number of these findings and the materiality of the payments affected.
- (25) Our audit opinion does not disclose an error amount/rate. Due to the RRF spending model, it is not possible to determine an error rate comparable to those reported in other MFF chapters. This is because there is no link between RRF payments and costs incurred by final recipients. In addition, the nature of milestones and targets and the risk-based sampling does not allow for extrapolation of our results. Therefore, the result of our testing provides only an estimate of the minimum error amount.

Annex 11.2 – Audit results



Member state	Quantitative findings	Qualitative findings	System weaknesses	Total findings
Czechia (*)	3	3	1	7
Germany	0	2	0	2
Greece	2	4	0	6
Spain	1	1	2	4
France	2	3	1	6
Croatia	2	2	1	5
Italy (*)	0	2	0	2
Latvia	0	1	0	1
Malta	0	3	0	3
Netherlands	0	1	0	1
Poland	2	2	0	4
Portugal	0	1	0	1
Slovakia	0	0	1	1
Total	12	25	6	43

(*) There were findings in more than one payment in 2024.

Source: ECA.

Annex 11.3 – Follow-up to previous recommendations

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2022	Recommendation 1(a): Cover in its preliminary assessments and <i>ex post</i> audits compliance with the eligibility period and the principle of non-substitution of recurring national budgetary expenditure.			The Commission's preliminary assessments and <i>ex post</i> audits include some checks on compliance with the eligibility period, but not on substitution of recurring national expenditure. However, the criteria used by the Commission to assess the start of a measure is the start of physical works as opposed to the signing of the first legal commitment.
	Recommendation 1(b): Revise its <i>ex post</i> audit procedures so that they provide for checks to verify whether the audited targets previously assessed as fulfilled were not reversed after the payment.			The Commission updated the <i>ex post</i> audit strategy to include checks on reversal. The audit checklists that we reviewed did not include these checks, though some reports commented on this issue.
	Recommendation 2: Based on experience acquired during the RRF implementation, verify that the reviewed plans clearly define all milestones and targets and that all key elements of a measure are covered by milestones and targets.			Our 2024 audit identified six payments with nine CID weaknesses. These were all corrected through a CID amendment.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2023	Recommendation 1: Apply stricter criteria for assessing compliance with the eligibility period.			Not accepted and not implemented.
	Recommendation 2: Define specific criteria for assessing substitution of recurring national budgetary expenditure.			Annex III to the 2024 RRF annual report provides the criteria used by the Commission to assess substitution of recurring national budgetary expenditure.
	Recommendation 3: Address remaining weaknesses in member state control systems.			Most of the Commission's <i>ex post</i> audit recommendations that are not implemented are based on detected weaknesses in the member states' control systems. These weaknesses pose a risk to the protection of the EU's financial interests, with a potential impact on the regularity of expenditure. For 64 % of the critical or very important recommendations that remain open, the deadline set in the Commission final audit report has passed.
	Recommendation 4: Provide assurance on the effective functioning of member state control systems.			Not accepted and not implemented.

Source: ECA.

Chapter 12

**Follow-up of the recommendations
made in our special reports from 2021**

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Introduction

Brief description

12.1. Every year, we review the extent to which our auditees have taken action in response to our recommendations 3 years after we made them. This follow-up of our recommendations is an important step in the audit cycle. It provides us with feedback on whether our auditees have implemented the actions we recommended and whether the issues we raised have been addressed. It is also important in designing and planning our future audit work and for keeping track of risks.

Scope and approach

12.2. This year, we analysed recommendations from all 27 special reports we published in 2021. In total, we followed up on 245 recommendations. Of these, 194 were addressed to the European Commission. The remaining 51 recommendations were addressed to the European Central Bank (ECB), the *European External Action Service* (EEAS), the *European Banking Authority* (EBA), the European Border and Coast Guard Agency (*Frontex*), the *European Union Agency for Law Enforcement Cooperation* (Europol), and the Single Resolution Board (SRB). As in the past, recommendations addressed solely to member states were beyond the scope of our follow-up work.

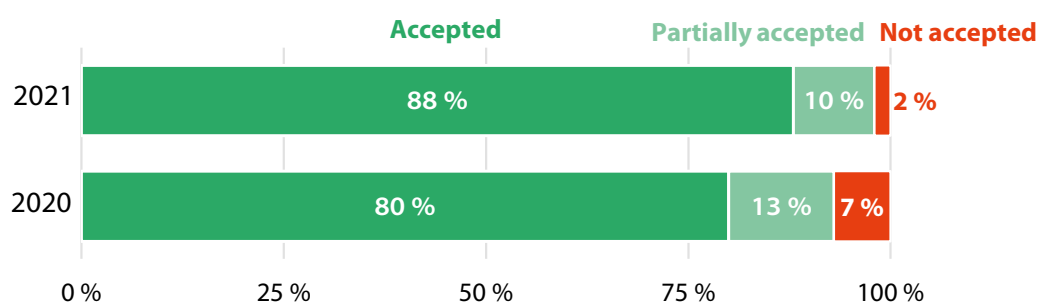
12.3. We used documentary reviews and interviews with auditees to carry out our follow-up work. To ensure a fair and balanced review, we sent our findings to the auditees and took account of their replies in our final analysis. To avoid repetition, recommendations are listed under the auditee to which they were mainly addressed. The *results* of our work reflect the situation as at the end of April 2025.

Observations

Nearly all our 2021 special report recommendations have been accepted by our auditees

12.4. Out of the 245 recommendations that we followed up, our auditees fully or partially accepted 239 (98 %) and did not accept 6 (2 %). Compared with the previous year, the proportion of recommendations fully accepted by our auditees increased from 80 % to 88 % (see [Figure 12.1](#)).

Figure 12.1 – Acceptance of our 2021 and 2020 special report recommendations by our auditees



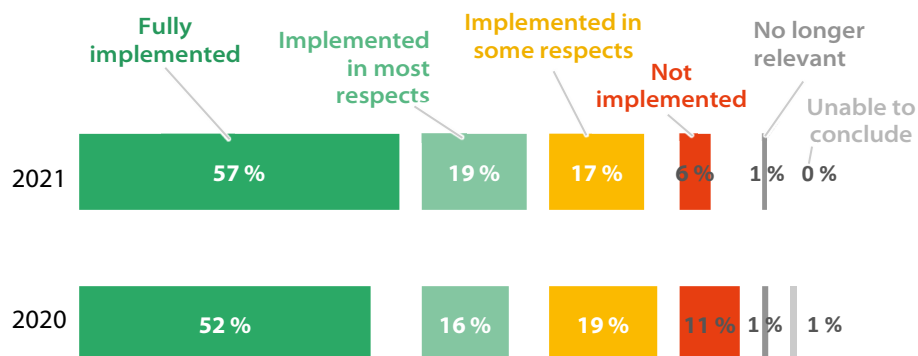
Source: ECA.

The proportion of recommendations implemented in full or in most respects has increased

12.5. Eleven of the 245 recommendations we followed up were not yet due for implementation at the time of our follow-up review. Of the remaining 234 recommendations, our auditees have fully implemented 134 (57 %). They have implemented a further 44 (19 %) in most respects (see [Figure 12.2](#)).

12.6. Compared with the previous year, the total proportion of recommendations fully or mostly implemented increased from 68 % to 76 %. The proportion of recommendations not implemented decreased from 11 % to 6 %. When our auditees did not implement our recommendations, in around one-third of cases it was because they had not accepted them. [Annex 12.1](#) and [Annex 12.2](#) show the implementation status of the recommendations in more detail.

Figure 12.2 – Implementation of our 2021 and 2020 special report recommendations by our auditees



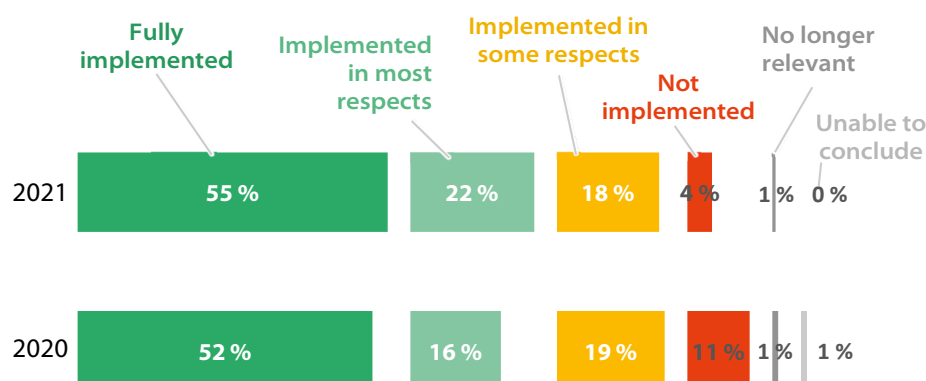
Source: ECA.

Of the recommendations addressed to the European Commission, 77 % have been implemented in full or in most respects

12.7. The total number of recommendations addressed to the Commission was 194. Eleven recommendations were not yet due for implementation by the time of our follow-up review. Of the remaining 183 recommendations, the Commission has fully implemented 100 (55 %) and implemented a further 40 (22 %) in most respects. In addition, the Commission has implemented 34 (18 %) in some respects, and has not implemented 8 (4 %) at all (see [Figure 12.3](#)). In one case (1 %), no assessment of the implementation status was required, as we considered the recommendation to be no longer relevant.

12.8. Compared with the previous year, the total proportion of recommendations fully or mostly implemented increased from 68 % to 77 %. The proportion of recommendations not implemented decreased from 11 % to 4 %.

Figure 12.3 – Implementation of our 2021 and 2020 special report recommendations addressed to the Commission



Source: ECA.

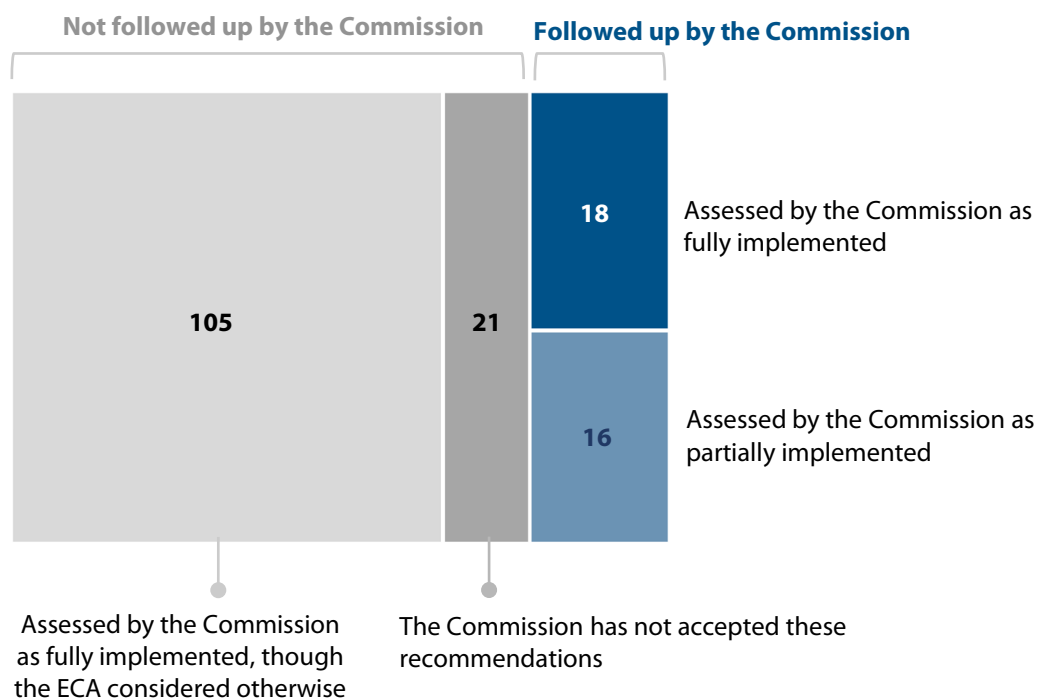
12.9. *Annex 12.1* shows the implementation status of the recommendations addressed to the Commission in more detail. It also provides brief descriptions of the improvements and of the remaining weaknesses affecting, for example, the recommendations which have been implemented in some respects.

12.10. The Commission sometimes differs from us in its assessment of whether and to what extent recommendations have been implemented. If the Commission considers that a recommendation has been fully implemented, it usually stops following it up, even if our assessment of the level of implementation differs.

12.11. We assessed 71 recommendations from our 2019 special reports and 89 recommendations from our 2020 special reports as outstanding in our follow-up exercises from 2022 and 2023¹. This year, 126 of those 160 recommendations remained unimplemented and were no longer being followed up by the Commission (see *Figure 12.4*). The Commission had not accepted 21 of those 126 recommendations in the special reports themselves. It considered that the remaining 105 recommendations had been fully implemented by the time of the last 2 years' follow-up exercises, though our assessment differed.

¹ 2022 annual report on the implementation of the EU budget, paragraphs 3.89-3.95, and 2023 annual report on the implementation of the EU budget, paragraphs 3.73-3.76.

Figure 12.4 – Follow-up of 2019 and 2020 special report recommendations not fully implemented by the Commission during our two previous years' follow-up exercises



Source: ECA.

12.12. The Commission has continued to follow up the remaining 34 of the 160 recommendations which had not been implemented in full. The Commission considers that it has since finished implementing 18 of those 34 recommendations. Applying the follow-up approach for outstanding recommendations used for our last two follow-up exercises (from our 2019 and 2020 special reports), we continue to monitor such cases by analysing Commission data, but we have not examined them in detail.

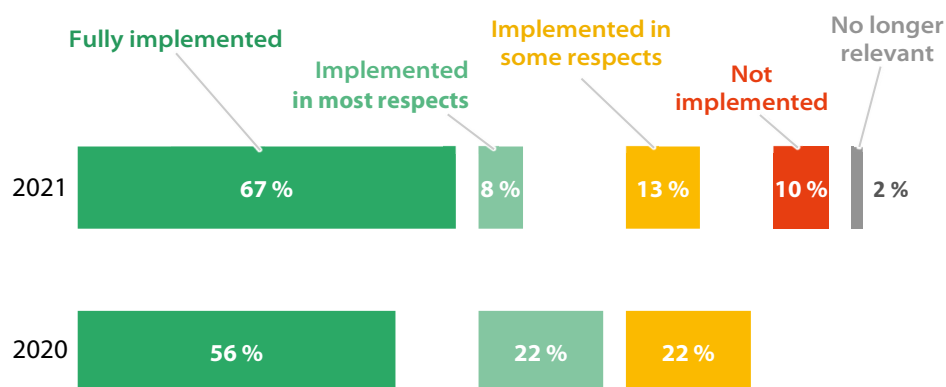
Of the recommendations addressed to other auditees, 75 % have been implemented in full or in most respects

12.13. Special reports [01/2021](#), [08/2021](#), [09/2021](#), [13/2021](#) and [19/2021](#) contained a total of 51 recommendations addressed to auditees other than the European Commission. These were the European Central Bank (ECB), the European External Action Service (EEAS), the European Banking Authority (EBA), the European Border and Coast Guard Agency (Frontex), the European Union Agency for Law Enforcement Cooperation (Europol), and the Single Resolution Board (SRB).

12.14. These auditees have fully implemented 34 (67 %) recommendations, implemented a further 4 (8 %) in most respects, and implemented 7 (13 %) in some respects (see [Figure 12.5](#)).

12.15. Compared with the previous year, the total proportion of recommendations fully or mostly implemented decreased from 78 % to 75 % and the total proportion of recommendations not implemented or implemented only to some respects remained relatively stable.

Figure 12.5 – Implementation of our 2021 and 2020 special report recommendations addressed to auditees other than the Commission



Source: ECA.

12.16. [Annex 12.2](#) provides a detailed overview of the implementation status of these recommendations. It also provides brief descriptions of the improvements made and the weaknesses remaining in relation to the recommendations which have been implemented in some respects.

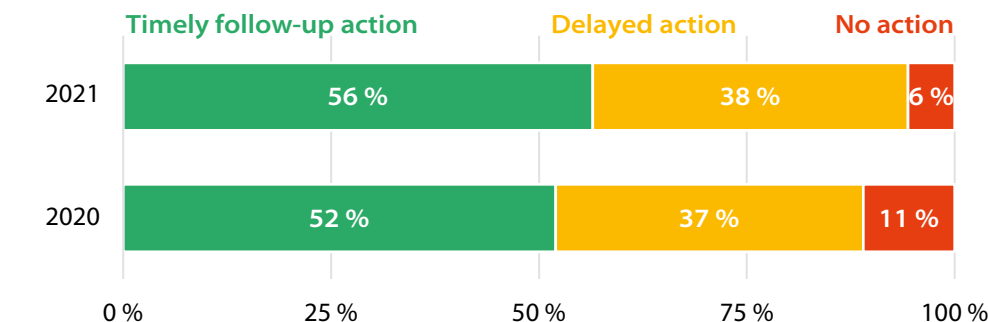
The proportion of recommendations implemented on time has increased

12.17. Timeframes for the implementation of recommendations are discussed and agreed with the auditee and specified in our special reports to ensure that they are clear to all parties concerned.

12.18. Compared to the previous year, the proportion of recommendations implemented on time has increased from 52 % to 56 %, while the proportion with no action taken decreased from 11 % to 6 % (see [Figure 12.6](#)). The timeliness of actions

taken by auditees to address our recommendations has not yet returned to the pre-COVID-19 pandemic level (60 % or higher).

Figure 12.6 – Timeliness of actions taken by auditees to address our 2021 and 2020 special report recommendations



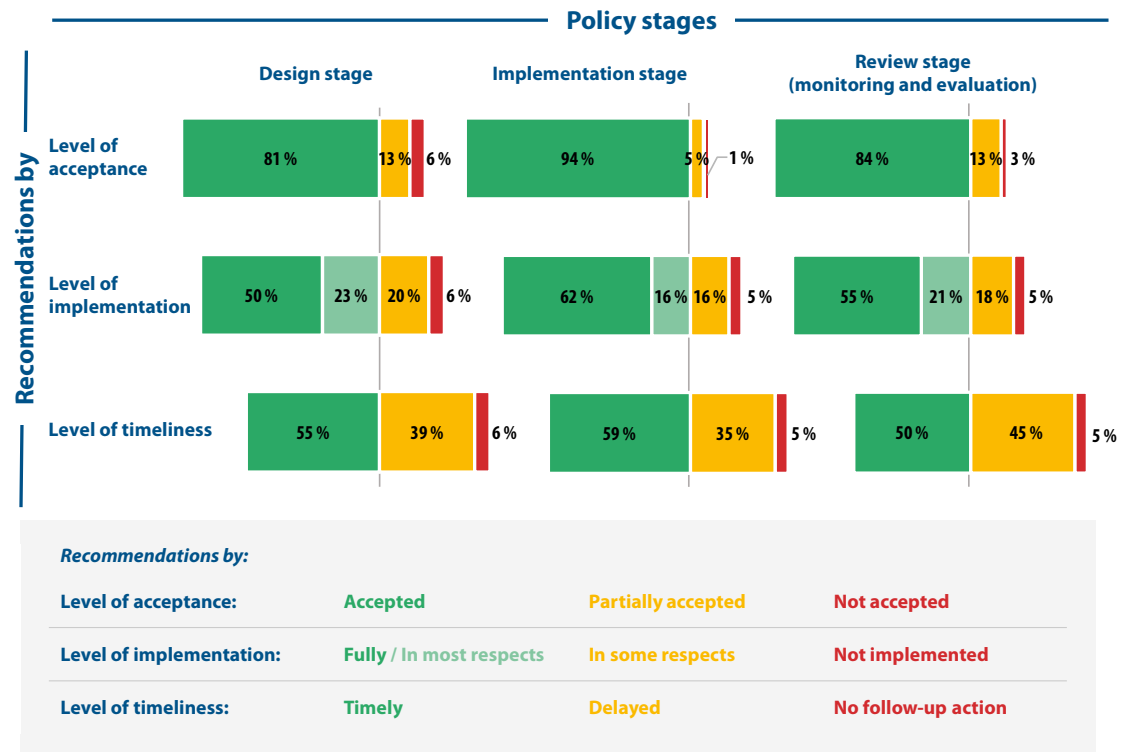
Source: ECA.

Recommendations related to the implementation stage of policies or programmes show the highest level of acceptance, implementation and timeliness

12.19. We have classified our 2021 special report recommendations according to the stage in the policy cycle they focus on: design stage, implementation stage, and review stage (monitoring and evaluation). This classification enabled us to analyse whether there are differences between the three policy stages with regard to the level of acceptance, the level of implementation and the timeliness of corrective actions taken in response to our recommendations.

12.20. As regards policy stages, 28 % of our recommendations related to the design stage, 56 % to the implementation stage, and 17 % to the review stage. Recommendations related to the policy implementation stage had a higher percentage of acceptance (94 %) compared to the review stage (84 %) or design stage (81 %). The total percentage of recommendations fully or mostly implemented was the highest in the implementation stage (78 %). The timeliness of actions taken by auditees to address our recommendations was the lowest in the review stage and the highest in the implementation stage. Detailed results of our analysis are presented in [Figure 12.7](#).

Figure 12.7 – Level of acceptance, implementation and timeliness by stage in the policy cycle



Source: ECA.

Conclusion

12.21. Our analysis shows that the proportion of 2021 special report recommendations which were fully or partially accepted by our auditees increased from 93 % last year to 98 % this year. The proportion of recommendations implemented in full or in most respects increased from 68 % last year to 76 % this year, and the proportion of recommendations implemented on time increased from 52 % to 56 %. The latter has not yet returned to the pre-COVID-19 pandemic level of 60 % or higher. Our analysis to verify if there are differences between the three stages in the policy cycle (design stage, implementation stage, and review stage) showed that recommendations related to the implementation stage of policies or programmes show the highest level of acceptance, implementation and timeliness.

Annexes

Annex 12.1 – Follow-up of 2021 special report recommendations – European Commission

Level of acceptance:  accepted;  partially accepted;  not accepted.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Level of timeliness:  timely;  delayed;  deadline still pending;  no follow-up action;  no assessment of timeliness.

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
SR 01/2021: “Resolution planning in the Single Resolution Mechanism”	4	121			The Commission neither accepted nor implemented the recommendation.	
SR 02/2021: “EU humanitarian aid for education – Helps children in need, but should be longer-term and reach more girls”	1	68				
	2(a)	68				
	2(b)	68				
	2(c)	68				
	3(a)	69				

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	3(b)	69	✓			
	4(a)	70	✓		Commission experts analyse the costs and cost-efficiency of each project proposal. They also add a brief comment on the result of this assessment to the dashboard, which is a table showing all proposals received for a given call. The details of the cost analysis made by the experts are not documented in the dashboard or in the operational tool for following up humanitarian aid projects (FichOp). The comparison is made against the average Education in Emergencies (EiE) cost per <i>beneficiary</i> established in the humanitarian response plan by the national education cluster, rather than the cost of similar projects funded by the Commission. In the case of project extensions, the experts compare the costs with earlier stages of the project.	
	4(b)	70	✓		See comments on recommendation 4(a).	
	4(c)	70	✓			
	5	71	✓			
SR 03/2021: “Exchanging tax information in the EU – Solid foundation, cracks in the implementation”	1(a)	108	✓		While the Commission fully implemented our recommendation, its legislative proposal was substantially amended by the co-legislators.	
	1(b)	108	✓		See comments on recommendation 1(a).	
	2(a)	110	✓			
	2(b)	110	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	2(c)	110	✓	✗	Written guidance on the specific elements mentioned in the recommendation (implementing the Directive on Administrative Cooperation (DAC) legislation, performing risk analysis, and using the tax information received) still has to be developed. The knowledge gained in the context of visits to member states regarding the DAC, as well as the contributions to the work of the Organisation for Economic Co-operation and Development, are a good basis for the development of this guidance.	✗
	5	120	✓			
SR 04/2021: “Customs controls – Insufficient harmonisation hampers EU financial interests”	1(a)	63	✓			
	1(b)	63	✓			
	1(c)	63	✓			
	1(d)	63	✓		The Commission updated the financial risk criteria (FRC) guidance in 2021 by adding several details on the application of the framework to simplified declarations. In 2023, it assessed the extent to which member states’ risk profiles covered different types of declarations. The Commission did not take action to ensure that existing gaps in member states’ implementation of the FRC framework are covered appropriately.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	1(e)	63	✓		Information on <i>economic operators</i> of interest can be extracted from the new Customs Risk Management System (CRMS2) for individual risk signals. The Commission has not developed EU-wide risk databases for member states to use, such as common lists of economic operators of interest.	
	1(f)	63	✓			
	2(a)	64	✓		The Commission's customs reform proposal (COM(2023) 258 final) provides for the creation of a central function at EU level to better guide overall customs control efforts (the EU Customs Authority). Articles 238 and 265 of the proposed regulation state that the EU Customs Authority will be fully operational by 2028 and the EU Customs Data Hub by 31 December 2037 (with some <i>provisions</i> starting as early as 2028). While several provisions from the Commission's proposal aim to address our recommendation, we note that the proposed regulation has not yet been adopted and its actual implementation will depend on the date of its adoption and the final adopted provisions.	
	2(b)	64	✓		See comments on recommendation 2(a).	
	2(c)	64	✓		See comments on recommendation 2(a).	
SR 05/2021: "Infrastructure for charging electric	1	72	✓			
	2	74	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
vehicles – More charging stations but uneven deployment makes travel across the EU complicated”	3	77	✓			
	4(a)	77	✓			
	4(b)	77	✓			
	4(c)	77	✓		As studies were not eligible under the 2021 and 2023 Alternative Fuels Infrastructure Facility calls of the <i>Connecting Europe Facility</i> (CEF), there was no point for the Commission to set objective criteria for the number, type and location of charging stations that are acceptable for such studies.	
	5(a)	80	✓			
	5(b)	80	✓			
	5(c)	80	✓		The Commission’s <i>ex post</i> analysis on the use and <i>performance</i> of supported infrastructure on a sample/risk basis is pending until a mature stage of deployment is reached.	
SR 06/2021: “Financial instruments in cohesion policy at closure of the 2007-2013 period – Verification work yielded good results overall, but	1	88	✓			
	2	88	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
some errors remained"						
SR 07/2021: "EU space programmes Galileo and Copernicus – Services launched, but the uptake needs a further boost"	1(a)	93	✓		The publication on 15 July 2024 of the <i>staff working document</i> on the status of user uptake is an important first step towards a comprehensive strategy. The strategy has not yet been adopted.	
	1(b)	93	✓		First steps have been taken, in cooperation with the member states, to enhance user uptake through national collaboration programmes, activities for the downstream space sector, and the new Knowledge Centre on Earth Observation. However, the Commission has not provided further information on where EU space services could enhance the <i>efficiency</i> and <i>effectiveness</i> of public administrations with a view to addressing the fragmented structure of markets.	
	2(a)	96	✓		The Commission, together with other entities, developed and published a conceptual framework to assess the benefits of the EU Space Programme. The framework suggests monetising some (non-socio-economic) indicators that are not based on sound methods or data sources and are thus unreliable. Moreover, the Commission has not provided data allowing for a more accurate assessment of the socio-economic benefits, which is essential for such a framework.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	2(b)	96	✓		Regulation (EU) 2021/696 defines main and specific objectives for the EU Space Programme. The link between main and specific objectives is not always clear and indicators cannot always be linked to specific objectives. The Commission has not provided milestones or targets for each indicator. The method and data sources for their calculation are not always clear.	
	3(a)	101	✓			
	3(b)	101	✓		The national collaboration programmes (NCPs) implemented by the Copernicus services, the EU Agency for the Space Programme's activities for the downstream space sector, and the Knowledge Centre on Earth Observation are important steps towards a structured uptake and are complementary to member state action. However, a significant part of the recommendation still needs to be implemented to ensure complementarity between Copernicus and member state initiatives.	
	3(c)	101	✓		With the Copernicus Data Space Ecosystem (CDSE) infrastructure, a more integrated approach has been taken to provide access to Copernicus data. The CDSE actively aims to integrate with other data infrastructure and expand the number and quality of data services. However, the Commission has not provided information on the extent to which it has addressed the fragmentation of Copernicus data and products.	
	4(a)	104	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	4(b)	104	✓		The identification of barriers and the creation of the dashboard, to provide information on the different member states' space strategy and basic space-related economic data, are important steps towards removing barriers to uptake. The dashboard still needs to be fully implemented. The Commission and member states will then have to act and remove existing barriers (for example, with an appropriate regulatory framework) and thus better support the uptake of space services.	
	4(c)	104	✓			
SR 08/2021: "Frontex's support to external border management – Not sufficiently effective to date"	1(c)	90	✓			
	2(b)	92	✓			
	3(c)	94	✓		When carrying out the evaluation of European Border and Coast Guard Regulation, the Commission did not analyse the potential benefits of extending the scope of Frontex's vulnerability assessment to a regional and EU level.	
SR 09/2021: "Disinformation affecting the EU –"	1(a)	111	✓			
	1(b)	111	✓			
	1(c)	111	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
Tackled but not tamed"	1(d)	111	✓		Commission Communication COM(2023) 630 provides information on different funding sources to support the implementation of the European Democracy Action Plan against disinformation. The published information does not include summarised information on the expenditure made in implementing the actions.	
	4(a)	117	✓			
	4(b)	117	✓			
	4(c)	117	✓			
	5(a)	119	✓		Although the Commission improved its coordination activities related to media literacy and prepared a document mapping the existing initiatives, there is no overarching media literacy strategy in place yet.	
	5(b)	119	✓		In December 2023, the Commission signed a contract for a study to review the existing research on the <i>impact</i> of media literacy activities. For legal reasons, the contract was terminated halfway through 2024. The Commission has not yet adopted an overarching media literacy strategy.	
	5(c)	119	✓		The Commission has considerably improved coordination to foster synergies to combat disinformation. However, there is no overarching media literacy strategy in place yet.	
	6(a)	120	✓			
	6(b)	120	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	6(c)	120	✓			
SR 10/2021: “Gender mainstreaming in the EU budget – Time to turn words into action”	1(a)	103	✓			
	1(b)	103	✓			
	1(c)	103	✓			
	1(d)	103	✓			
	2(a)	104	✓			
	2(b)	104	✓		The Commission updated its <i>better regulation</i> guidelines and toolbox. The better regulation update supports better identification, selection, and qualitative and quantitative assessment of significant gender equality impacts in <i>impact assessments</i> and evaluations, within the limits of available data, while observing the better regulation principle of proportionate analysis. The Commission has not yet carried out gender analyses of needs and impacts for EU funding programmes and instruments, or reported on the results of these analyses in impact assessments, evaluations or annual performance reporting.	
	3(a)	105	✓			
	3(b)	105	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	3(c)	105			The recommendation was partially implemented through the 2021 revised better regulation toolbox (tool #43, “Monitoring arrangements and indicators”) and in the context of the new <i>Financial Regulation</i> , which has applied since 30 September 2024. The Commission will not be able to implement the main parts of the recommendation until it starts preparing the content of future legislative proposals.	
	4(a)	107				
	4(b)	107			The new Financial Regulation, which has applied since 30 September 2024, could facilitate taking into account gender equality while preparing the next <i>multiannual financial framework</i> (MFF). The Commission has not yet included gender-related objectives and performance indicators for future legislative proposals, as the proposals for the post-2027 MFF have not yet been adopted.	
	5(a)	108			The Commission has developed a system for tracking funds allocated and used to support gender equality which can be applied to all EU funding programmes, including the <i>Recovery and Resilience Facility</i> . The system’s tracking methodology does not account for potential negative effects and the Commission makes extensive use of the gender score 0* (approximately 20 % of the EU budget). This score means that the programme’s contribution to gender equality is unclear.	
	5(b)	108				

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	5(c)	108			The Commission has not started to analyse the appropriateness of proposing a percentage of the EU budget to be used to support gender equality. It considers that the timeline for this analysis depends on the preparation of the next MFF.	
	6	109				
SR 11/2021: “Exceptional support for EU milk producers in 2014-2016 – Potential to improve future efficiency”	1(a)	83				
	1(b)	83				
	2(a)	87			The Commission neither accepted nor implemented the recommendation.	
	2(b)	87				
	3	89				
SR 12/2021: “The Polluter Pays Principle – Inconsistent application across EU environmental policies and actions”	1(a)	72				
	1(b)	72				
	2(a)	73			The Environmental Liability Directive (ELD) evaluation, which aims to assess the effectiveness, efficiency, relevance, coherence, and EU added value of the ELD criteria, has passed the <i>interservice consultation</i> . The ELD evaluation is still to be published.	
	2(b)	73			See comments on recommendation 2(a).	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	3(a)	74			The Commission has initiated some information actions directed at its staff and others who address <i>managing authorities</i> directly. More substantial action is needed from the Commission, in collaboration with the member states, to ensure that the use of EU funds for cleaning pollution is conditional on checks that the relevant authorities took all the necessary steps to charge the polluter for the pollution they are responsible for.	
	3(b)	74			The Commission has taken some limited actions to promote the use of financial security instruments for ELD liabilities (training materials, workshops, analysis of the state of play of the uptake of financial security instruments). More substantial action is needed from the Commission to fully examine the scope for legislative changes to require the use of financial security for environmental risks for operators.	
SR 13/2021: “EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient”	1(a)	115			In 2022, the Commission published its report on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities (COM(2022) 554 final). This published aggregate assessment reflected the geographical dimension and prioritised risks to a limited extent (for one sector). In the review of the EU anti-money laundering and countering the financing of terrorism framework published in June 2024, the Commission’s mandate concerning Union risk assessments was amended so as to include a specific reference to “areas and sectors”, but so far it has not been applied in practice. Overall, the inclusion of the geographical dimension and the prioritisation of risks are still very limited.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	1(b)	115	✓		The Commission has applied a new methodology in producing the third-country list, which should help to better integrate different sources of information. As a result, a number of countries have been included in the autonomous EU list, yet this remains exceptional due to resource constraints.	
	1(c)	115	✓			
	2	117	✓			
	3(a)	120	✓			
	3(b)	120	✓			
	3(c)	120	✓			
SR 14/2021: “Interreg cooperation – The potential of the European Union’s cross-border regions has not yet been fully unlocked”	1(b)	97	✓			
	3(a)	99	✓			
	3(b)	99	✓			
	1(a)	76	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
SR 15/2021: “Air passenger rights during the COVID-19 pandemic – Key rights not protected despite Commission efforts”	1(b)	76	✓			
	1(c)	76	✓			
	1(d)	76	✓			
	1(e)	76	✓		The Commission has taken some action but has not made legislative proposals to mitigate the risk of a liquidity crisis or the insolvency of carriers, for example, by reviewing the rules on the financial fitness of airlines.	
	2(a)	78	✓			
	2(b)	78	✓			
	3(a)	79	✓			
	3(b)	79	✓			
	3(c)	79	✓		The Commission assessed the effectiveness of the enforcement of EU consumer protection laws under the Consumer Protection Cooperation Regulation, including the use of competent authorities’ powers. The Commission has not made proposals to address the weaknesses identified in the enforcement of the Consumer Protection Cooperation Regulation.	
	4	80	✓			
	1(a)	93	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
SR 16/2021: “Common Agricultural Policy and climate – Half of EU climate spending but farm emissions are not decreasing”	1(b)	93	✓			
	1(c)	93	✓		The Commission has advised member states of the measures that would be most effective in reducing greenhouse gas (GHG) emissions from livestock and fertilisers. The estimated impact of the actions included in the final <i>common agricultural policy</i> plans for mitigating GHG emissions from livestock and fertilisers is too limited to be considered effective.	
	2(a)	94	✓			
	2(b)	94	✓			
	3(a)	95	✗		The Commission neither accepted nor implemented the recommendation.	
	3(b)	95	✓			
SR 17/2021: “EU readmission cooperation with third countries – Relevant actions yielded limited results”	1 (first indent)	124	✓			
	1 (second indent)	124	✓			
	2 (first indent)	125	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	2 (second indent)	125	✓			
	3	127	✓			
	4 (first indent)	135	✓			
	4 (second indent)	135	✓			
SR 18/2021: “Commission’s surveillance of Member States exiting a macroeconomic adjustment programme – An appropriate tool in need of streamlining”	1(a)	94	✓			
	1(b)	94	✓			
	1(c)	94	✓			
	2(a)	96	✓		There is no evidence that post-programme surveillance will be suspended before the 75 % threshold is reached. The Commission replied that there was insufficient support from the Eurogroup to modify the legislation accordingly.	
	2(b)	96	✓		Even though surveillance activities have been less intense, the frequency and the duration of post programme surveillance remain the same. As a result, the burden on the Commission and the member states remains broadly unchanged.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	2(c)	96	✓	✗	As regards making surveillance activities less burdensome and more efficient, the Commission did not propose to amend the legislation or change its guidance. There is no evidence so far of a reduced frequency of reports under enhanced surveillance.	✗
	3(a)	99	✓	🔄	Reforms that remained unfinished after the exit from the programme are being followed up through the various economic surveillance workstreams, including the European Semester and post-programme surveillance. The revision of DG ECFIN's internal vade mecum on euro area economic adjustment programmes still needs to be completed and the data provision agreements between post-programme surveillance countries and the Commission need to be updated.	🕒
	3(b)	99	✓	🔄		🕒
SR 20/2021: "Sustainable water use in agriculture – CAP funds more likely to promote greater rather than more"	1	92	✓	🔄		🕒
	2(a)	95	✓	🔄		🕒
	2(b)	95	✓	🔄		🕒
	2(c)	95	✓	🔄		🕒
	3(a)	98	✓	🔄		🕒

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
efficient water use"	3(b)	98	✓		The Commission intends for the evaluation of the impact of rural development funding and market support on water use, initiated in November 2024, to be part of the interim evaluation of the common agricultural policy. The interim evaluation is due by December 2026 and is therefore in line with the target date for the implementation of this recommendation set in our special report.	
SR 21/2021: "EU funding for biodiversity and climate change in EU forests – Positive but limited results"	1(a)	74	✓			
	1(b)	74	✓			
	2(a)	74	✓			
	2(b)	74	✓			
	3(a)	74	✓			
	3(b)	74	✓			
SR 22/2021: "Sustainable finance – More consistent EU action needed to redirect finance towards	1(a)	85	✓			
	1(b)	85	✓			
	1(c)	85	✓			
	2	86	✓			
	3(a)	87	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
sustainable investment"	3(b)	87	✓			
	4(a)	88	✓			
	4(b)	88	✓			
	5(a)	90	✓		Section 6 of the Commission staff working document "Climate mainstreaming architecture in the 2021-2027 multiannual financial framework" (SWD(2022) 225 final) defines the implementation modalities of the "do no (significant) harm" principle in the EU budget. It states that the "do no (significant) harm" principle concerns only 25 out of 36 EU budget programmes and that programmes such as the Digital Europe Programme (to fund projects in areas such as supercomputing or artificial intelligence) are not relevant.	
	5(b)	90	✓			
	5(c)	90	✓			
	5(d)	90	✓		The Commission reports on the EU expenditure that relates to applying a 100 % climate coefficient based on the EU taxonomy criteria only in some of the 2023 <i>programme performance statements</i> . It is therefore not possible to accurately consolidate the total amount of EU expenditure that relates to applying a 100 % climate coefficient.	
	6(a)	91	✓		Common performance indicators that should allow better monitoring of EU sustainable investments are currently under development.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	6(b)	91	✓			
SR 23/2021: “Reducing grand corruption in Ukraine – Several EU initiatives, but still insufficient results”	1(a)	91	✓			
	1(b)	91	✓		Ukraine has imposed sanctions on prominent individuals who are suspected of undermining national security and engaging in corrupt activities. The sanctions include travel bans and the freezing of assets, effectively restricting these individuals’ activities both domestically and internationally. As part of the EU accession process, Ukraine is implementing robust mechanisms to combat grand corruption, thereby reducing the need for the EU to impose separate restrictions on individuals. Apart from the Ukrainian national sanctions, which apply in Ukraine, there is no mechanism to prevent individual Ukrainians suspected of grand corruption from entering the EU and using their assets there.	
	1(c)	91	✓			
	2(a)	92	✓			
	2(b)	92	✓			
	3(a)	93	✓			
	3(b)	93	✓			
	3(c)	93	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	4(a)	95				
	4(b)	95				
	5(a)	98				
	5(b)	98				
	6	99				
	7(a)	102				
	7(b)	102			The implementation of this recommendation is not currently feasible due to Russia's war of aggression against Ukraine. However, the Commission has provided support to the Ukrainian authorities to carry out a number of crucial reforms that lay the groundwork for addressing debt moratoria in the future.	
SR 24/2021: "Performance-based financing in Cohesion policy – Worthy ambitions, but obstacles remained in the 2014-2020 period"	1(a)	128			The Commission took steps to ensure that the fulfilment of enabling conditions is a standing item on the agenda of monitoring committee meetings. The Commission relies on the information provided by each member state and the respective administrative authorities regarding the fulfilment of enabling conditions, as it does not conduct its own monitoring and analysis.	
	1(b)	128			Although the Commission accepted the recommendation, it did not report at all in <i>annual activity reports</i> on its enforcement activities related to the fulfilment of enabling conditions by the member states.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
					This was due to the overall low non-fulfilment rate and the significant progress made over the past 2 years.	
	2(a)	128	✓		The Commission took action to ensure that it informed member states in a timely manner about the approach to be applied for the mid-term review. The information that the Commission provided to member states is not specific enough to ensure that a clear and common approach is applied for the mid-term review of all programmes. We have not found sufficient evidence indicating how member states are expected to allocate the flexibility amount for the remainder of the period.	
	2(b)	128	✓		The 2025 mid-term review process has not yet been finalised. Thus, we cannot assess whether the Commission has taken the relevant findings of the 2024 evaluation of member states' use of the RRF into account for the Cohesion policy fund investment in those member states. The deadline for the implementation of this recommendation is still pending.	
	3(a)	128	✓			
	3(b)	128	✓		The Commission assesses member states' reasoned requests for amendment of conditions to be fulfilled or <i>outputs/results</i> to be achieved, but it has not set out specific criteria for these assessments.	
	4(a)	128	✓			
	4(b)	128	✓		The Commission shared guidance with the national authorities on how to provide assurance on the application of the rules governing	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
					the internal market (<i>public procurement</i> and <i>state aid</i>) for “financing not linked to costs” schemes. The explanatory note does not provide minimum control requirements for managing authorities or implementation bodies to be able to provide assurance on compliance with internal market rules without checking individual operations. There is no clear role envisaged for <i>audit authorities</i> , and the consequences in case of deficiencies are not specified.	
SR 25/2021: “ESF support to combat long-term unemployment – Measures need to be better targeted, tailored and monitored”	1	79	✓			
	2	79	✓			
	3	79	✓		The study to evaluate the effectiveness of “access to employment” measures for the long-term unemployed of the <i>ex post evaluation</i> for the 2014-2020 period is ongoing. Responsive actions based on the conclusions of the <i>ex post</i> evaluation for the 2014-2020 period have not been taken.	
SR 26/2021: “Regularity of spending in EU Cohesion policy – Commission discloses annually a minimum estimated level of	1	77	✗		The Commission neither accepted nor implemented the recommendation.	
	2(a)	83	✓		The Commission took steps to improve how its <i>compliance audit</i> plan reflects the risk assessment, as well as to document and explain the reasons for changes arising from taking other factors into account. There are remaining weaknesses regarding the completeness of the risk assessment and capturing the historic data.	
	2(b)	83	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
error that is not final"	2(c)	83				
	2(d)	83			The Commission neither accepted nor implemented the recommendation.	
	3(a)	86			We noted in our 2021 annual report (paragraph 5.62) and our 2022 annual report (paragraph 6.70) that the Commission has improved its methodology for estimating the maximum risk by including a top-up for unaudited <i>operational programmes</i> . Shortcomings in the methodology still remain.	
	3(b)	86			The Commission has made improvements in its drafting of DG EMPL and DG REGIO annual activity reports (AARs) to clarify how assurance is obtained for each programme. In particular, we acknowledge improvements in the 2024 AAR drafts of the two DGs, which were informally shared with us before publication but are yet to be signed.	
	4	88			The Corporate Management Board provided the Central Services with guidance on the production of the <i>annual management and performance report</i> (AMPR). In our view, the owner of the AMPR should issue the relevant instructions – i.e. the College of Commissioners, not the Corporate Management Board. Furthermore, in various reports, we have identified problems with data quality in the AMPR as a recurring issue.	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
SR 27/2021: “EU support to tourism – Need for a fresh strategic orientation and a better funding approach”	1	74				
	2	76				

Source: ECA.

Annex 12.2 – Follow-up of 2021 special report recommendations – Other auditees

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Level of timeliness:  timely;  delayed;  deadline still pending;  no follow-up action;  no assessment of timeliness.

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
Single Resolution Board (SRB)						
SR 01/2021: “Resolution planning in the Single Resolution Mechanism”	1(a)	112				
	1(b)	112				
	1(c)	112			Following the 2022 resolution planning manual, internal resolution teams are required to report significant deviations from SRB policies, which was not the case before. The term “significant” is not explained in the resolution planning manual, leaving it to the discretion of the internal resolution teams.	
	2(a)	115				
	2(b)	115			The completion of the 2020 resolution planning cycle has been delayed by 8 months. The 2021 and 2022 resolution planning cycles have been delayed by 3 months, which is a 5-month improvement compared with the 2020 resolution planning cycle. There is no data for the 2023 resolution planning cycle. The SRB did not complete	

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
					the annual resolution planning cycles within the set time frame (see paragraphs 9, 77 and 115 of special report 01/2021).	
	3(a)	119	✓			
	3(b)	119	✓		The SRB developed quantitative criteria for its staffing. These criteria have not been agreed with the national resolution authorities. The SRB did not develop qualitative criteria. Both quantitative and qualitative criteria are necessary to ensure an appropriate staff composition in internal resolution teams.	
European Border and Coast Guard Agency (Frontex)						
SR 08/2021: “Frontex’s support to external border management – Not sufficiently effective to date”	1(a)(i)	90	✓			
	1(a)(ii)	90	✓			
	1(a)(iii)	90	✓			
	1(a)(iv)	90	✓		Automated exchange of information between national systems and the EUROSUR database, as well as automated translation, have not yet been implemented; the project is ongoing.	
	1(b)	90	✓			
	2(a)(i)	92	✓			
	2(a)(ii)	92	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	2(a)(iii)	92	✓	✗	Border guards still do not have reliable access to all relevant risk analysis products.	✗
	3(a)	94	✓	▨		✓
	3(b)(i)	94	✓	▨		✓
	3(b)(ii)	94	✓	▨	The main vulnerability assessment process is carried out separately for each member state. Although Frontex occasionally carries out regional vulnerability assessments, these are not systematic.	⌚
	3(b)(iii)	94	✓	✗	No attempt has been made to monitor cases where actions to address identified vulnerabilities in a specific country can lead to knock-on effects arising in neighbouring countries.	✗
	4(a)	97	✓	✗	Frontex did not organise any rapid response exercises between 2020 and 2024.	✗
	4(b)	97	✓	▨		⌚
	4(c)	97	✓	▨		⌚
	4(d)	97	✓	▨		⌚
	5(a)	101	✓	▨		⌚
	5(b)	101	✓	▨		⌚

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
European External Action Service (EEAS)						
SR 09/2021: “Disinformation affecting the EU – Tackled but not tamed”	2(a)	113				
	2(b)	113				
	2(c)	113				
	2(d)	113			The EEAS StratCom division has published annual activity reports since March 2022. It also prepares plans for the following year based on the results of the activities. Although some projects are currently under individual evaluation, there is no formal evaluation process at the level of the relevant divisions.	
	3(a)	115			We recommended that the EEAS should request detailed feedback from member states on the reasons for their low level of engagement in the rapid alert system (RAS) and take the necessary operational steps to address them. We consider that this recommendation is no longer relevant as, in response to Russia’s war of aggression against Ukraine in 2022, member states have increased their respective level of engagement in the RAS.	
	3(b)	115				
	3(c)	115				
European Banking Authority (EBA)						
	3(d)	120				

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
SR 13/2021: “EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient”	3(e)	120	✓			
	4(a)	122	✓			
	4(b)	122	✓			
	4(c)	122	✓			
European Central Bank (ECB)						
SR 13/2021: “EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient”	4(d)	122	✓			
	4(e)	122	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
European Union Agency for Law Enforcement Cooperation (Europol)						
SR 19/2021: “Europol support to fight migrant smuggling – A valued partner, but insufficient use of data sources and result measurement”	1(a)	75	✓			
	1(b)	75	✓			
	1(c)	75	✓			
	2(a)	77	✓			
	2(b)	77	✓			
	2(c)	77	✓			
	3(a)	80	✓			
	3(b)	80	✓		Europol has not established dedicated indicators for external reporting on its efforts to combat document <i>fraud</i> and money laundering.	
	3(c)	80	✓			
	3(d)	80	✓			

Report number and title	No	SR para.	Level of acceptance	ECA analysis of progress made in implementing recommendation		
				Level of implementation	Remarks	Level of timeliness
	4(a)	82			Europol uses the operational task force (OTF) mechanism to prioritise operational activities that focus on the criminal activities of high value targets (HVTs) that pose the highest risk to the EU's internal security. Below HVT level, the review of the current prioritisation criteria and categorisation of incoming cases (into basic, low and priority cases) is ongoing. This review requires the deployment of a dedicated uniform case management application to handle all operational cases, which has been prioritised and is due to be delivered in 2025.	
	4(b)	82			See comments on recommendation 4(a).	

Source: ECA.

Appendix

Reporting

(pursuant to Article 92 (4) Regulation (EU) No 806/2014)

On any contingent liabilities arising as a result of the performance by the Commission and by the Council, of their tasks under this Regulation for the 2024 financial year

Introduction

Legal basis

01 Article 92 (4) of the Single Resolution Mechanism (SRM) [Regulation](#) requires us to report on any contingent liabilities (whether for the Single Resolution Board (SRB), the Council, the Commission or otherwise) arising as a result of the performance by the SRB, the Council and the Commission of their tasks under this Regulation. This appendix covers the SRM contingent liabilities of the Commission and of the Council and those of the SRB are covered in our annual report on EU agencies for the 2024 financial year. The SRM contingent liabilities of the Commission and of the Council are also covered by our opinion on the reliability of the consolidated accounts of the EU (see paragraph II of the ECA's statement of assurance to the European Parliament and the Council – independent auditor's report).

Contingent liabilities: definition and recognition criteria

02 A contingent liability is defined as follows:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the European Union; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of economic resources embodying economic benefits or service potential will be required to settle the obligation, or because the amount of the obligation cannot be measured with sufficient reliability.

03 To determine if a contingent liability needs to be disclosed or a provision recognised, the probability of an outflow of economic resources (in general, of cash) must be assessed. If a future outflow of resources is:

- probable, a provision needs to be recognised;
- possible, a contingent liability needs to be disclosed;
- remote, no disclosure is necessary.

Background information on contingent liabilities related to the Single Resolution Mechanism

04 In the context of the performance of their tasks under the [SRM Regulation](#), the SRB, the Council and the Commission can incur contingent liabilities linked to ongoing legal proceedings (before EU or national courts) in relation to:

- **their resolution and non-resolution decisions¹** – both a decision to apply or not to apply resolution tools can be challenged before a court.
- **the “no creditor worse off” principle** – to safeguard fundamental property rights, the [SRM Regulation](#) provides that no creditor must be left worse off under resolution than they would be under normal insolvency proceedings. Based on that principle, any creditors who would have received better treatment under normal insolvency proceedings must be compensated by the Single Resolution Fund. To assess the treatment of creditors and shareholders, a valuation of difference in treatment must be conducted.

¹ In its judgment of 18 June 2024 (case [C-551/22 P](#)), the Court of Justice found that only the Commission’s endorsement decisions can be challenged before the EU courts (see paragraph [10](#)).

Observations

Part I: Contingent liabilities of the Commission

05 *Table 1* shows the number of SRM-related legal proceedings potentially affecting the Commission as a result of the Commission's performance of its tasks under the *SRM Regulation* and the related contingent liabilities of €0, disclosed in the Commission's accounts, as well as the related provisions of €0, recognised in these accounts.

Table 1 – SRM-related legal proceedings potentially affecting the Commission and the related contingent liabilities and provisions

Cases related to	Number of cases before EU courts	Related contingent liabilities disclosed in the Commissions' accounts (in million euros)	Related provisions recognised in the Commission's accounts (in million euros)
	(The numbers in brackets show the figures from our 2023 report)		
Resolution and non-resolution decisions	6 (12)	0 (0)	0 (0)
<i>Resolution of Banco Popular Español S.A. (BPE)</i>	<i>4 (8)</i>	<i>0 (0)</i>	<i>0 (0)</i>
<i>Resolution of Sberbank d.d. and Sberbank banka d.d. and non-resolution of Sberbank Europe AG</i>	<i>2 (4)</i>	<i>0 (0)</i>	<i>0 (0)</i>
"No creditor worse off" decisions	2 (0)	0 (not applicable)	0 (not applicable)
TOTAL	8 (12)	0 (0)	0 (0)

Source: The Commission's 2024 accounts and additional information provided by the Commission, as well as information from curia.europa.eu.

06 On 7 June 2017, the Commission endorsed the SRB's resolution decision regarding **Banco Popular Español S.A. (BPE)**. In mid-2025 there were four pending

cases² before EU courts affecting the Commission in this regard, while in our 2023 report, we stated that there were eight such cases. This decrease in the number of pending cases is explained by the following developments:

- Four non-pilot cases³ lodged in 2017 and affecting the Commission, were not mentioned in our 2023 report;
- Of the four appeals, in which the Commission was the defendant, lodged against the General Court's decisions regarding the BPE pilot cases⁴, one was withdrawn by the appellant and removed from the register⁵, one was removed from the register by the order of the Court⁶, and two were dismissed⁷;
- Four damages cases⁸ lodged in 2022 with the General Court have all been withdrawn.

07 On 1 March 2022, the Commission endorsed the SRB's resolution decision regarding **Sberbank banka d.d.** and **Sberbank d.d.**. On the same day the SRB adopted a non-resolution decision regarding **Sberbank Europe AG**. In mid-2025 there were two⁹ pending cases before EU courts affecting the Commission in this regard, while in our 2023 report we stated that there were four such cases. This decrease in the number of pending cases is explained by the following developments:

- The subsequent appeals¹⁰ against the Judgments (Orders) of the GC and CJEU for the two applications¹¹ seeking the annulment of the Commission's endorsement decision were dismissed. However, the two applications remain pending.

² Cases T-678/17, T-600/17, T-499/17 and T-498/17.

³ Cases T-678/17, T-600/17, T-499/17 and T-498/17.

⁴ Cases C-448/22 P, C-535/22 P, C-539/22 P and C-541/22 P.

⁵ Case C-539/22 P.

⁶ Case C-448/22 P.

⁷ Cases C-535/22 P, C-541/22 P.

⁸ Cases T-294/22, T-474/22, T-475/22 and T-477/22.

⁹ Cases T-523/22 and T-524/22.

¹⁰ Cases C-690/23 P(I), C-693/23 P(I), C-708/23 P and C-709/23 P.

¹¹ Cases T-523/22 and T-524/22.

- o Another two applications¹², also seeking the annulment of the Commission’s endorsement decision, were declared inadmissible by the General Court, but the applicant appealed the rejecting orders¹³. In addition, one 2022 application¹⁴ seeking the annulment of the Commission’s endorsement decision, which the General Court declared inadmissible, but for which the applicant appealed¹⁵ the rejecting order, was not mentioned in our 2023 report.
- o The three appeals in which the applicants appealed against the rejecting orders for cases T-525/22, T-526/22 and T-527/22 were dismissed in May 2025¹⁶.

08 Two applications¹⁷ regarding “No creditor worse off” decisions by the SRB regarding Sberbank banka d.d. and Sberbank d.d., were filed in March 2025. The Commission is intervening to defend the legality of the SRM Regulation and of the SRB’s decisions.

09 The Commission considers the likelihood of an unfavourable outcome in these cases to be remote and therefore did not disclose any contingent liabilities nor recognised any provisions in this regard.

10 In addition, the Commission appealed¹⁸ against the General Court ruling in another case¹⁹, regarding the fact that the application was lodged only against the SRB’s resolution decision and not against the Commission’s decision endorsing the SRB’s resolution scheme. In its judgment of 18 June 2024, the Court of Justice found that only the Commission’s endorsement decisions can be challenged before EU courts.

¹² Cases T-525/22 and T-526/22.

¹³ Cases C-791/23 P and C-792/23 P.

¹⁴ T-527/22.

¹⁵ C-793/23 P.

¹⁶ Cases C-791/23 P, C-792/23 P and C-793/23 P.

¹⁷ Cases T-147/25 and T-149/25.

¹⁸ Case C-551/22 P.

¹⁹ Case T-481/17.

Part II: Contingent liabilities of the Council

11 *Table 2* shows the number of SRM-related legal proceedings potentially affecting the Council as a result of the Council's performance of its tasks under the [SRM Regulation](#) and the related contingent liabilities of €0, disclosed in the Council's accounts, as well as the related provisions of €0 recognised in these accounts.

Table 2 – SRM-related legal proceedings potentially affecting the Council and the related contingent liabilities and provisions

Cases related to	Number of cases before EU courts	Related contingent liabilities disclosed in the Council's accounts (in million euros)	Related provisions recognised in the Council's accounts (in million euros)
	(The numbers in brackets show the figures from our 2023 report)		
Resolution and non-resolution decisions	0 (0)	Not applicable	
"No creditor worse off" decisions	0 (0)	Not applicable	
TOTAL	0 (0)	0 (0)	0 (0)

Source: The Council's 2024 accounts and additional information provided by the Council, as well as information from curia.europa.eu.

12 The Council has not disclosed any contingent liabilities (or recognised any provisions) arising as a result of the performance of its tasks under the SRM Regulation because there are no pending cases before EU courts in which the Council is the defendant and from which contingent liabilities could arise.

Institutions' replies to the annual report on the implementation of the EU budget for the 2024 financial year

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REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 1: STATEMENT OF ASSURANCE AND SUPPORTING INFORMATION

I. THE COMMISSION REPLIES IN BRIEF

In 2024, amidst Russia's war of aggression against Ukraine and increased global uncertainty, humanitarian crises, natural disasters and economic turmoil, the European Union and its budget remained a source of stability, resilience, and strategic investments. The Commission continued to prioritise the best possible use of taxpayers' money, ensuring that the EU budget is spent responsibly and correctly.

The Commission, and the Member States authorities under shared management, perform hundreds of thousands of checks¹. Based on the results of those checks and as confirmed by the internal auditor's overall conclusion, the Commission considers that the 2024 EU budget was well protected against spending errors and fraud.

Starting from 2024, the Commission presents its conclusion on the level of protection of the EU budget at the level of the headings of the multiannual financial framework (MFF). This is due to the fact that for the 2023-2027 Common Agricultural Policy (CAP), a quantitative risk at payment (and at closure) can no longer be determined by the Commission. This has led to the use of a new indicator for the heading 'natural resources and environment': the share of expenditure that is considered low risk. For all the other MFF headings, the risks at payment and at closure continue to be quantified.

In 2024, for the MFF headings where a quantitative risk at payment is determined, said risk remained below the 2% materiality threshold, except for the heading 'cohesion, resilience and values'. This is consistent with previous years. This stability is underpinned by the fact that a large part of the expenditure in 2024 still relates to the 2014-2020 period, with unchanged rules, systems, and implementing bodies.

For natural resources and environment, the share of low-risk expenditure was 77%, above the average of the last six years (64%)

The Commission takes note of the European Court of Auditors (ECA)'s estimated level of error reported (3.6%), which is lower than in 2023 (5.6%) and in 2022 (4.2%) but higher than the 2016-2021 average (2.8%).

The difference between the Commission's estimated risk at payment and the ECA's level of error is significant for the headings 'cohesion, resilience and values' and 'neighbourhood and the world'. This discrepancy is mainly due to different interpretations of facts, applicable rules, and methodological approaches. In view of these discrepancies and notably in response to a Parliament request², the Commission and the ECA held a series of workshops in spring 2025 to discuss these differences. While the different roles and mandates of the Commission and ECA do not allow for a full alignment

¹ See details in the [annual activity reports](#) of the Commission services.

² See Parliament's resolution of 11 April 2024 on discharge in respect of the implementation of the EU budget for financial year 2022, Section III – Commission and executive agencies, paragraph 134 (i).

of applied methodologies³, this exercise aimed to foster common understanding of respective methodologies and reduce divergences in views. The Commission is willing to continue this dialogue.

For all headings where a quantitative risk at payment is determined, the Commission considers the risk at closure, which measures the level of error remaining after all ex-post controls and corrections, to be the most representative indicator of the actions taken by Member States and its services. For 2024, for all the corresponding MFF headings⁴, the risk at closure is estimated to be below the 2% materiality threshold and in line with previous years.

Overall, the Commission endeavours to strike the right balance between a low level of error, fast payments, and reasonable costs of controls for all actors of the implementation and control chain to timely deliver on all its policy objectives.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Audit findings

Reliability of the accounts

The Commission welcomes that the ECA considers the EU accounts to be free from material error for the 18th year in a row.

Reliability of the transactions

Revenue

As regards the revenue side of the EU budget (§1.12a), the Commission welcomes that, once again, the ECA considers revenue free from material error and that the revenue managing systems were generally effective.

Expenditure

The Commission shares the ECA's view that the way funds are disbursed has an impact on the risk of error (§1.15), and in particular that the risk of error is lower for expenditure which is subject to simplified rules (mainly in entitlement-based payments).

Therefore, the Commission continues to take action to simplify rules, which is also in line with the requests from the Parliament⁵. This includes, among others, promoting simplified cost options and financing not linked to costs. In 2024, there was an increase in the use of simplified funding schemes

³ See the Parliament's study "Error rates compared – Methodologies underpinning the European Commission's risk at payment/closure and the European Court of Auditors' estimated level of error" – Budgetary Support Unit Directorate-General for Budgetary Affairs PE 772.485 – March 2025

⁴ For natural resources and environment, it cannot be quantified since there is no risk at payment anymore.

⁵ See for example Parliament's resolution of 7 May 2025 on discharge in respect of the implementation of the EU budget for financial year 2023, Section III – Commission and executive agencies, paragraph 53 (viii).

across various policy areas, including the utilisation of lump sums in research and health initiatives. For the cohesion policy, the Commission continued to promote the use of simplified cost options or 'financing not linked to cost' in the 2021-2027 programmes. Furthermore, the CAP's shift towards a more performance-based model aligns with this trend towards streamlined funding approaches.

All in all, based on the detailed information at its disposal, the Commission considers that the levels of risk are not uniform. The risk exposure might differ within the same policy area and even within the same spending programme.

The Commission benefits from reliable, verified and evidence-based information obtained through its controls and detailed analysis, including data on Member States' control results. This enables the Commission to categorise relevant expenditure into three risk levels:

- **lower risk expenditure**, with a risk at payment below 2%, or with a 'low-risk' quality assessment of Member States systems for expenditure under the CAP 2023 – 2027, representing **54.7%** of the total EU budget expenditure (67% in 2023),
- **medium risk expenditure**, with a risk at payment between 2% and 2.5%, or with a 'medium-risk' quality assessment of Member States systems for expenditure under the CAP 2023 – 2027, representing **24.5%** of the total expenditure (9% in 2023) and,
- **higher risk expenditure**, with a risk at payment above 2.5%, or with a 'high-risk' quality assessment of Member States systems for expenditure under the CAP 2023 – 2027, representing **20.8%** of the total expenditure for 2024 (24% in 2023).

The decrease of the share of lower risk expenditure compared to 2023 is explained by the deliberately prudent use by the Commission of a flat rate of 2% for all the 2021-2027 cohesion programmes, as well as for all the 2014-2020 cohesion programmes where assurance packages were not submitted yet and for which the error rate was estimated last year under 2%.

More specifically, examining the level of risk for each MFF heading:

- in the area of "**single market, innovation and digital**" (§1.19) the Commission takes note of the level of error estimated by the ECA, which is in line with last years' level. The Commission acknowledges that personnel costs have remained the main source of errors which is a logical consequence of the fact these costs account for the largest share of the total cost declared by beneficiaries under Horizon 2020 and Horizon Europe. Horizon 2020 was already a major step forward in the simplification and harmonisation of cost eligibility rules, including on the calculation of personnel costs. The increased use of lump-sum fundings under Horizon Europe and the introduction of the unit cost for personnel costs reduces the administrative burden on beneficiaries and is expected to further reduce the risk of error. For other direct costs, as in the case of errors in personnel costs, the Commission continues to mitigate the risk of error by reaching out to beneficiaries through communication events and webinars, by providing guidance in the Horizon 2020 Annotated Model Grant Agreement and the Annotated Grant Agreement for Horizon Europe, and by encouraging the use of the Research Enquiry Service.
- In the area of '**cohesion, resilience and values**', (§1.20), the Commission notes that the error rate estimated by the ECA decreased compared to last year and that the difference between the Commission's risk at payment and the ECA's level of error has narrowed this year. In 2024, the Commission also estimates the risk at payment to remain material up to a maximum of 2.9% for the different funds and budget instruments under MFF heading 2. This is a slight increase compared to the rates reported in previous years, however at a lower

level than calculated by the ECA. The Commission attributes the difference between its risk at payment and the ECA's level of error to distinct methodological approaches (§1.31-1.34), as well as – in some cases – different interpretations of facts or of the applicable rules. While not necessarily considering that all cases reported as quantified errors by the ECA constitute irregularities under the Common Provisions Regulation, the Commission will duly follow up all errors reported by the ECA and will request corrective measures or financial corrections, as deemed necessary and legally feasible. Based on all evidence it assessed, including its own audits, the Commission concluded that the effectiveness of management and control systems and risk levels vary between programmes, and it disclosed the programmes with identified serious deficiencies in the respective annual activity reports. Similar to previous years, the Commission also recommended targeted actions to the programme authorities concerned to further improve management and control systems as necessary.

- In the area of '**natural resources and environment**' (§1.21), the Commission welcomes the ECA's assessment that direct aids to farmers, excluding eco-schemes, are free of material errors. Regarding the eco-schemes, the ECA's assessment is in line with the Commission's own assessment, which also identifies a higher risk of errors in this area. This is because eco-schemes are designed to be adaptable to diverse regional conditions across Member States, considering varying climates, soil types, landscapes and farm structures, in order to achieve ambitious policy objectives. Therefore, the eligibility conditions set by Member States can be complex, causing implementation challenges. The high diversity and numerous eligibility requirements for farmers increase the risk of errors in these interventions. It is also important to note that eco-schemes are new interventions in the 2023-2027 CAP and, as with any new initiative, a period of adjustment is necessary. The Commission offers substantial support to the Member States in designing, implementing and amending the interventions contained in their CAP Strategic Plans.
- In the area of '**neighbourhood and the world**' (§1.22) the Commission considers that the low or medium risk expenditure under this area is not limited to budget support payments and administrative expenditure but also includes other expenditure under direct and indirect management segments. Hence, the Commission's own estimate is that the risk at payment for this heading is below the materiality threshold of 2%. The Commission is currently reviewing its audit and control strategy, with the objective to reduce the overall error rate. One of the main deliverables is the development of a sound and focused risk-profiling system to better assess and address the risk of error not only at project but also at beneficiary-level.

Commission's regularity information

The Commission's objective is to identify the issues and to take appropriate and targeted remedial actions accordingly. To do so, it builds its **assurance** from the bottom up and at a detailed level, i.e. by programme or other relevant segment of expenditure, since implementation is not homogenous across programmes and Member States. This is also necessary to enable the Commission's authorising officers by delegation to exercise their responsibility.

Starting in 2024, the Commission is using a **new indicator for expenditure under the 2023-2027 CAP** and, consequently, the heading 'natural resources and environment': the share of expenditure that is low risk. Indeed, for most of the CAP expenditure (representing 74.8% of the heading's expenditure and almost 24% of total budget expenditure for the year), the 2023-2027 legal framework represents a **shift from compliance-based policy to a greater focus on performance**. The focus is also on the proper functioning of the governance systems put in place in the Member States to ensure both the legality and regularity of the underlying transactions and the quality of performance results. In keeping with this performance-based approach, new reporting has been required from the Member States on performance and on the assessment of the governance

systems. There is no obligation under the CAP regulations for Member States to report control statistics at the level of final beneficiaries to the Commission. Reflecting this, instead of determining an error rate and a risk at payment, the Commission groups expenditure in three categories of risk: low, medium and high, based on an assessment of the functioning of Member State (governance) systems. To conclude on how well the EU budget is protected, the share of low-risk expenditure is compared with the previous years' share of low-risk expenditure.

Because of this new approach, **no risk at payment and risk at closure can be determined** for the Directorate-General for Agriculture and Rural Development, for the heading 'natural resources and environment' and for the Commission as a whole. Therefore, the Annual Management and Performance Report, presents the quantitative risk at payment and risk at closure at the level of MFF headings, except for the heading 'natural resources and environment'.

The risks at payment disclosed by the Commission services in their respective annual activity reports represent their best estimates, based on hundreds of thousands of checks carried out every year by the Commission, and the Member States in shared management, following carefully established control strategies, tailored to the specificities of each spending programme.

The Commission's approach, as manager of the EU budget, is different from that followed by the ECA in its role of external auditor. This may result in differences between the estimation of the level of error by the two institutions. In particular, as outlined by the ECA ([§1.30](#)), the Commission's risk at payment and the ECA's error rate are not identical concepts, and therefore they are not fully comparable. In addition, the Commission does not always share the ECA's assessment on individual errors contributing to the ECA's calculation of its error rate.

This leads to a situation where the Commission's risk at payment falls within the range of the ECA's estimated levels of error for the budget heading "single Market, Innovation and digital", for example, but not for the areas of 'cohesion, resilience and values' and 'neighbourhood and the world'.

A recent study⁶ from March 2025 commissioned by the Committee on Budgetary Control of the European Parliament which compared the Commission's risk at payment and closure and the ECA's estimated level of error stresses the usefulness and appropriateness of the two approaches that meet each institution's needs and expectations.

Lastly, in line with the multiannual nature of its expenditure and of its differentiated control strategies, the Commission, together with the Member States in shared management, deploys substantial efforts to perform controls and to make corrections **after the payments have taken place and until the end of the programming cycle**. Where a risk at payment is determined, these efforts are reflected in the risk at the closure of the programme. For all the headings concerned, the risk at closure is estimated to be below 2% taking account of additional corrective measures to be taken.

The Commission continues to take actions to improve the effectiveness of ex-post checks. It recalls however that, in order to remain cost-effective, controls need to be targeted, and risk based.

In the area of **cohesion policy**, the Commission takes note of the ECA's assessment that **Member States' management and control systems** are still not always effective in preventing or detecting all irregularities ([§1.36](#)). However, based on its comprehensive and ongoing evaluation of all available audit results, the Commission believes that, overall, the work of audit authorities and their control

⁶ See the Parliament's study "Error rates compared - Methodologies underpinning the European Commission's risk at payment/closure and the European Court of Auditors' estimated level of error" - Budgetary Support Unit Directorate-General for Budgetary Affairs PE 772.485 - March 2025

bodies can be relied upon, except for a limited number of them for which it identifies each year the need for improvements (in 2024, this concerned 12 audit authorities or their control bodies out of 116 overall, as reported in the annual activity reports). When serious weaknesses identified affect the work of audit authorities specifically, the Commission carries out its own re-performance work to assess the risks or quantifies the risks at flat rate, as reflected in the risk at payment and maximum risks reported in the annual activity reports and the Annual Management and Performance Report. In some cases, errors that were not previously detected by the audit authorities, even if they impact the recalculated error rate for the reporting year, do not necessarily indicate a systemic weakness in the audit authority's work. The Commission also welcomes the identification by the ECA this year of improvements and good practices by an audit authority (see §6.50 and box 6.12).

The Commission continues to work closely with programme authorities to ensure a common understanding of the legal and implementation framework. Building on the ECA's, and its own, findings and recommendations over the past years, the Commission and the national audit and managing authorities agreed on an action plan with a set of 22 actions which the authorities can take to further strengthen their detection capacity and address outstanding issues before the closure of the 2014-2020 programming period (see more details in §6.51 and the Commission replies to Chapter 6, section II.2). In addition, in 2024, the Commission initiated a dialogue with the ECA to better understand the different approaches to assessing the level of error based on the work reported by audit authorities. Finally, following up on the ECA's conclusions, the Commission also reviewed its approach to compliance audits for the 2021-2027 programming period, with a view to increasing the coverage of programmes and audit authorities subject to its re-performance of audits (a more effective supervisory tool as concluded by the ECA) and ensuring the completeness and appropriateness of audit checklists used by the audit authorities.

In the policy area '**neighbourhood and the world**' (§1.37), the Commission considers that the residual error rate (RER) study – which is neither an assurance engagement nor an audit – is fit for purpose and is not subject to limitations that may contribute to an underestimation of errors. The Commission has been working on updating its RER methodology in order to address the ECA's recommendations related to the RER study and the revised methodology will be applicable as from 2025.

The Commission also stresses that the ECA's error rate measures, among others, errors in contracts which can still be subject to controls and corrections by the Commission in subsequent accounting years. Through the RER study, the Commission estimates a level of error based on a representative sample of closed contracts – by that time, many issues will have been solved. The ECA's error rate and the Commission's residual error rate for DG INTPA and DG NEAR's expenditure in 2024, which represent the bulk of the expenditure for heading 'neighbourhood and the world', are therefore not directly comparable.

2. Report on suspected fraud

The Commission recalls that **not all irregularities or instances of non-compliance with the rules constitute fraud**.

The Commission also recalls that, at the outset of the programming period, programme authorities were required to establish and implement effective and proportionate anti-fraud measures, based on a fraud risk assessment, with the Commission's support.

The Commission welcomes the ECA's assessment that recommendation 5.2 from the 2020 annual report, which pertains to tracking the risk of fraud in audit authorities' audits of operations, has been implemented in most respects. As part of its audits for the 2021-2027 programming period, the Commission is conducting a dedicated audit enquiry to verify, in all main audit authorities, that the

checklists used by audit authorities to carry out their audits of operations cover all required audit questions, including those related to fraud suspicions. This will allow to tackle the remaining cases where improvements in that regard are still expected.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 2: BUDGETARY AND FINANCIAL MANAGEMENT

I. THE COMMISSION REPLIES IN BRIEF

The Commission takes all necessary measures to ensure **full and efficient implementation of the EU budget** in accordance with the existing financial and legal framework. The Commission constantly **monitors the implementation of the budget** and the **evolution of the outstanding commitments**, as well as the related underlying factors. It will also continue to propose levels of payment appropriations that adequately meet payment needs during the annual budgetary procedures. It regularly informs the Council and the European Parliament of the forecast needs (for a given year as well as for the following years) and of the potential risks for the future and regularly presents and explains the state of play of budget implementation.

Concerning the **level of outstanding commitments** (RAL) at the end of 2024 and the associated risks identified in the ECA report chapter, the Commission recalls that around **one-third** of the total amount comes from the non-repayable part of the **NextGenerationEU** instrument (NGEU), most of which is channelled through the **Recovery and Resilience Facility (RRF)**. In this regard, the Commission supports Member States to ensure a swift and effective implementation of their RRFs without lowering their ambitions or weakening critical measures. As regards concerns over the **RRF absorption**, the Commission stresses the implementation difficulties brought by **several crisis** events which affected or delayed the implementation of RRF measures. In order to fully implement the RRF and reap its benefits, the Commission has recently issued a Communication addressed to Member States providing them with guidance how to further streamline their Recovery and Resilience Plans (RRFs) ahead of the submission of the **last payment requests in 2026**.¹

Around half of the outstanding commitments linked to MFF programmes at the end of 2024 stems from **cohesion policy**, and, by extension, from the Member States' implementation of funds under shared management. With the level of project selection on the ground reaching around half of the available envelopes for 2021-2027 cohesion programmes, the **financial implementation is also forecast to reach cruising speed** in the short term. The Commission keeps a close eye on the associated risk of decommitment at programme level and working hand in hand with the Member States to mitigate it. The Commission is confident that the **new legislative package** in the framework of the mid-term review will further **increase the level of uptake** of the funds and, by that, it expects the risk of decommitment to significantly decrease.

As regards the **increased level of NGEU borrowings** and the higher level of **budgetary exposure**, the Commission underlines that the repayment of NGEU borrowing will start as from 2028 which will ensure a steady and predictable reduction of liabilities. The EU budget will cover the repayment of NextGenerationEU liabilities through its revenues.

In order to address the **increase in borrowing costs**, following the adoption of the mid-term review of the multiannual financial framework (MFF), a new cascade mechanism including a special instrument (the EURI instrument) now covers the cost overrun compared to the initial envelope. The

¹ COM(2025)310: Communication from the Commission to the European Parliament and the Council: NextGenerationEU - The Road to 2026

Commission is transparent with regards to the **evolution of contingent liabilities** and treats them in line with international accounting standards. Contingent liabilities are disclosed in the EU annual accounts and their risks (in particular the provisioning adequacy) are assessed regularly, in particular in the context of the so-called Art 41(5) Financial Regulation (FR) and 256 FR Reports.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Budgetary and financial management in 2024

EU budget implementation

The Commission notes that the ECA included all types of appropriations in the analysis. When analysing the **final rates of the implementation** of the EU budget, the Commission recalls that the Financial Regulation and some of the legal bases provide for the possibility to carry over to the following year commitment and payment appropriations which were not implemented at year-end. This is especially a common practice for the assigned revenue.

As ECA pointed out in §2.7, about EUR 1 billion of voted **commitment appropriations** were carried over (of which EUR 50 million of commitment appropriations was carried over by Commission decision² and EUR 1 billion of commitment appropriations was carried over automatically). Taking into account the carryovers, the implementation of the voted budget for the Commission section reached 99.4 % for commitments. Out of the non-implemented commitment appropriations, EUR 40 million lapsed at the end of the year (of which EUR 26 million for the European Globalisation Adjustment Fund, which was not mobilised, while the remaining amount was due to the limited amounts left unused after finalisation of procurement or grant procedures).

Regarding **payment appropriations**, the Commission would like to add to the elements presented in §2.10 that EUR 2.6 billion of the 2024 voted payment appropriations were **carried over to 2025** by the Commission (0.1 billion was carried over by the decision and EUR 2.5 billion of payment appropriations were automatically carried over) and 0.9 billion by the other Institutions. Taking into account the carry-over of appropriations from 2024 to 2025, the implementation reached 99.9 % of total available payments. As a result, only EUR 78 million of the voted payment appropriations remained unused at year-end. In addition, EUR 24.6 billion of assigned revenue were carried over to 2024.

Budgetary implementation of shared management funds under the CPR 2021-2027

The Commission recalls that the 2021-2027 **programmes were adopted 7 months later** than those of the 2014-2020 programming period due to external factors. As such, the absorption rate at the end of 2024 should be rather compared with the one at mid-2017. In addition, when making comparisons between the two programming periods, it should also be considered that the **pre-financing rates** in 2014-2020 were higher and cleared at a different moment than in 2021-2027. If we take the interim payment rate at the end of 2017 (for 2014 - 2020 period) and 2024 (for 2021-2027 period) it would be 7.96% and 2.84% respectively, taken the European Regional

² C(2025) 808 final, 4.2.2025.

Development Fund (ERDF), the Cohesion Fund (CF) and the European Social Fund Plus (ESF+) together. The rate at the end of June 2017 for ERDF, CF and ESF was 3.49 %, which is comparable to the rate at the end of 2024.

RRF grant and NGEU implementation

The **pace of disbursements** under the RRF has been swift overall, with close to 50% of all funds (EUR 315 billion) disbursed by end May 2025. This is particularly so for grants, where 57% (EUR 205 billion) have already been paid to Member States.

In 2024, close to EUR 56 billion has been disbursed in grant support under the RRF, of which EUR 2.4 billion in REPowerEU pre-financing. Overall, at the end of 2024, **grant disbursements** under the RRF stood at EUR 197.5 billion, which **represented 55% of all grants committed** under the RRF.

Evolution of total outstanding commitments

The Commission recalls that **around one third** of the total amount comes from the non-repayable part of the **NextGenerationEU** instrument (NGEU), most of which is channelled through the **Recovery and Resilience Facility (RRF)**. In this regard, the Commission supports Member States to ensure a swift and effective implementation of their RRFs without lowering their ambitions or weakening critical measures.

Around half of the RAL linked to MFF programmes at the end of 2024 stems from **cohesion policy**, and, by extension, from the Member States' implementation of funds under shared management. With the level of project selection on the ground reaching around half of the available envelopes for 2021-2027 cohesion programmes, the **financial implementation is also forecast to reach cruising speed** in the short term.

2. Risks and challenges

Decommitments and speed of implementation

In view of the Commission's proposal regarding specific measures to address strategic challenges in the context of the mid-term review³ and Member States' expected uptake of the proposed flexibilities, the risk of de-commitments is expected to significantly decrease. The upcoming update of the Long-term forecast of future inflows and outflows of the EU budget will confirm this trend.

With regards to cohesion policy, in line with ECA's recommendation to take action concerning the **decommitment risk**, the Commission is **closely monitoring** the risk at the level of programmes and working hand in hand with the Member States to mitigate it through appropriate measures tailored to each specific situation. The Commission will know at a later stage how the uptake of the new legislative package in the framework of the mid-term review helped reducing this risk.

Timely absorption of RRF funds

The Commission underlines that **disbursements under the RRF** have been historically **fast**, with **close to 50%** of all committed funding (EUR 315 billion out of EUR 650 billion) disbursed by end

³ COM(2025) 123 final

May 2025. This is particularly so for grants, where 57% (EUR 205 billion) have already been paid to Member States.

However, the Commission also stresses that the implementation of the RRF has taken place amidst **several crises**. Russia's unprovoked war of aggression against Ukraine and the ensuing energy crisis, high inflation, supply chain bottlenecks and some climate-related disasters have **compromised or delayed the implementation** of RRF measures.

In order to fully implement the RRF and reap its benefits, it is clear that **significant acceleration in implementation by the Member States is needed**, as the current pace is not sufficient to ensure the completion of all milestones and targets by the 31 August 2026 deadline. In a Communication issued on 4 June, the Commission has given **further guidance to Member States on streamlining** their Recovery and Resilience Plans, on the **options at Member States' disposal** when revising their plans and **on planning ahead for the submission of the last payment requests** in 2026.

The Commission has passed a clear message to Member States that action needs to be taken now. If Member States remain focused and **RRPs are rapidly revised** where needed, the Commission thinks **it is feasible to implement the RRFs in the remaining time** ahead.

NGEU borrowing obligations under the future MFF

The Commission stresses that the **repayment of NGEU borrowing** will start as from 2028, which will ensure a steady and predictable pace of reduction of the level of liabilities. The actual **profile of repayment** will be defined in the **future Multiannual Financial Frameworks (MFFs)**, which cannot be prejudged at the moment.

The Commission also stresses that the EU budget will **cover** the repayment of NextGenerationEU **through its revenues**. In this respect, future expected receipts from new Own Resources do not need to be of the **same magnitude as the repayment needs**, while their introduction still remains a priority for the Commission.

Due to the increase in interest rates since 2022 compared to forecasts at the time of the adoption of the MFF, **total financing costs for NextGenerationEU** will be **significantly higher**, by end-2027, than the EUR 14.9 billion originally allocated in the financial programming for the full period. To address the increase in borrowing costs, **a cascade mechanism** and a new special instrument (the **EURI instrument**) have been introduced in the mid-term revision of the MFF that contributed **to cover the cost overrun** compared to the initial envelope.

The Commission points out that the recent **slight decrease in the interest rates** reduced the cost overruns. Still, for 2026, the 2026 draft budget indicates total financing costs of approximately EUR 8 billion, almost EUR 4.3 billion above the initial envelope. As to the medium-term outlook, the latest estimates of **additional needs over and above the original financial programming** is in a range between EUR 5,6 billion and EUR 7,0 billion for 2027.

Level of the EU budget exposure

The Commission is fully transparent with regards to the evolution of contingent liabilities and treats them in line with international accounting standards. Contingent liabilities are disclosed in the EU annual accounts and their risks (i.e. the provisioning adequacy) are assessed regularly, in particular in the context of the annual **reports** provided for in **Art 41(5) and 256 of the Financial**

Regulation. The EU **annual accounts** also **report the repayment schedule** of all financial assistance programmes until completion.

The Commission furthermore acknowledges that the EU budget exposure might reach up to EUR 567 billion by 2027, **in line with the capacity of the different instruments** that are being implemented, assuming their full implementation.

EU inflation

The Commission concurs with ECA's observation that, due to the 2% fixed deflator for the adjustment of MFF annual ceilings in current prices, inflation above 2% in the early years of the MFF **negatively affects the purchasing power** of the EU budget. At the same time it also agrees with the report that, given **significant differences among Member States concerning cumulative inflation** since the beginning of the MFF, the **impact is different** among Member States.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Recommendation 2.1 – Ensure that the repayment of NGEU does take into account the implementation of EU programmes

The Commission should design and implement appropriate repayment schedules of the borrowing for NGEU non-repayable support, so that it takes into account the implementation of the existing and future EU programmes.

(Target implementation date: by end of 2026)

The Commission **accepts** the recommendation.

The introduction of the European Union Recovery Instrument (EURI) over and above the MFF ceilings with the mid-term revision of the current MFF allows for a timely provision of additional budgetary appropriations in case of increases for covering the cost of interest expenditure until 2027. The next MFF proposal will cover also the repayment of NGEU non-repayable support. Whereas the next MFF proposal is under preparation and cannot, at this moment, be prejudged, the Commission also notes that the NGEU bonds maturity structure is organised in a way that delivers a steady and predictable decline of NGEU liabilities over the period to 2058.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 3: GETTING RESULTS FROM THE EU BUDGET

Part 1 – Results of the ECA's performance audits: key messages

The conclusions presented in Part 1 of Chapter 3 are derived from the ECA's special reports published in 2024. These special reports were subject to extensive clearing and adversarial procedures, in line with the requirements of the Financial Regulation. The detailed Commission replies reflecting the Commission's position on the special reports and the recommendations made therein have been published alongside the reports and are available to the public.

The Commission takes note of the ECA's summaries of the European Parliament and Council statements issued after the publication of the special reports issued in 2024 and listed in Part 1 of Chapter 3.

The Commission underlines that the acceptance rate of the ECA's recommendations as reflected in Part 1 (§3.5) is generally very high (86% either fully or partially accepted), illustrating the Commission's constructive approach towards addressing the issues identified by the ECA. In 2024 only 14% of the ECA's recommendations were not accepted by the Commission which can be partly explained by the increased number of audits of the Recovery and Resilience Facility in 2024 and non-acceptance of some of their recommendations.

More specifically, the Commission would like to recall its position on some special reports referred to by the ECA in part 1 of Chapter 3.

In relation to its **Special Report 14/2024 on Green Transition**, the ECA states that it identified "*potential overestimations of amounts allocated to climate action*". While the Commission followed the provisions in the Recovery and Resilience Facility (RRF) Regulation set by the co-legislators to estimate how much RRF measures contribute to climate action, the ECA disagreed with some of the coefficients set in Annex VI of that Regulation. The ECA thus chose to recalculate the contribution to climate action, by applying lower coefficients than those set by the legal text, resulting in a lower estimated climate contribution. The Commission disagrees with the ECA's approach to depart from the methodology provided for in the legal basis, which the Commission and the Member States are bound to apply.

In relation to its **Special Report 22/2024 on Double funding from the EU budget**, the ECA states that "*the use of financing not linked to costs leads to a higher risk of double funding*". The Commission would like to recall that this conclusion is based on an ECA legal interpretation which the Commission considers is not aligned with the letter and spirit of Article 9 of the RRF Regulation, which explicitly provides "*Reforms and investment projects may receive support from other Union programmes and instruments provided that such support does not cover the same cost.*" In line with this provision, the Commission is of the firm view that if a Member State indicates ex-ante that no RRF funds will be used to implement a measure (and the measure is therefore not "costed" under the RRF, i.e. it is a zero-cost measure), by definition, double funding cannot occur. This is independent of whether other EU funds are being used to implement it. Therefore, the Commission does not see a basis for the ECA's conclusion on a double funding risk related to instruments based on financing-not-linked-to-cost.

In relation to the **ECA Special Report 05/2024 on the EU Transparency Register**, the Commission would recall that, several actions were taken to improve the Transparency Register¹ after the audit period, including the completion of a full monitoring cycle of the register's database to increase the overall data quality as well as the launch in April 2024 of the new website and supporting IT platform. Further, the Commission and other auditee institutions are working towards delivering on the Transparency Register's annual priorities for 2025², taking into account the ECA's technical recommendations. It is also important to note that, at the start of its new mandate in 2024, the Commission adopted new transparency measures strengthening significantly its internal regime linked to the Transparency Register through its Decisions (EU) [2024/3081](#) and [2024/3082](#).

Finally, in relation to the **ECA Special Report 3/2024 on the rule of law in the EU**, the Commission would like to recall the different purposes, scopes and objectives of the three main instruments as they appear in this ECA report: the Conditionality Regulation, the RRF Regulation and the Common Provisions Regulation (CPR). The Commission stresses that the RRF and CPR are not specific rule of law instruments and can only indirectly serve to address certain rule of law issues within the boundaries of the respective regulations. The Conditionality Regulation allows the EU to take measures, for example suspension of payments or financial corrections, to protect the budget only in cases where the breaches of the principles of the rule of law specifically affect or risk affecting the EU financial interests in a sufficiently direct way and only if no other instrument can protect the Union budget more effectively. The Commission welcomes the ECA's assessment that the Commission has identified breaches of principles of the rule of law in the case of Hungary based on a thorough qualitative assessment and that it was in line with the requirements set out in the Conditionality Regulation. Furthermore, the Commission also welcomes the ECA's assessment that the Commission has used the RRF, CPR and Conditionality Regulation effectively in combination in the one case where the Conditionality Regulation has been applied so far.

Part 2 – Performance of programmes under multiannual financial framework heading 1

Performance reporting framework

The Commission welcomes the ECA's assessment that its performance reporting framework was stable in line with the instructions, and that most quantitative references to the programmes the ECA examined in the 2023 Annual Management and Performance Report were based on relevant supporting evidence (§ 3.44, § 3.46). The budgetary figures reported in the Programme Performance Statements for the sampled programmes were sourced from the Commission's accounting system. The ECA did not identify material errors in these reported figures, except that the 2021-2027 total budget for Horizon Europe was understated by EUR 367 million due to the reallocation of funds.

Design of performance indicators

The Commission welcomes the ECA's assessment that the performance indicators are better designed in the 2021-2027 MFF period, albeit with some exceptions. The Commission would like to underline that it is crucial to distinguish between performance indicators, which measure the

¹ The Transparency Register is operated jointly by the European Parliament, the Council and the Commission pursuant to their Interinstitutional Agreement of 20 May 2021 (OJ L 207, 11.6.2021, p.1).

² The annual priorities for the Transparency Register are published on the register's website: Governance - European Union

immediate outputs and results of a programme, and impact indicators, which assess long-term changes and contributions to broader strategic objectives after program completion (§ 3.47), since they serve distinct purposes.

The Commission notes that the **Horizon Europe** indicators considered by the ECA as being difficult to interpret, do not align with the Horizon Europe regulations (§ 3.51 and Box 3.1). For the Programme Performance Statements, the Commission improved the terminology of the indicator indicated in SAP to facilitate its interpretation. For Horizon Europe 2014-2020 period, the Commission changed the measurement method of several indicators to improve the quality of the data from transitioning and periodic to continuous reporting (§ 3.54 to § 3.55). This had an impact on the reporting and the elements highlighted by the ECA were improved in the 2021-2027 period.

With regard to **Connecting Europe Facility**, the Commission acknowledges that results reported in the Programme Performance Statements typically reflect outputs from completed projects, however the Commission continuously monitors projects throughout their lifecycle (Table 3.1). This forward-looking approach helps detect risks early, allowing the Commission to assess whether indicators are on track to meet targets, even with partial results. In relation to the performance monitoring systems (§ 3.49), the Commission has improved the CEF 2021-2027 performance framework by incorporating more outcome-oriented indicators and enhancing data collection, taking into account the results of the CEF 2014-2020 mid-term evaluation. The CEF monitoring system was designed to reflect the programme's key objectives and provide a coherent framework for tracking implementation, rather than capturing all results and impacts. The CEF 2014-2020 mid-term evaluation identified opportunities to further strengthen indicators related to overarching policy objectives.

In relation to **InvestEU** (§ 3.52), the Commission acknowledges that the two indicators mentioned (i.e. Investment mobilised and Multiplier effect) do not clearly specify whether they refer to approved, signed or disbursed operations and that this information can be found in the indicator metadata draft budget file. Therefore, going forward the Commission will incorporate this information also in the main narrative of the InvestEU Programme Performance Statements. The Commission notes that InvestEU implementing partners are not required by the guarantee agreements signed with the Commission nor by the InvestEU Regulation to report Key Performance Indicators at project level. In addition, in the current context of efforts to reduce administrative burden, the Commission does not intend to further increase the complexity and granularity of the reporting requirements under the InvestEU programme (§ 3.62).

Assessment of progress in meeting the targets of key performance indicators

The Commission considers that, when assessing the progress of performance indicators towards their targets, all relevant available information should be taken into account — not only past results. For instance, information on ongoing projects is also pertinent. Accordingly, its assessment reflects the expected evolution of each indicator based on the available data. Initial delays, for example, may be addressed and overcome if appropriate measures are implemented. Moreover, the implementation of indicators does not always follow a linear path; in many cases, the majority of results will be materialised towards the end of the implementation period.

The Commission would also like to highlight that, while targets are generally useful for assessing the progress of indicators, it is not always possible or useful to set them. For example, targets are less meaningful for impact indicators that are significantly influenced by external factors beyond the control of the EU budget. Similarly, indicators that measure demand-driven results — such as the uptake of financial products — are less suitable for target-setting.

In relation to the **Connecting Europe Facility**, the Commission continuously monitors projects throughout their lifecycle, allowing for a forward-looking approach that can detect risks early ([table 3.3](#)). This helps assess whether indicators are on track to meet targets, even if only partial results are available. On this basis the Commission considers that 12 indicators were on track and four showed moderate progress, whereas results reported in the Programme Performance Statements typically refer to the outputs from completed projects. The Commission acknowledges that this may result in an apparent gap.

The Commission highlights that transport infrastructure projects do not follow a linear implementation pattern and most of the results will materialise towards the end of the programme, which is the case of the example of [Box 3.2](#) related to the European railway traffic management system-equipped transport lines. Several projects received extensions until 2024, with final outputs reported up to 12 months after completion. This justifies the assessment of moderate progress.

For Connecting Europe Facility 2021-2027, the Commission finds the indicator for alternative fuel supply points to be on track despite limited early progress ([Box 3.3](#)). As the CEF Alternative Fuels Infrastructure Facility (AFIF) is still in its early stages, the Commission expects more results by the end of the period. By end-2023, 10 projects with reported supply points in operation had reported 4% (EUR 64 million) of the total budget spent, and over 30,000 supply points are anticipated.

The Commission does not share the ECA's opinion that 65% of CEF 2014-2020 indicators are unlikely to achieve their targets ([§ 3.72](#)). Ongoing lifecycle monitoring of all projects provides a more accurate view, making the Commission confident that the programme's main objectives will be largely met. For CEF 2021-2027, based on ongoing projects, the Commission finds most indicators on track or making moderate progress, with data consistent with expected timelines ([§ 3.75](#)).

The Commission notes that **InvestEU** is a market and demand-driven programme covering a wide range of policy areas, so the progress of its indicators depends on the absorption of the programme by the market, which limits the Commission's ability to establish predefined milestones and targets ([§ 3.68](#), [§ 3.76](#)). This is substantially different from other EU programmes, notably from directly managed programmes providing grants, where the Commission can determine in advance the quantifiable milestones and targets to be achieved. The InvestEU Regulation explicitly recognises the specific characteristics of the Programme, in particular, its demand-driven nature and the limited number of quantifiable milestones and targets to be achieved.

All indicators in the InvestEU Regulation were accurately monitored through the annual performance data provided by the InvestEU's implementing partners and reported by the Commission in the Programme Performance Statements. The Commission also tracks the progress in achieving the targets for all indicators for which a target was defined in the InvestEU regulation.

Furthermore, although some of the InvestEU indicators are not linked to specific targets or milestones due to the nature of the programme, their overall progress towards the Programme's objectives can still be and it is closely monitored by the Commission through the annual performance data reported by the InvestEU's implementing partners.

Finally, the Commission would like to underline that under InvestEU, the investment mobilised is to be reported by the implementing partners and by the Commission based not only on approved operations but also based on signatures and disbursements ([§ 3.76](#)).

Recommendation 3.1 – Further improve the traceability of data supporting the reporting of key performance indicators

To further improve the reliability of the KPIs it reports in programme performance statements (PPSs), the Commission should ensure there is a clear and documented link between the underlying performance data and the amounts reported in the PPSs.

(Target implementation date: 2025 AMPR)

The Commission **accepts** recommendation 3.1.

The Commission acknowledges the importance of ensuring robust traceability and reliability of reported performance data and is continuously working to enhance the transparency and consistency of the link between the underlying performance data and the amounts reported in the programme performance statements, in line with ongoing efforts to improve the quality and reliability of performance reporting for the EU budget.

Recommendation 3.2 – Improve the monitoring of indicators

To facilitate better performance reporting throughout programme implementation, the Commission should set more than one milestone over the programming period for those indicators where it is relevant to measure intermediate progress.

(Target implementation date: when reporting on the performance of the next MFF)

The Commission **partially accepts** recommendation 3.2.

The Commission recognises the importance of setting targets and milestones for monitoring performance indicators and measuring intermediate progress where relevant.

The feasibility of implementing this recommendation will depend on the design of the post-2027 multiannual financial framework and the corresponding programmes, which will be defined in future regulations. These remain subject to agreement by the legislator, and the Commission cannot prejudge the outcome.

In addition, the Commission would like to highlight the need to consider the potential associated burden that setting milestones and targets can imply for Member States, and implementing partners, among others.

Recommendation 3.3 – Improve key performance indicator assessment

To improve its assessment of progress in achieving KPI targets included in PPSs, the Commission should justify assessments that rely on information other than validated data.

(Target implementation date: 2025 AMPR)

The Commission **accepts** recommendation 3.3.

The Commission already provides justifications of the assessment of the performance indicators in the performance data tables accompanying the draft budget, where necessary.

The Commission agrees to provide justifications for the assessments also for the indicators selected for the programme performance statements website, when based on information other than validated results.

Part 3 – Follow-up to the recommendations made in ECA’s report on the performance of the EU budget – status at the end of 2021

The Commission gives the utmost importance to the implementation of all accepted recommendations. The follow-up and implementation are an integral part of the Commission’s governance system.

The Commission would like to highlight, that for four of the ECA recommendations, the target implementation dates are linked to the preparation of the post-2027 MFF, a process that will be carried out throughout 2025.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 4: REVENUE

I. THE COMMISSION REPLIES IN BRIEF

The Commission welcomes that the European Court of Auditors (ECA) considers that the level of error in revenue transactions continues to be free of material error and that the revenue-related systems it examined were generally effective. The Commission will follow-up on the issues identified by the ECA and through its own control and audit work.

Regarding **Gross National Income (GNI)**, the Commission welcomes the European Court of Auditor's observation that the Commission has followed the timetable and procedures set out for the 2020-2024 GNI verification cycle and that it has shortened the period of GNI data used for own resource purposes open for revision in that cycle compared to the previous one. The Commission attaches great importance to the close monitoring of the timeliness of submission of the work on GNI reservations by the Member States and has put in place a system of monitoring of Member States' compliance with the legal requirements.

As regards the **VAT-based own resource**, the Commission continues its efforts to reduce the number of open reservations and intends to finalise its ongoing revision of the administrative procedures applicable to its management of the VAT-based own resource reservations in line with experience gathered at the end of the first inspection cycle under the new system.

As regards **Traditional Own Resources** (TOR), the Commission will continue the monitoring of TOR open points and has included the reliability of the A and B accounts as a dedicated topic in the 2025 Inspection program for further six Member States (i.e., in addition to the twelve Member States already inspected on that topic in the 2024 Inspection program). The Commission is fully committed to implementing the customs reform as soon as possible and will take all necessary actions to achieve this.

Concerning the **non-recycled plastic packaging waste EU revenue**, the Commission is actively continuing its work on the implementation of the first inspection cycle of this new own resource.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Examination of elements of internal control systems

Verification work on GNI

The Commission welcomes the European Court of Auditor's observation that the Commission has followed the timetable and procedures set out for the 2020-2024 GNI verification cycle (§4.11.) and that it has shortened the period of GNI data used for own resource purposes open for revision in that cycle compared to the previous one (§4.13.).

The Commission attaches great importance to the close monitoring of the timeliness of submission of the work on GNI reservations by the Member States (§4.14.-4.15.). The Commission has put in place a system of monitoring of Member States' compliance with the legal requirements and informs the stakeholders on the state of play on GNI reservations in a transparent manner.

The Commission's assessment of the simplified VAT-based own resource system did not include the impact on member states' contributions

The Commission considers it fulfilled its obligations under Article 13a of Council Regulation (EU, Euratom) 2021/769. The Commission was tasked with producing a report on the functioning of the VAT-based own resource system and the report was published on 12 December 2024 presenting the impact on the VAT own resource system of the changes introduced by Council Regulation (EU, Euratom) 2021/769.

The report concludes that the changes introduced did not have a significant impact on the VAT own resource system while achieving the objectives of simplification and reducing administrative burden for all stakeholders. The discontinuation of correction and compensations had only minimal impact on the value of the own resource (less than 1% of the VAT base), while the impact of the use of the frozen WAR, as estimated by the Commission, led to deviations from the recalculated 2024 rates ranging from +4% to -11%.

Furthermore, the number of reservations has slightly decreased over time as most of the compensations and corrections were discontinued and the reform's positive impact on the administrative burden was acknowledged by Member States, rating it with 8.9 out of 10 based on a survey performed by the Commission.

Member states' plastics data are not fully compliant with EU rules

During its inspections, the Commission checks whether the source data for the calculation of non-recycled plastic packaging waste are appropriate, of enough quality and with enough coverage, whether these data are collected in an appropriate way, whether the methods for calculating non-recycled plastic packaging waste are sound and traceable, and whether the results are coherent. If following the inspections, the Commission identifies weaknesses on the reported data, the Commission sets reservations having specific deadlines by which the weaknesses should be addressed. Currently the Commission has placed 23 reservations based on the inspections performed so far, covering, among other topics, the calculation of the plastic packaging waste generated, and the two methods used for its estimation. The Commission expects that following the work performed by the member states to address these reservations, the issues related to compliance with the EU rules will have been addressed. By June 2026 all Member States will have been inspected.

There are risks of delays in the implementation of the EU customs reform

Regarding the risks of delays in the implementation of the EU customs reform (§ 4.27-§ 4.30), the Commission is fully committed to implementing the customs reform as soon as possible and will take all necessary actions to achieve this. The Commission has already started preparations and is planning ahead as far as possible considering that negotiations are still ongoing. The Commission has diligently performed its right of initiative with very ambitious proposals to reform the customs union and is working closely with both co-legislators to support reaching an agreement and implement the solutions necessary to solve the issues flagged by the ECA.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Recommendation 4.1 – Accelerate its preparations for the implementation of the proposed customs reform

Intensify its actions to ensure a timely implementation of the customs reform, once adopted, by developing a plan providing detailed timelines and allocating responsibilities to monitor progress for:

- i) the establishment and initial operation of the EU Customs Authority until the EU Customs Authority has the operational capacity to implement its own budget;**
- ii) the development, implementation, and maintenance of the EU Customs Data Hub.**

(Target implementation date: end of 2026)

The Commission **accepts** both sub-recommendations.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 5: SINGLE MARKET, INNOVATION AND DIGITAL

I. THE COMMISSION REPLIES IN BRIEF

Payments in 2024 under the Multiannual Financial Framework heading 1 'Single Market, Innovation and Digital' (MFF1) cover several programmes such as Horizon Europe (HE), which is the flagship framework research and innovation programme in Europe, its predecessor Horizon 2020 (H2020) and the Connecting Europe Facility (CEF). Due to the usually multiannual nature of research projects, two thirds of the audited research payments related still to H2020 in 2024.

The Commission takes note of the level of error estimated by the European Court of Auditors (ECA) (§5.10), which is within the range detected during last years, but slightly lower than in 2023.

The way funds are disbursed has a direct impact on the risk of error and simplifying rules has the potential to reduce this risk. Therefore, Horizon Europe uses a standard Model Grant Agreement (MGA) as annexed to the Internal Rules of the Commission for all EU funding programmes, makes extensive use of the simplified costs options (unit cost, flat rate and lump sums), employs simpler cost reimbursement schemes in appropriate areas and implements a streamlined audit system. Further guidance on the MGA is provided in the Annotated Model Grant Agreement. The Commission remains fully committed to further simplify rules and procedures to reduce both the risk of error and the burden on beneficiaries.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Regularity of transactions

The Commission takes note of the level of error of 3.2% estimated by the ECA (§5.10) and will follow up on the issues identified by the ECA (see §5.10 to §5.33 of the ECA report) as presented in the sections below.

The Commission takes note of the cases of quantifiable errors reported by the ECA for further action.

Errors in research programmes

Personnel costs

The Commission acknowledges that personnel costs have remained the main source of errors (§5.15), which is a logical consequence of the fact that personnel costs account for the largest share of the total cost declared by beneficiaries under H2020, and similarly under Horizon Europe. The Commission also takes note that two non-quantifiable errors resulted from the incorrect application of the rules on personnel cost calculation in Horizon Europe projects.

H2020 marked a significant progression in the simplification and harmonisation of cost eligibility rules, including those pertaining to the calculation of personnel costs. The Commission has provided extensive guidance and practical examples within the H2020 Annotated Model Grant Agreement. Moreover, it has undertaken awareness-raising initiatives by issuing an interactive questionnaire to participants approaching reporting sessions, thus offering relevant advice tailored to the beneficiaries' responses. Additionally, the Commission organised a webinar specifically aimed at providers of Certificates on Financial Statements in H2020 grants.

Changes introduced by the Horizon Europe rules

For Horizon Europe, the Commission has adopted the corporate Model Grant Agreement (MGA) applicable from the onset of the Multiannual Financial Framework (MFF) 2021-2027 and issued comprehensive corporate guidance for practical implementation. This guidance introduces a simplified method for charging personnel costs, based on a daily rate calculation, thereby replacing the error-prone methodologies used in H2020. Complementing the MGA, the Annotated Model Grant Agreement includes practical guidance and examples relating to the calculation of personnel cost. The Commission has also provided a list within its guidance documents detailing the management of country-specific costs.

Furthermore, for Horizon Europe, the Commission organised a series of webinars, which are recorded and available to watch on demand, dedicated to instructing beneficiaries on accurately declaring costs, including personnel costs (e.g. the Horizon Implementation Days). Additionally, a series of information days were conducted in widening countries, featuring dedicated sessions on cost reporting, explaining how to report personnel costs effectively. Beneficiaries are also encouraged to utilise the Research Enquiry Service for clarifications related to grant management, particularly the calculation of personnel costs. All abovementioned activities are putting emphasis on how to declare the personnel costs.

In 2024, a personnel unit cost was introduced, significantly facilitating the reporting of personnel costs for projects funded by HE, as the daily rate is fixed ex ante based on the beneficiary's historical data. This introduction was accompanied by the release of detailed guidance documents, providing comprehensive instructions on the new process. Furthermore, a series of webinars dedicated to this topic were conducted to ensure a thorough understanding and implementation of the personnel unit cost methodology.

The Commission takes note of the fact that some beneficiaries were still using the calculation method from Horizon 2020 or did not follow the new rules under Horizon Europe (§5.17 and §5.18). As explained above, the Commission has been and is putting emphasis on communicating the new rules, including the new daily rate calculation introduced under Horizon Europe, through above-mentioned webinars and outreach events.

Costs for researchers seconded from other organisations

As regards the example for an error in Box 5.1, the Commission agrees with the finding. It notes that the specific case of secondment between beneficiaries is explicitly addressed under both the H2020 and the HE Annotated Model Grant Agreements.

Other errors in personnel costs

The Commission takes note of detected errors in relation to declaring personnel costs (§5.21, Box 5.2). In addition to the measures detailed above, the Commission recalls that, in accordance with the HE MGA, the Granting Authority may, where appropriate and through the monitoring of the action implementation, request additional information from the beneficiary which may lead to the identification of ineligible costs, including ineligible personnel costs.

Reply to Box 5.2

Example of a beneficiary claiming costs for time not spent on the project audited

The Commission takes note that the ECA has found personnel costs that did not comply with the eligibility conditions, in particular in relation to time spent on the project. The Commission recalls that in the HE Annotated Model Grant Agreement, it is made clear that only the time spent on the action may be used to calculate the personnel cost.

Ineligible other direct costs

The Commission takes note that the ECA has found cases where beneficiaries declared other direct costs that did not comply with some of the general cost eligibility conditions, and in particular that were not incurred in connection with the action and were not necessary for its implementation (§5.22). Moreover, it identified cases where beneficiaries made errors in declaring equipment-related costs (§5.23, Box 5.3).

As in the case of errors in personnel costs, the Commission mitigates these issues by targeted guidance and outreach communication events and webinars. The Commission also promotes and encourages beneficiaries to use a dedicated helpdesk (the Research Enquiry Service) as well as to reach out to their project officers, in case of questions and as best practice. In addition, the Commission is holding regular meetings with the HE Legal and Financial National Contact Points, which play an important role as also offering support and information to beneficiaries on how to correctly declare costs.

Reply to Box 5.3

Example of an error in the declaration of equipment-related costs

The Commission agrees with the finding. As a rule, costs for renting or leasing equipment are eligible but only if they do not exceed indeed the depreciation costs of similar equipment. This is provided for in Article 6.2.C.2 of the HE Model Grant Agreement and further explained in the HE Annotated Model Grant Agreement

The Commission acknowledges the errors identified in other cost categories (§5.24). To mitigate their occurrence through awareness-raising and clarifications to beneficiaries, the Commission has provided extensive and detailed explanations regarding deductible VAT, financial periodic reporting, the necessary supporting documents for record-keeping and the use of the correct exchange rate for the conversion of the financial statements to EUR. The rules on these topics are covered by the Annotated Model Grant Agreements for H2020 and for HE.

Furthermore, for internally invoiced goods and services, HE rules have been simplified compared to H2020 to broaden the scope of eligible costs. In that respect, there is a wider reliance in Horizon Europe (compared to H2020) on the beneficiary's usual cost accounting practices for the unit cost calculation, which should lead in principle to less errors in this cost category.

Simplification through lump sum funding

Concerning observation §5.30, the Commission's target is to provide by 2027 at least 50% of the call budget in published work programmes in the form of lump sums. The Commission is committed to continuously monitoring and evaluating the use of lump sums to uphold coherence of approach, quality and integrity.

The Commission recalls that the budget shares of lump sum funding in published work programmes and in signed grants are different. This is because the grants resulting from the implementation of the calls in the various work programmes are signed after the adoption of the respective work programme.

Reply to Box 5.4

Example of an audit of a lump sum grant payment

The documentary evidence provided by the beneficiary indicates that the cost estimate submitted in the lump sum budget of the proposal for the equipment concerned (multi-channel, 24-well automated TEER device) was reasonable (substantiated by quotation from January 2020). Therefore, the Commission considers it was justified to accept this amount at the time of evaluation. There was no shortcoming of the evaluation process or oversight on the part of the evaluation experts.

Following the ECA audit, the beneficiary explained that they did not purchase the specific equipment as planned because, after the start of the project, a demo version of this equipment proved incompatible with the project's needs and a subsequent version was available too late to be used in a timely manner. In line with the technical needs of the project, the beneficiary decided to use a simpler version of this equipment that had been purchased before the start of the project, while allocating extra resources to compensate for a more manual approach (extra staff resources and consumables). This constitutes a deviation from the description of the action (Annex 1 to the grant agreement) that the beneficiary failed to explain and justify in the technical report. Upon request, the beneficiary provided the above justification for their decisions, which was considered fully satisfactory. Based on this explanation, the deviation is fully covered by the flexibility allowed in R&I grants. In fact, the deviation was necessary to properly implement the project.

The Commission considers that in this specific case, the only shortcoming is in the reporting process.

Nevertheless, the Commission recalls that this grant was signed as part of the Horizon 2020 lump sum pilot. In the meantime, implementing services and expert evaluators have been provided with more extensive guidance on how to evaluate the lump sum budget and document this in the evaluation reports, and how to assess work package completion to trigger payments. Overall, the Commission considers that the current lump sum approach ensures sound financial management, while offering substantial simplification to grant beneficiaries. However, the Commission is monitoring lump sum funding closely and adjusting the guidance and methodology if and as needed. This continuous improvement process addresses recommendations from the ECA and lessons learned from user feedback, implementation data, and review findings.

Under a lump sum grant, the mere existence of any difference between costs actually incurred and those budgeted, leading to the lump sum amount granted, cannot have – as such – financial consequences on the lump sum grant at stake.

Errors in infrastructure programmes

Concerning observation §5.33, the Commission considers that the beneficiary complied with the Best Value for Money principle in line with the provisions of the Grant Agreement. The Commission found that the documents provided at the final payment stage gave reasonable assurance that the selection procedure was done following predefined technical and economic criteria. The beneficiary demonstrably applied transparent and objective evaluation criteria, and reached a reasoned decision supported by expert deliberation.

2. Review of the Commission's management of financial support to third parties (FSTP) in research

Justification for FSTP above the EUR 60 000 threshold set out in the EU Financial Regulation

The Commission acknowledges that further enhancement in the justification of FSTP amounts higher than EUR 60 000 (see §5.38, first bullet point) is possible. In this regard, the Commission will follow up on how to enhance the drafting of such justification for higher FSTP amounts across the different Cluster parts of the HE Work Programmes.

However, for Horizon 2020 ERA-NET Cofund actions, the H2020 Work Programme General Annexes specify that *“the EUR 60 000 threshold referred to in Article 204 (2) (a) of the Financial Regulation 2018/1046 may be exceeded for financial support provided by the participants in the ERA-NET Cofund actions (since this financial support is necessary to achieve its objectives).”* Additionally, the objectives of ERA-NET Cofund actions are described in detail in the General Annexes of the H2020 Work Programme 2018-2020.

Obligations to be passed on FSTP recipients

The Commission acknowledges that it is the beneficiaries' responsibility to ensure that certain obligations, stemming from the EU call conditions and/or the EU grant agreement, also apply to their FSTP recipients (§5.38, second bullet point). This can be achieved by reproducing those obligations in the agreements concluded between the beneficiaries and their FSTP recipients (if any) but can also be achieved via other legal mechanisms (e.g. through the FSTP call conditions designed by the beneficiaries; rules of contest if the FSTP scheme takes rather the form of a prize). More generally, to raise awareness, the Commission has provided guidance and explanations in the HE Annotated Model Grant Agreement and made specific presentations to Legal and Financial National Contact Points on FSTP. The Commission plans also to publish further guidance to beneficiaries to help them best manage their FSTP schemes.

Effectiveness of beneficiaries' controls vis-à-vis their FSTP recipients to ensure the regularity of the EU spending

The Commission acknowledges that beneficiaries handling FSTP should be in sufficient capacity to do so (§5.39). In that regard, the Commission emphasises that such capacity is considered at call design stage when allowing FSTP for certain types of action and/or for certain types of beneficiaries (e.g. national or regional funding bodies in programme Cofund actions). Such capacity is to be assessed at application stage when evaluating the proposal. For this purpose, in Horizon Europe, beneficiaries must complete a specific annex at the proposal stage, detailing the management of their FSTP schemes to ensure compliance with the call conditions. This annex becomes part of Annex I of the grant agreement and allows for monitoring the action implementation including the FSTP-related tasks (through deliverables, milestones and technical periodic reports). Moreover, there is a dedicated FSTP screen within the Continuous Reporting module of the Portal Grant Management System, where the consortium is required to input details regarding the FSTP calls and the selected recipients.

COMMISSION REPLIES TO THE RECOMMENDATIONS

Follow-up of previous years recommendations

(§5.46, Annex 5.1)

2021 recommendation 1: The development of the Horizon Europe costs wizard is in its last round of the testing phase and the objective of the Commission is to make it available in the first half of 2025.

2022 recommendation 3: The Commission considers this recommendation has been implemented to a large extent.

As part of continuous improvement, the Commission is working on further harmonisation of terminology across all guidance documents and clarification of the principles, including on accepting work-packages. The full package of guidance and templates will be re-released shortly.

Finally, the Commission recalls that the performance of lump sum grants is not judged more strictly than the performance of actual cost grants. The same standards apply. However, our data shows that lump sum grants are in fact judged more strictly on implementation, with 5% of projects found to be not fully completed and therefore not fully paid. This is much more than for actual cost grants, indicating that the implementation of lump sum grants is more stringently monitored.

Recommendation 5.1. - Review the implementation of lump sum grants

Review a representative sample of lump sum grants, and analyse the lessons learnt from the implementation of lump sum grants to date and the methods used to establish the EU financial support with the aim of providing input for the future use of lump sum funding.

(Target implementation date: mid-2026)

The Commission **accepts** this recommendation for lump sum grants under Horizon Europe.

Recommendation 5.2. - Improve the management of financial support to third parties

- a) Establish minimum control standards to be applied by beneficiaries to ensure effective checks on the regularity of EU spending.**

(Target implementation date: end 2026)

The Commission **accepts** this recommendation.

The beneficiaries must manage their FSTP schemes and are responsible, towards the EU granting authority, for ensuring, that the FSTP funds are used in compliance with any applicable FSTP conditions set out in the applicable EU call conditions and/or the EU grant agreement. The beneficiaries can in principle use their own usual practices and procedures, provided that these specific FSTP conditions are respected.

In compliance with Article 207 of the Financial Regulation (2024/2509) and as further set out in Article 6.2.D.1 of the HE MGA, FSTP conditions must ensure objective and transparent selection

procedures and include minimum requirements, especially in relation to the criteria and procedures for giving financial support criteria and for calculating the exact amount of the financial support. In addition, other FSTP conditions apply to Horizon projects, as set out in Article 15.1 of the H2020 MGA, Article 9.4 of the HE MGA as well as in the general annexes of the HE main Work Programme that set out notably that beneficiaries must publish their FSTP open calls widely and adhere to EU standards of transparency, equal treatment, conflict of interest and confidentiality.

Beneficiaries must also be able to demonstrate compliance with all applicable FSTP conditions during any checks, reviews, audits, or investigations. The Indicative Audit Programme on the Participant Portal emphasised that verifications will focus on internal and external documentation of procedures or usual practices for providing financial support and ensuring objective and transparent selection procedures. Verifications will also address costs reconciliation in financial statements and detailed cost breakdowns against the beneficiary's accounting system. In this respect, minimum standard procedures or usual practices are necessary to ensure compliance with the FSTP conditions vis-à-vis the EU granting authority.

To reinforce awareness towards beneficiaries on ensuring compliance with applicable EU MGA rules and/or call conditions, the Commission plans to publish specific guidance outlining good practices for implementing FSTP in EU grants. This guidance will equip beneficiaries with the necessary knowledge and best practices to manage FSTP grants effectively within EU funding programmes.

- b) Require that the relevant obligations stemming from the EU grant agreement are also reflected either in agreements concluded between the beneficiaries and third parties or in the beneficiaries' rules communicated to the third parties.**

(Target implementation date: end 2026)

The Commission **accepts** this recommendation.

It is the beneficiaries' responsibility to ensure that certain obligations, stemming from the EU grant agreement and/or the EU call conditions, apply to FSTP recipient. While incorporating these obligations into agreements concluded between beneficiaries and FSTP recipients is, of course, the most legally straightforward approach, beneficiaries may also opt for other legal mechanisms (e.g. including them in the rules of their FSTP calls, which would be equally binding on and communicated to their FSTP recipients). This will primarily depend on the scope and objective of the FSTP scheme and thus whether the FSTP is provided through a (sub) agreement. This is outlined in the current corporate Annotated Model Grant Agreement (see version [2.0 of 1 April 2025](#) pp. 165-166).

The Commission, through its forthcoming Guidance on Good Practices for Implementing FSTP in EU grants and during outreach events, can further emphasise the importance of ensuring that certain EU grant agreement obligations or EU call conditions apply also to FSTP recipients, including through (sub)agreements if the beneficiary uses any.

- c) Provide sufficient justification where work programmes or calls allow individual third-party support above €60 000.**

(Target implementation date: end 2026)

The Commission **accepts** this recommendation.

The provision of specific justification in the call conditions where financial support to third parties is above the EUR 60 000 threshold is explained in the HE internal guidance on how to prepare Work Programmes. It is also integrated in the standard conditions of the Call Passport System used to prepare the calls: 'Beneficiaries may provide financial support to third parties. The support to third

parties can only be provided in the form of grants/ prizes. The maximum amount to be granted to each third party is EUR 60 000 (if higher than EUR 60 000, insert also justification).'

For certain actions, such as HE Programme Cofund, the objectives justifying a higher amount of FSTP than EUR 60 000 are outlined in greater detail in the general annexes of relevant work programmes.

However, there is scope to enhance the level of justification more systematically across the various HE actions that rely on such higher FSTP amounts for policy reasons.

In this regard, internal guidance has been further developed in 2024 with RTD Guidance of 21/10/2024 on the use of FSTP in Cluster parts of the HE Work Programme, and with an internal training provided to work programme scribes on 23 May 2024 on how to draft topics with FSTPs. Moreover, forthcoming internal corporate guidance to project officers on FSTP will further underline the need to provide sufficient justification.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 6: COHESION, RESILIENCE AND VALUES

I. THE COMMISSION REPLIES IN BRIEF

Basing itself on the Ninth Report on economic, social and territorial cohesion¹, the Commission notes that over the last decades cohesion policy was effective in reducing the disparities between Member States and their regions², making structural reforms to their economies and building a highly competitive social market economy in the European Union (EU), while respecting the principle of subsidiarity. In 2024, the EU continued to deal with past crises, with cohesion policy remaining a key driver of convergence and stability. The Commission reinforced support for Member States to assist displaced Ukrainians through the Cohesion's Action for Refugees in Europe (CARE, CARE+) and Flexible Assistance to Territories (FAST-CARE) initiatives, offering flexibility, simpler procedures, and more pre-financing for 2021-2027 programmes. In the employment and social affairs policy field, the Commission continued to deliver its work on the implementation of the European Pillar of Social Rights and, among others, presented an action plan on tackling labour and skills shortages in the EU.

The funds dedicated to economic, social and territorial cohesion in the EU are spent through a system of shared management between the European Commission and national authorities. For each co-funded programme Member States are responsible for implementing management and control systems that must comply with key requirements defined in the regulation, and for preventing, detecting and correcting irregularities in declared expenditure. The Commission supervises and assesses the effective functioning of these systems based on all audit results made available by audit authorities, the European Court of Auditors (ECA) or its own audits, making recommendations for improvements or remedial actions as need be and seeking reasonable assurance that the annual error rate for each programme is below the materiality threshold of 2%. When deemed necessary, the Commission uses the tools at its disposal in the legal framework to stop payments until the required improvements are implemented and initiates financial corrections procedures on already declared expenditure (that can be additional to those already applied by Member States) to protect the financial interests of the Union.

The Commission's audit strategy for cohesion policy takes into account the management and control responsibilities under shared management, where the Member States' audit authorities are primarily responsible for carrying out audits of cohesion expenditure and reporting to the Commission. To reduce the audit burden on beneficiaries and administrations and efficiently use its resources, the Commission, under the single audit approach, aims to obtain reasonable assurance through thorough desk reviews of national audit results and opinions provided each year for all programmes, complemented with risk-based audits. The latter include re-performing the control work of programme authorities, including audit authorities, to assess the reliability of their verification work and reporting for programmes identified through risk assessment.

¹ Inforegio – Ninth Report on Economic, Social and Territorial Cohesion (europa.eu).

² See p. xiii of the report: “Thirty years after the parallel launch of the European Single Market and of a reinforced Cohesion Policy, and twenty years after the 2004 enlargement, the long-term trend is clear: many parts of Europe have experienced a remarkable upward economic and social convergence”.

The audit approach is also complemented by capacity building actions at the level of managing and audit authorities, including the sharing of common methodologies, recommended corrective actions, promotion of peer-to-peer exchanges and feedback on detected errors to improve the error detection capacity at all levels, where needed.

By continuously assessing the quality of each programme's management and control system, the Commission can identify the programmes or parts of programmes that present deficiencies and therefore the highest likelihood of errors and target the required corrective measures to correct past expenditure and improve systems for the future. It can also assess whether such deficiencies or irregularities have occurred in other parts of the programme, in other programmes of the same Member State or in other Member States, to focus its audit work.

In addition, as a follow-up to the ECA conclusions and recommendations that too many errors remain undetected in cohesion policy despite the operation of two layers of control at national level, the Commission and the cohesion audit community jointly agreed in December 2024 an action plan (see section II.2 below of the Commission reply). The related measures are on-going in the Member States and the Commission will continuously monitor, in 2025 and 2026, their effective implementation with a view to reducing the risk of remaining material errors at closure and during the 2021-2027 programming period.

Based on the available national and Commission audit results, the Commission concluded in its annual activity reports (AARs) and the annual management and performance report (AMPR) that the risk at payment for cohesion policy, as a whole, remained material (above the 2% threshold) in 2024. However, the Commission's results also show that this situation differs per Member State and programme: the Commission concluded that management and control systems function well for 91% of the 431 open cohesion policy programmes. For the remaining 9% (30 programmes in full and parts of another 7 programmes), serious weaknesses persisted mainly at the level of managing authorities or their intermediate bodies (serious deficiencies in management verifications, the first level controls leading to the declaration of material levels of irregular expenditure). Moreover, the Commission found that in 2024 errors remained undetected by some audit authorities. For 12 audit authorities (or their control bodies) out of 116 overall, this called into question the reliability of the audit work carried out, therefore specific remedial measures were recommended to improve the situation.

Finally, the Commission is confident that cohesion's multi-annual corrective capacity will allow to bring the risk at closure below the materiality threshold, including by replacing irregular or withdrawn expenditure by other expenditure deemed eligible, as allowed by the Common Provisions Regulation (CPR). Indeed, each year programme authorities withdraw from the certified accounts important previously declared amounts that are found to be irregular or at risk. Cumulatively since the beginning of the 2014-2020 programming period, these withdrawals totalled EUR 16.2 billion for the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), and EUR 3.7 billion for the European Social Fund (ESF), the Youth Employment Initiative (YEI) and the Fund for European Aid to the Most Deprived (FEAD). Based on programme authorities' feedback, the Commission considers that the existence of the legal provision for possible net financial corrections in the CPR that result, if the legal conditions and strict criteria foreseen apply, in a direct loss of funding for the Member States concerned has, in practice, increased the preventive and corrective actions by Member States. In 2024 the Commission concluded that such criteria for net financial corrections were met in three ERDF/CF or multi-fund cases and launched the related procedures. Another procedure involving an ESF programme is under final assessment in 2025. Finally, in the same period, as a result of its audit activity and supervisory role, and follow-up to ECA and OLAF findings, the Commission requested over EUR 1.36 billion (in EU contribution) of additional financial corrections, which the programme authorities could re-use under the CPR. After implementing all corrective measures, the Commission estimated in its AARs that the risk at closure is at this stage

at 2% or below for all accounting years up to 2023, while further corrective actions continue to be applied. This illustrates the multiannual corrective capacity of cohesion policy.

The Commission therefore concluded that it has reasonable assurance that management and control systems function in general well to ensure that underlying transactions are legal and regular, and that proportionate and effective corrective measures are taken in line with the legal framework when system deficiencies or breaches of applicable rules are identified that threaten the legality and regularity of underlying transactions.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Regularity of transactions (§ 6.10.-6.38.)

Results of ECA's transaction testing (§ 6.10.-6.15.)

The Commission welcomes the improved situation for the error rate estimated by the ECA compared to last year and that the difference in the assessment of the respective error rates has narrowed this year. In 2024, the Commission also estimates the risk at payment to remain material up to a maximum of 2.9% for MFF heading 2, a slight increase compared to the rates reported in previous years, however at a lower level than calculated by the ECA. As per the Commission methodology, and in line with the obligation of authorising officers by delegation, this estimate is based on a comprehensive review of all audit opinions and error rates reported by programme audit authorities, adjusted by the Commission where relevant following its own assessment and also taking account of the ECA's audit results. The Commission's approach allows it to conclude on risks at Member State and even at individual programme level, thus showing a differentiated situation for each programme.

The Commission refers to Chapter 1 of the report (§1.27 to §1.34) and the related EC replies to explain the difference between the levels of error rates reported by the two institutions, which cannot be directly compared.

While not necessarily considering that all cases raised by the ECA constitute irregularities under the CPR, the Commission will duly follow up all errors reported by the ECA and will request corrective measures or financial corrections, as deemed necessary and legally feasible. The Commission will also recommend the concerned programme authorities to further improve management and control systems as necessary, including in view of the implementation of the 2021-2027 period.

In that respect, the Commission takes due consideration of the weaknesses reported by the ECA in some audit authorities' work and reporting, in addition to the cases it already reported in the annual activity reports. The Commission acknowledges certain system issues detected by the ECA. The Commission also welcomes the ECA's reference to elements of good practice and improvement over time in the work of audit authorities (Box 6.12, Croatia), pointing to a differentiated approach between the Member States and programmes and the capacity to learn lessons and improve based on past ECA and Commission recommendations.

The Commission stresses the importance of the role of audit authorities in detecting errors. However, as identified by the ECA in its sample (§6.10), and in Commission audits, there is still

potential for these key bodies to be even more effective in their work. Moreover, in the accounting year under analysis, audit authorities reported total error rates above 2% for every fourth programme, showing that first level controls still require improvements for these programmes. The programme authorities applied corrections brought bring the residual error rate down to below 2% in all but three programmes³. This detection capacity at Member State level led to significant financial corrections and withdrawals before programme accounts were submitted to the Commission (see [Section I](#) above of the Commission's reply).

The Commission, however, also acknowledges that some errors remained undetected at managing and/or audit authorities' levels or were incorrectly considered in the calculation of the reported error rates in specific cases. For this reason and following a programme-by-programme assessment, DGs REGIO and EMPL adjusted the error rates as reported by Member States to estimate a risk at payment and its maximum level (key performance indicator (KPI) on legality and regularity) in their respective AARs, also taking into account the ECA's results (see part 2 below). The maximum level of risk at payment thus reported (3.6%) is above the materiality threshold for both Directorates-General this year, however lower than the one calculated by the ECA through its statistical extrapolation of the errors it detected and quantified.

As regards error types ([§6.13](#)), based on their common typology, the contribution to the Commission's and audit authorities' error rates are generally from the same categories of irregularities as those of the ECA, namely: ineligible expenditure, public procurement, audit trail and, to a lesser extent this year, State aid. The Commission will continue to work with the relevant programme authorities to help them improve their capacities to better prevent and detect such irregularities. Moreover, the deficiencies detected during the 2014-2020 period and their root causes will serve as an input into the design of a simpler, more error-proof and robust assurance system to be proposed to co-legislators for the post-2027 programming period.

Finally, the Commission takes the view that additional errors reported by the ECA, sometimes due to the managing authorities or the beneficiaries not fully understanding the complex rules involved, making mistakes, or due to missing or insufficient supporting documentation, do not necessarily call into question the output or impact of the co-funded projects.

Shared management (§ 6.16.-6.31.)

[Ineligible costs and projects \(§ 6.16.-6.22.\)](#)

As regards the ineligible costs and projects considered ineligible by the ECA, the Commission notes that the related grant agreements were not drafted in a clear manner, and entailed the risk of different interpretations, or were not timely updated when mistakes were made.

The Commission agrees that ineligible costs are the most frequent error type found by audit authorities and acknowledges some of the additional errors quantified by ECA on this ground, but not all of them.

As regards the transactions audited on the purchase of COVID 19 vaccines, the Commission takes note of the limited number of errors quantified by the ECA in the audited Member States. The Commission also underlines that Member States had to put in place monitoring and control systems for the delivery of vaccines to vaccination centres at particularly difficult and challenging

³ In addition, the Commission re-assessed the error rate to be above 2% in another 23 programmes out of 439 programmes concerned.

times. In relation to the unit costs in Italy, this issue needs to be looked at globally for expenditure declared in total for all programmes and regions and the Commission will ensure that the Member State has not claimed more expenditure overall than was incurred for the concerned manufacturer's vaccines.

As regards the implementation of vaccine-related centralised procurement procedures (§6.21), the Commission firmly believes that these procedures, including the preliminary exchanges with the contractors, were fully in line with the Financial Regulation, in the specific context of extreme urgency under the pandemic and with the objective of ensuring the availability of sufficient safe vaccines for the populations in the Member States at the time of the pandemic. Regarding the judgment of the General Court in case T-36/23, the General Court found that the Commission should have provided a more detailed explanation in its decision, that it does not hold the requested documents. Therefore the Commission has already adopted a new decision in full compliance with the judgement.

Compliance with internal market rules: public procurement and State aid (§ 6.23.-6.27.)

The Commission services note that public procurement (and to a lesser extent in the ECA findings this year, State aid) remain a source of errors, however, they do not necessarily share the assessment of ECA on all errors it quantified for lack of compliance with EU or national public procurement rules, and with State aid rules (§6.24).

As regards the project audited by the ECA in France (Box 6.4), the Commission services would like to highlight that the operation was neither subject to national public procurement law nor to the EU Directives on public procurement. The Commission considers that the managing authorities correctly accepted the beneficiary's selection of the related party contractor and the corresponding project costs. Moreover, the Commission considers that, with regard to the ratio of public funding (10% of the overall costs of the project) and the fact that declared costs were aligned with the market prices, the impact of any conflict of interest would be minimal.

As regards the ERDF project in Germany (Box 6.5) that provided financial support under a state aid scheme for regional investment projects by small and medium-sized enterprises (SMEs), the ECA considered that the beneficiary had both a partner and a linked company which should have been taken into account when calculating the company's size at the time of the first application, and the start of the project. However, on the date that the second application was sent (2 years later) and the grant agreement was signed, the two companies were no longer partner enterprises within the meaning of Article 3(3) of the SME definition (Annex 1 of Commission Regulation (EU) No 651/2014). Relevant legal and factual circumstances should be evaluated as they stand at the time the decision is made, in line with both German administrative law and principles of EU state aid law. Based on the grant agreement that sets the contribution for the number of jobs created (45 in this operation), the Commission considers that no, or only a very limited, error occurred in this case.

In relation to the respect of single market rules, the Commission will continue to support programme authorities through the measures designed under its action plans on public procurement and State aid, to ensure a good understanding and correct implementation of the applicable internal market legal provisions, including to avoid possible situations of conflict of interest. Public procurement remains an important source of additional, non-detected errors identified by the Commission in its own compliance audits and source of additional financial corrections requested from Member States. In such cases the Commission systematically requires the implementation of additional measures to improve the detection capacity of public procurement irregularities by the concerned audit authorities (improved audit check lists, additional

targeted trainings and written guidance for auditors, dialogue with auditors on the root-causes of the additional errors detected).

Availability of essential supporting documents (§ 6.28.-6.29.)

In relation to §6.28 and §6.29, the Commission agrees that essential documents are required to ensure an appropriate audit trail of the expenditure declared for each operation, in line with Article 72(g) of the 2014-2020 CPR, otherwise the eligibility of the supported operation may be questioned (see the example quoted in Box 6.6). The Commission notes that missing supporting information or documentation remains the third source of errors reported by both audit authorities and Commission's auditors under the 2014-2020 programming period.

The information requested from beneficiaries and programme authorities should remain proportionate in each case, taking into account the impact and administrative cost of documentary requests, stakeholders' calls and efforts under the Commission's own simplification agenda for further simplification in the implementation of EU funds.

When it comes to the documentation of audit processes by audit authorities (§6.28), the respect of auditing standards is required but should be balanced with proportionate administrative procedures. In 2019 and 2020, the Commission established with audit authorities a working group to improve audit documentation and provide minimum recommendation while respecting proportionality in the administrative costs. This led to a 'Reflection paper on audit documentation', as reported by the ECA as a positive step in its 2019 Annual Report (Box 5.8). When necessary, the Commission continues to recommend audit authorities to follow the agreed guidance, in particular under its specific compliance audits on the completeness of audit checklists and procedures.

Financial instruments (§ 6.30.-6.31.)

The Commission takes note of the individual cases of final recipients which the ECA considered ineligible. As the CPR foresees that eligibility of underlying expenditure for financial instruments is determined at closure (Article 42), any irregularity identified at this point can be corrected and substituted with eligible expenditure up to closure and does not affect the eligibility of advance payments made by the Commission during programme implementation. The Commission conducted in 2024 and 2025 audits on the preparation for closure to ensure that programme authorities will carry out sufficient verifications on the eligibility of expenditure and final recipients under financial instruments by closure.

Transactions managed directly or indirectly by the Commission (§ 6.32.-6.34.)

For one case the Commission (CINEA) does not share the ECA's assessment.

Sound financial management (§ 6.35.)

In relation to the two Italian cases referred to in Box 6.9, the Commission notes that the contracts in question are below the threshold for application of the EU Directives on public procurement. Hence these contracts are subject to the national public procurement legislations, which were properly followed. This being said, and without this having a financial impact as confirmed by the ECA, the Commission will reiterate to the concerned Member State's programme authorities that a 10% weighting for the price criterion is not a good practice, as reminded in its vade-mecum on public procurement.

Other spending (§ 6.36.-6.38.)

As regards the [European Union Solidarity Fund](#), the Commission acknowledges the delays in the provision of the related annual activity reports to the European Parliament and the Council, which is in the process of being tackled.

2. Governance (§ 6.39.-6.62.)

The work of audit authorities (§ 6.39.-6.51.)

Proportion of assurance packages with residual error rates above materiality level in 2024 (§6.40.-6.44. and Figure 6.9.)

For the accounts accepted in 2024, based on its assessment - and adjustments when necessary - of the error rates reported by audit authorities, and taking into account financial corrections applied by the Member States, the Commission validated in DGs REGIO and EMPL's 2024 AARs a residual error rate:

- below materiality for 95% of all Cohesion programmes (302 REGIO programmes⁴ and 203 EMPL programmes)
- above materiality for 5% of all Cohesion programmes (16 REGIO programmes and 11 EMPL programmes).

For these programmes with a re-calculated residual error rate above 2%, including for cases reported by the ECA (§6.43), the Commission requests Member States to apply additional corrective measures, including financial corrections when legally feasible, so that ultimately the 'risk at closure' for all 2014-2020 programmes is below the materiality threshold. Ultimately, if Member States fail to take appropriate action, the Commission has the tools to apply financial corrections itself.

The Commission takes note that the ECA recalculated residual error rates above 2% for sixteen out of the thirty assurance packages audited this year. Even though the Commission had already adjusted some of them above 2% (§6.40), the Commission considers that re-calculations made by the ECA above 2% are partly attributable to differences in the assessment of some errors (see above section II.1 of the Commission reply). In one case, the error rate had already been adjusted by the Commission in the AAR. The required financial corrections had already been implemented by the Member State during the ECA audit.

The Commission continues to work closely with audit authorities to ensure a common understanding of the common legal and implementation framework (see details on the agreed action plan in the next section) and launched in 2024 a dialogue with the ECA to understand the different approaches in assessing the work reported by audit authorities.

The Commission takes note of the ECA's conclusions on the reliability of the work of the audit authorities, essentially based on the criteria of the recalculation of the reported error rate above 2% in case of additional quantified errors by the ECA. The Commission assesses the effectiveness

⁴ Funded under the ERDF, Cohesion Fund or with the support of the Instrument for Pre-Accession (IPA-CBC) or the European Neighbourhood Instrument (ENI-CBC).

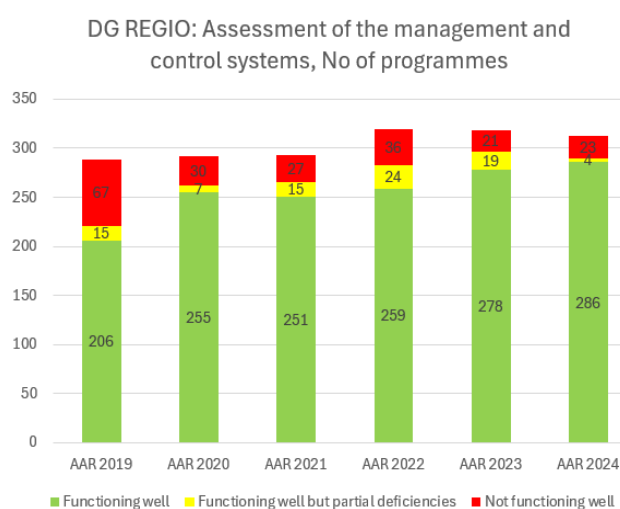
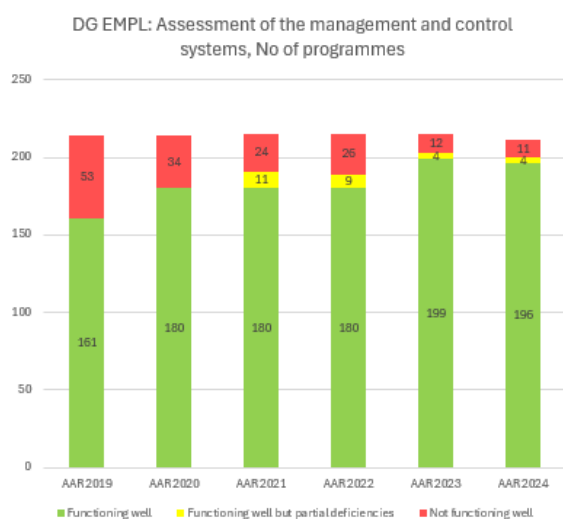
and reliability of the work of an audit authority based on a number of aspects, the error rate being one of them but not the only one. For example, some errors (or even one single error) not detected by the audit authorities due to complex or specific rules, even if they materially affect the recalculated error rate in the reporting year, do not necessarily point to a systemic weakness in the work of the audit authority concerned.

The Commission's assurance work and reporting of residual error rate in the annual activity reports (§ 6.52.-6.62)

Concerning the ECA assessment that at the end of the period not all systems function effectively (§6.53), the Commission refers to its systematic and continued assessment of the effectiveness of the systems operated by managing and audit authorities based on all audit results available. The Commission also discloses individual error rates per programme, basing itself on Member States' reporting but after due assessment and application of the required adjustments and re-calculations where necessary, on the basis of the Commission's audit desk reviews or on-the-spot re-performance work for a sample of programmes considered at risk. The Commission therefore does not solely rely on the error rates reported by programme authorities but carefully assesses them in view of its own reporting. When serious weaknesses identified affect the work of audit authorities specifically, the Commission carries out its own re-performance work to assess the risks or quantifies the risks at flat rate, as reflected in the risk at payment and maximum risks reported in the AARs and AMPR.

As in previous years, the Commission's auditors continued to pay particular attention in its desk reviews and audits to the risks linked to COVID-19 related expenditure, double funding and conflicts of interest, all of which constitute standard control points in the various Commission's audit checklists. When deficiencies are identified in the related issues, financial corrections are implemented. As an example, the REGIO 2024 AAR (page 37) describes several cases of risk of conflict of interest detected by the Commission's auditors which either had been identified by the managing authority but not adequately mitigated, or had not been identified in first instance.

In its respective 2024 AARs, based on its assessment of all available audit information from the Member States and EU audits, the Commission concluded about the effectiveness of the management and control systems (see following graph). For those programmes where substantial improvements are needed, remedial actions are requested in each case.



Material level of irregular expenditure in the accepted accounts (§ 6.54.-6.58.)

The Commission has designed its assurance system to allow the Directors-General of DGs EMPL and REGIO to provide assurance on their payments to each of the 431 programmes under cohesion policy, as per their obligation as authorising officers by delegation.

Based on this detailed and programme-by-programme assessment and aggregated residual total error rate (risk at payment) for the funds they manage, the Directors-General concluded in their respective AARs that material irregularities remain in the expenditure certified to the Commission for funds in the accounts accepted in 2024 (§6.55). They were also able to identify which (parts of) programmes present serious deficiencies (see annexes 7.F of the respective AARs) and for which corrective actions were requested and reported on the financial corrections taken to follow up on previous years' detected irregularities.

The increase in the risk at payment and the maximum risk compared to the previous year is mainly due to the prudent approach taken due to the STEP amendment of the Common Provisions Regulation which allowed to extend control activities until February 2026 (see above part II.1). Taking into account the high amounts of expenditure declared to the Commission in 2024 and the limited controls and audits finalised at the date of signature of the AARs, the Commission applied a flat rate of 2% for all programmes with a risk at payment reported below 2% in the previous exercise, but for which updated audit results will only be available after signature of the annual activity report.

In addition, the Commission also reports an estimated prudent maximum to take account of potential additional risks, using flat rates for individual programme depending on their specific situation. Based on ECA recommendations⁵, the maximum value also includes a conservative approach to take account of potential errors in the expenditure not audited, for example when only a desk review was carried out or when additional audit work is still required under ongoing contradictory procedures, and/or also taking account of previous years' audit results pointing to possible remaining risks in the expenditure under analysis.

The Commission is therefore confident that its risk at payment calculations, including the maximum risk, which take account of the ECA's results without extrapolation but after carefully assessing if other programmes could be affected, present a fair representation of the reality on the ground, taking into account the risks identified for each programme.

Closure of the 2007-2013 and 2014-2020 programming periods (§ 6.59.-6.62.)

The Commission recalls that following recent legislative changes⁶, the administrative deadlines for closure were extended until February 2026 to allow programme authorities to carry out all due diligence and checks before declaring final expenditure. The Commission has started and will continue to carry out a thorough assessment of closure packages to ensure that appropriate controls were done at closure and that remaining material levels of errors were appropriately corrected before final accounts were submitted. The assessment of the legality and regularity of expenditure reported as legal and regular at closure may continue after the formal acceptance of the related accounts, and each programme will be informed about the definitive closure of the programme only once all regularity issues have been appropriately addressed by Member States.

⁵ See SR 26/2021, recommendation 3a, and Review 03 /2024, conclusion p. 23.

⁶ Regulation (EU) 2024/795 - adopted by the co-legislators on 29 February 2024 - establishing the *Strategic Technologies for Europe Platform (STEP)*.

In line with ECA recommendations issued in previous annual reports, the Commission carried out in 2024 preventive audits on the preparedness for closure for a sample of programmes considered at risk, to ensure that the concerned authorities are timely carrying out all required verifications to prevent and correct remaining irregularities and appropriately follow-up all reported audit results by closure. More details on those audits are available in Annexes 71 of DGs REGIO and EMPL 2024 AARs. The Commission will report on progress about the 2014-2020 closure in its 2025 AARs.

3. Conclusions of the report (§ 6.63.-6.66.)

The Commission agrees with the ECA that in 2024, the error rate remained material for cohesion expenditure overall. Based on all audit results, the Commission estimated in the AARs and AMPR an overall level of risk, including its maximum value based on possible additional undetected risks, that is higher than in previous years but remains lower than the one estimated by the ECA (the Commission also refers to Chapter 1 of the report, §1.27 to §1.36). The Commission also reported a differentiated situation between programmes and Member States.

Taking account of the ECA and Commission conclusions and recommendations over the last years, the Commission together with audit authorities agreed on an action plan of corrective actions that they committed to undertake to address the specific audit recommendations they received from the ECA or the Commission during the programming period, with a view to improving their detection capacity in the 2021-2027 period and addressing remaining issues before closure of the 2014-2020 period. In addition, the Commission followed up the ECA recommendations to increase its on-the-spot re-performance work to supervise more closely and more preventively the work of audit authorities, including to confirm their use of appropriate and complete audit checklists and procedures, with a view to increasing the reliability of the audit results they report.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Recommendation 6.1 – Ensure that audit authorities improve the way they operate

Ensure, through its desk reviews and audits, that audit authorities strengthen their control and detection capacity, by verifying that they:

- (a) plan properly the sampling and draw a representative, sufficient and relevant audit sample from the expenditure declared to the Commission, as required by the CPR;**
- (b) confirm that compliance with eligibility criteria is proven with sufficient, appropriate and reliable evidence;**
- (c) keep proper documentation to support the audit trail, including a clearly indexed audit file with reference to (i) evidence documents, (ii) detailed checklists and (iii) working papers including the description of the items tested, underlying calculations and formulas.**

(Target implementation date: Starting in 2026)

The Commission **accepts** the recommendation and will act as recommended, in particular in its future audits but also through the monitoring of the actions to be undertaken in the context of the

action plan jointly agreed between the Commission and the audit authorities in December 2024 for enhancing the latter's detection capacity.

Recommendation 6.2 – Restart checks after flat rates imposed

Ensure, when systematic weaknesses have been detected in (operational) programmes and a flat rate has been consequently imposed, that member state authorities do not use the flat rate correction mechanism to avoid their responsibility to check the eligibility of the expenditure before declaring it to the Commission, and make individual recoveries as necessary.

(Target implementation date: End of 2025)

The Commission **accepts** the recommendation. The Commission considers that flat rate corrections are an effective tool to correct past irregularities which cannot be precisely quantified (and in the specific case of public contracts for example, that continue to generate expenditure under the affected contracts, to avoid declaring further irregular expenditure), without imposing disproportionate administrative burden. When such flat rates are applied, the Commission will continue to request a clear written definition as to the matters covered by the flat rate correction, setting a cut-off date after which management and control systems must be improved. Moreover, in case audit samples contain such expenditure already subject to a flat rate correction, audit authorities will be requested to systematically carry out controls to exclude the presence of other issues possibly not covered by the flat rate correction, or to exclude the risk of undetected fraud suspicions, and allow for individual recoveries, where necessary. The Commission will clarify to audit authorities the approach for estimating an extrapolated statistical error rate based on statistical sampling, when part of the population under assessment is already subject to a flat rate correction.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 7: NATURAL RESOURCES AND ENVIRONMENT

I. THE COMMISSION REPLIES IN BRIEF

The Multiannual Financial Framework (MFF) heading 3 “Natural resources and environment” covers EU spending on the common agricultural policy, the maritime and fisheries policy and the LIFE programme for environment and climate action.

The Common Agricultural Policy (CAP), accounting for most of the spending under this heading, is a genuinely European policy as Member States pool resources to operate a single common policy with a single European budget. The CAP objectives, as set out in the Treaty and the CAP regulations, are: to increase agricultural productivity; to ensure a fair standard of living for the agricultural community; to stabilise markets; to assure the availability of supplies; to ensure that supplies reach consumers at reasonable prices. Since 2023, 77.7% of the support provided under the CAP moved from a compliance-based policy to a performance driven one that grants more flexibilities to Member States in tailoring CAP interventions to their specific needs.

With 5.7 million beneficiaries in 2024, the CAP is implemented under shared management through a comprehensive management and control system. The robust and multi-layered assurance framework, including controls at national level, independent audits, and Commission-led oversight, topped with the biennial performance review, has successfully ensured the protection of the EU's financial interests.

Under the CAP 2023-2027, the Commission focuses on the performance results and on the proper functioning of the governance systems put in place by the Member States, to ensure both the quality of performance results and the legality and regularity of the underlying transactions. Accordingly, and in contrast to the previous programming period, the Member States are not obliged to report on detailed control statistics at beneficiary level, but on policy performance based on output and result indicators. Therefore, the Commission does not calculate an error rate or risk at payment for expenditure under the CAP Strategic Plans.¹

The Commission takes note of the level of error estimated by the ECA for the MFF Heading 3 as a whole (§7.43). For the CAP expenditure (including both performance and compliance-based expenditure), 77% is estimated to be in the low-risk segment, while 10% and 13% of the expenditure are estimated to be in the medium and high-risk segments, respectively. Although these results are not directly comparable with the level of error estimated by the ECA, it indicates that the level of assurance remains very high also in the CAP 2023-2027.

In this respect, the Commission welcomes the ECA's conclusion that also in the CAP 2023-2027, direct payments (excluding eco-schemes) remain free of material error, confirming thus again

¹ Instead of determining an error rate and risk at payment, the Commission groups expenditure under the CAP 2023-2027 into three risk categories (low, medium, and high) based on the final, adjusted grading of the governance systems put in place by Member States. The Certification Bodies determine this grading annually through a qualitative assessment of the proper functioning of the governance systems in place per intervention per Paying Agency, which may be adjusted by the Commission on a case-by-case basis, taking into account its own audit findings and those of the Court of Auditors.

the important role played by the Integrated Administration and Control System (IACS), including the Identification System of Agricultural Parcels (ISAP), in preventing and reducing the risk of error.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Regularity of transactions

Results of transaction testing

The Commission takes note of the level of error estimated by the ECA at 2.6% for the MFF heading 3 (§7.17).

Regarding the quantifiable errors found by the ECA, in two cases, the Commission has identified similar findings during its own audits, independently of the ECA's audits. The conformity procedures for these audits are currently ongoing and the risk to the Funds will be covered by the proposed financial correction, depending on the outcome of the procedure.

A key element of the control framework for area- and animal-related interventions under the CAP is the Integrated Administration and Control System (IACS), which covered 80% of the CAP expenditure in 2024 and thus continued to play a very important role in ensuring financial oversight.

Direct payments

The Commission welcomes the very low level of errors found by the ECA in direct payments (excluding eco-schemes) (§7.44).

Eco-schemes

Eco-schemes are a new policy tool (under direct payments) of the new Common Agricultural Policy (CAP) for the programming period 2023-2027. They represent a significant shift in European agricultural policy towards enhancing environmental sustainability and addressing climate change. Eco-schemes are voluntary interventions that farmers can take up in exchange for financial support to practices that contribute to the EU's environmental objectives, including biodiversity conservation, resource efficiency, and carbon footprint reduction.

Such eco-friendly practices include, among others, crop diversification, maintaining permanent grasslands, enhancing soil health through cover crops, and implementing agro-ecological methods that reduce reliance on chemical inputs. These interventions are designed to mitigate the adverse impacts of intensive farming, promote carbon sequestration, and protect water resources, thereby contributing to the resilience of agricultural systems in the face of climate change.

The environmental objectives and the commitments associated with eco-schemes are defined in detail in the CAP Strategic Plans. The complexity pointed out results from several elements. The commitments set by Member States are sometimes very detailed with the control challenges this entails. By nature, these interventions have to be adaptable to diverse regional conditions across Member States, considering varying climates, soil types, landscapes and farm structures. This is the only way they can achieve meaningful environmental outcomes. With high diversity and high number of commitments for farmers, some eco-schemes are more at risk of errors, which are Member State specific. The high diversity of eco-schemes designed by the Member States in terms of number,

ambition, content, objectives, payments, is an important factor to be considered when drawing general conclusions on eco-schemes based on findings in particular Member States.

Over the last years the **Commission has provided substantial support to Member States to enable the design, amendment, and implementation of eco-schemes**. This includes targeted guidance through Q&A (including legal clarifications), ad-hoc meetings with Member States, exchanges within the EU CAP Network, and other dedicated tools and fora aimed at ensuring a smooth rollout and consistent application of the eco-schemes across the Union.

Within the EU CAP network, a **Thematic group on “Eco-schemes’ design and implementation”** was carried out between October 2023 and March 2024 involving a wide range of EU stakeholders. The Thematic Group examined the different approaches taken to their design and implementation in different Member States, what was working well during the first implementation year, and some of the obstacles faced. The Thematic Group also identified possible solutions and recommendations for the development of eco-schemes going forward such as ensuring their accessibility to farmers of all farm types and sizes, making sure that payments are attractive, including the learning costs and ensuring their environmental ambition.

Eco-schemes are a new intervention designed to address environmental and climate goals, and, as with any new initiative, a period of adjustment is necessary. Since the CAP Strategic Plans’ approval, Member States have already made numerous amendments to eco-schemes to clarify and improve the implementation. Commitments have been fine-tuned and clarified, new schemes or practices have been included to expand the catalogue offered to farmers, and premia levels (unit amounts) have been increased to improve attractiveness and reach a wide range of farmers.

The Commission offers advice and support to the Member States in designing, implementing, and amending their eco-schemes through multiple channels. This includes frequent Q&A sessions (both in writing and through meetings), meetings of the Member States’ Expert Groups, and EU CAP network initiatives, which not only facilitate optimization of Member States’ eco-schemes but also encourage the exchange of good practices.

2. Annual activity reports and other governance arrangements

DG AGRI and DG CLIMA reporting on the regularity of spending

The audit work of the Certification Bodies continues to be a key element of assurance for the CAP expenditure. Every year, Member States have the obligation to send to the Commission their “assurance packages”, including the new annual performance reports and the Certification Body’s opinion and reports. The Commission uses this information, the results of its own audit findings and those of the European Court of Auditors to conclude on the assurance for the CAP expenditure.

For the total CAP expenditure (all relevant control systems, including both performance and compliance-based expenditure), 77% is estimated to be in the low-risk segment, while 10% and 13% of the expenditure are estimated to be in the medium and high-risk segments, respectively.

The 2024 estimated expenditure in the low-risk segment is in line with the control results of the past six years. An improvement trend was identified over the years- a fact which confirms the maturity of the Member States’ governance systems under which CAP expenditure is incurred.

Finally, DG AGRI continuously works with the Member States to address the main challenges of the implementation of the CAP, through different capacity building actions and the promotion of best practices.

The new performance reporting systems

The Commission takes note of the ECA's observations as regards the performance reporting systems and welcomes that for all nine Paying Agencies with CAP strategic plan transactions that were part of ECA's sample, the ECA was able to establish correspondence between payments made and the outputs recorded in their IT systems for producing annual performance reports. (§7.40, §7.42).

During 2024, the Commission continued to monitor and support the paying agencies and Coordinating Bodies in the adaptation of their IT systems for performance reporting. A part of DG AGRI's audit programme focused on performance reporting systems, assessing whether the systems' architecture is sound and whether the annual performance report data processing mechanism is accurate and covers the complete activity. At the time of these annual performance report audits, the systems were still under development, but progress was reported as being on schedule. The most relevant findings and recommendations focused on the implementation of well-documented validation rules and controls throughout the data processing stages in the performance reporting systems to ensure data completeness and accuracy.

Apart from providing recommendations for improvements, DG AGRI developed an efficient audit methodology for assessing the performance reporting systems and shared this unified methodology with the Certification Bodies to carry out these audits as part of the annual certification exercise.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Follow-up of previous years recommendations

The Commission welcomes the ECA's assessment that the recommendation 7.1 from the 2022 annual report, concerning monitoring the quality of agricultural area data, due for implementation by end of 2024, has been fully implemented.

Recommendation 7.1 – Support member states in designing their eco-schemes

Given the importance of eco-schemes in achieving environmental and climate goals, provide additional support to member states in designing less complex schemes without compromising their ambition, based on sharing knowledge and expertise gained through the implementation of the initial schemes of the 2023-2027 period.

(Target implementation date: 2026)

The Commission **accepts** this recommendation.

The **Commission will continue supporting Member States in designing, implementing, and amending eco-schemes** to ensure their successful implementation and to achieve shared environmental and climate goals, based on sharing knowledge and expertise gained over the years.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 8: MIGRATION AND BORDER MANAGEMENT - SECURITY AND DEFENCE

I. THE COMMISSION REPLIES IN BRIEF

The Commission welcomes the conclusions that the visited audit authorities had developed and implemented detailed procedures of sufficient quality to report on their work in the annual control report and that, overall, they had detailed audit programmes in place and used checklists to support their conclusions. In the context of implementation of the recommendations issued in the chapter, the Commission will follow up the shortcomings reported in the chapter to reduce the risk of errors in the future.

With reference to §8.20, the Commission considers the expenditure for migration, border management, security and defence to be low-risk expenditure. The Commission estimates the risk at payment to be below 2%. This estimation is based on all the controls and audits carried out by the Commission and the Member States, with numerous transactions tested.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

Regarding the observation in §8.6 that funding remained to be cleared, pending acceptance of the final accounts from Member States, the Commission would like to point out that, the total declared by the Member States during the period 2014-2020 including the submission of the final accounts amounted to 94% for Asylum, Migration and Integration Fund (AMIF) and 94% for the Internal Security Fund (ISF).

1. Regularity of transactions

Regarding the examined transactions which were affected by errors (§8.10 of the ECA report), the Commission will address the issues identified to reduce the number of errors in the future.

Reply to Box 8.1

Expenditure falling outside the implementation period

In relation to the ineligible costs reported for a project under shared management in Portugal under Box 8.1, the Portuguese authorities accepted that the costs for power supply between 20 and 30 June 2021 were incorrectly included in the expenditure.

Reply to Box 8.2

Shortcomings in grant award procedures

The French authorities consider that the principles of transparency and equal treatment have been sufficiently respected. The national financial rules do not oblige to provide the details of weighting of the different criteria; all the candidates were evaluated equally.

In the case reported in a project in Portugal, the Member State has taken actions to address the identified shortcomings in the programming period 2021-2027 following the ECA's audit. It addressed the issue in the scoring methodology by developing detailed guides for evaluators, introducing the four-eyes principle for each evaluation, integrating systematic consistency and validation checks to signal any scoring discrepancies, and by providing training to external evaluators.

Furthermore, the Commission underscores that the Portuguese AMIF Managing Authority for the programming period 2021-2027 is not the same authority that was in charge during the previous programming period (2014-2020). The current Managing Authority has been working together with the Commission to develop its evaluation methodology. In addition, it benefited from the experience of the national agency which supervises the implementation of other cohesion funds.

EU funding not fully used for the intended purposes

In relation to the project under shared management in France, the audited ISF project consisted of a feasibility study and the definition of a stable optronic installation solution for the Falcon 50M aircraft used for border surveillance activities.

In a later phase, based on the solution developed allowing for the integration of a more powerful optronic sensor, the prototype was to be produced, tested and qualified before being produced in series to equip the French Navy fleet, which includes eight F50M aircrafts. These aspects and the installation of the equipment were not covered by, and therefore not financed under, the project audited. Due to COVID, the final contract did not include the prototype and the installation costs.

The Commission considers that the audited project remained within its terms of reference and the objectives of the ISF Borders & Visa as it successfully developed a technical solution deployable on the F50M aircraft to enhance the security of the external borders, and therefore that the costs reported under the ISF project were eligible.

Costs linked to the installation in the aircrafts and their use are covered by a different grant agreement signed under the Border Management and Visa Policy Instrument (BMVI) ¹ and not by the audited ISF project. The BMVI project, where the deployment costs are covered, was not audited by the ECA.

¹ Regulation (EU)2021/1148 establishing, as part of the Integrated Border Management Fund, the Instrument for Financial Support for Border Management and Visa Policy.

Regarding the transactions which did not comply with the principles of sound financial management (see §8.12 of the ECA report), the Commission stresses, as mentioned by the ECA, that these transactions were not affected by regularity errors.

Reply to Box 8.3

Inadequate protection of EU funded equipment

The Commission would like to add that the facilities visited by the auditors had been constructed and delivered to the authorities in 2021-2022. The maintenance of the equipment, including repairs, as well as the operation of the centres fall outside of the scope of the Grant Agreement audited. Therefore, the responsibility for their maintenance lies under shared management and outside the grant agreement concerned. The same applies to the maintenance of the firefighting equipment.

In relation to the equipment, the Commission had already detected this issue and took measures to ensure a closer monitoring and follow-up with the beneficiary, notably through:

- reinforced monitoring via a subcontract (also physical inspections of facilities and equipment).
- regular visits from Commission staff deployed on the islands.
- discussions about this topic in the Steering Committees for Migration Management.
- letter to the Ministry with a proposed action plan.

Regarding the issue of the restricted access to documents by international organisations (§8.13), the Commission considers that the existing contractual agreements with the international organisations already provide a framework to ensure document accessibility in a manner that permits the required checks. The Commission has repeatedly recalled this to the international organisations with which it signed contribution agreements.

The Commission supports the ECA in obtaining full access to the documents required for its audit work. The Commission has proactively contacted the international organisations, urging for a prompt resolution of this problem.

2. Examination of elements of internal control systems

Review of audit authorities' work in relation to their annual control reports (ACR) and audits of expenditure

On §8.15, the Commission welcomes the conclusions that the audit authorities (AA) reviewed had developed and implemented the detailed procedures of sufficient quality to report on their work in the annual control report.

While noting the ECA's observation, no project expenditure was declared in the Finnish AMIF annual accounts. The only expenditure declared concerned a lump sum for resettlement and humanitarian admission. The audit authority has taken actions subsequently in the context of the 2023-2024 accounts. The Commission identified shortcomings in terms of checks of eligibility criteria; that aspect was duly reflected in the letter with comments for further follow-up from the Commission to the AA.

The absence of system audits in Sweden was already identified by the Commission during the assessment of the assurance package for year 2023-2024 and in its subsequent letter to the AA, the Commission underlined 'the importance of carrying out a system audit at least on the implementation of the novelties introduced in the 2021-2027 period'.

On §8.16, the Commission welcomes the conclusion that the audit authorities had detailed audit programmes and used the checklists to support their conclusions.

Reply to Box 8.4

Shortcomings in the work of audit authorities

The Commission underlines that Box 8.4 presents the potential impact of the shortcomings identified.

In the case of Sweden AMIF, the AA clarified that the concerned checklist includes a field that aims to ensure that the checks questioned are done.

In the case of Finland BMVI, although the legal references in the checklists were not up to date, the Audit Authority considered, nevertheless, that it covered all relevant issues related to the audits of the 2021-2027 period. The checklists had been reviewed before the project audit started.

In the case of Lithuania BMVI, the Commission did not identify any weaknesses regarding the adequacy of the scope of the audit work performed.

3. Annual activity reports and other governance arrangements

Regarding the §8.19, the Commission recalls that the Director-General's declaration of assurance is based on the examination of information from multiple sources (self-assessment, ex post controls, Internal Audit Service and ECA reports) – which all ensure the reliability of this declaration.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Follow-up of previous years recommendations

The Commission welcomes the analysis of the ECA and the acknowledgment (§8.21 and Annex 8.1) of the full implementation of the recommendations issued in the 2021 and 2022 Annual reports.

Recommendation 8.1 – Take further steps to ensure complete access to documents

Take further steps to ensure that international organisations provide the ECA with complete, unrestricted and timely access to documents necessary to carry out its task in accordance with the TFEU. In particular, ensure that contractual arrangements with international organisations fully respect the ECA's right to receive, at our request, any document or information necessary to perform our audit functions.

Target implementation date: end of 2026.

The Commission **partially accepts** the recommendation.

The Commission accepts the first part of the recommendation. The Commission will continue to provide support to the auditors and engage with the partner organisations to facilitate ECA audits.

The Commission does not accept the second part of the recommendation, as it considers that the existing contractual agreements with the international organisations already provide a framework to ensure document accessibility in a manner that permits the required checks.

Recommendation 8.2 – Provide further guidance to member states on applicable rules governing calls for proposals

Provide further guidance to member state managing authorities under shared management on their obligations to respect the principles of equal treatment and transparency in the execution of calls for proposals to address shortcomings in grant award procedures.

Target implementation date: end of 2025.

The Commission **accepts** the recommendation.

The Commission will implement it together with a similar recommendation issued in the Annual Report 2023 (recommendation 8.1).

In the second half of 2025, the Commission is planning to organise a session with Member State authorities (which implement funds under shared management). During this session, the shortcomings detected during the audits in 2024 will be brought to the attention of those authorities, as issues to which it is necessary to pay attention when organising calls for proposals and in the selection process.

Recommendation 8.3 – Follow-up shortcomings in audit authorities' work

Follow-up shortcomings in the audit authorities' work and, if found to call an unqualified audit opinion into question, implement appropriate control measures to reduce the risk of irregular expenditure being undetected.

Target implementation date: end of 2026.

The Commission **accepts** the recommendation.

The Commission will monitor the proper follow-up by the audit authorities of the shortcomings identified, and will continue to provide guidance where required, in particular, during the meetings regularly organised with the audit authorities.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 9: NEIGHBOURHOOD AND THE WORLD

I. THE COMMISSION REPLIES IN BRIEF

Heading 6 of the EU budget “Neighbourhood and the world” is equipped with three main instruments: the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI), the Instrument for Pre-Accession Assistance (IPA III), which accompanies candidate countries and potential candidates on their way to accession, and the Humanitarian Aid Instrument, as well as other targeted programmes (for example, the European Instrument for International Nuclear Safety Cooperation). Through NDICI-Global Europe, the EU aims to cooperate with partner countries, especially those most in need, in overcoming medium and long-term development challenges and in pursuing EU values and interests, while addressing urgent and immediate needs. NDICI-Global Europe is implemented through direct management (by the Commission and the EU delegations to third countries) and indirect management (by entities such as EU Member State agencies, international organisations or partner countries). To maximise the impact of Union funding, assistance can be provided through grants, procurement contracts, budget support, budgetary guarantees, blending operations and financial assistance. As regards the Humanitarian Aid Instrument, its mandate is to save and preserve life, prevent and alleviate human suffering and safeguard the integrity and dignity of populations affected by natural disasters and human-induced crises, even in the most difficult contexts.

The Commission wishes to underline that the implementation of NDICI and the Humanitarian Aid Instrument often takes places in risky, complex and increasingly fast-evolving environments. It is characterised by diversity: in terms of geographical dispersion and remoteness, covering many different EU Delegations (EUD) around the world in the case of NDICI; in terms of implementing entities and partner countries with their diverse management and control capacities, ranging from small local Non-Governmental Organisations (NGOs) to International Organisations; and in terms of assistance delivery methods, including traditional projects, budgetary support, sectoral policy support programmes, contributions to global instruments, blending, budgetary guarantees, multi-sectoral humanitarian assistance and other aid implementation modalities.

The Commission welcomes the examples of effective controls implemented by the Commission reported in this Chapter of ECA Annual Report. The Commission also takes note of the findings and is committed to implementing appropriate remedial actions where necessary. The Commission notes that ECA auditors assessed all six recommendations issued in 2021 and 2022 ECA Annual Reports (Chapter 9) as fully implemented, and one from 2020 as implemented in some respects. This recommendation requested the Commission to ensure that pillar assessed entities, mainly international organisations, grant better access to document to the auditors, and, more specifically, allow the auditors to retain documents which support their findings. The Commission is confident that an improvement would be observed already during the Statement of assurance 2025, following recent developments in the Commission’s dialogue with major international organisations.

Concerning some observations on the regularity of the audited transactions, the Commission provides clarifications on the errors reported in this chapter of the Annual Report.

In 2024, the residual error rates calculated by DG INTPA, DG NEAR¹ and DG ECHO remain below the materiality threshold of 2%. The assessment of the levels of risk is done according to the Commission's methodology and is disclosed in the Commission's 2024 Annual Management and Performance Report (AMPR).

The ECA's annual error rate measures, among others, errors in contracts which can still be subject to controls and corrections by the Commission in subsequent accounting years. Through the Residual Error Rate (RER) study, the Commission estimates a level of error based on a representative sample of closed contracts – by that time, many issues will have been solved. The ECA's error rate and the Commission's residual error rate for DG INTPA's and DG NEAR's expenditure in 2024, which represent the bulk of the expenditure for heading 6, are therefore not directly comparable.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Regularity of transactions

The Commission takes note of the level of error of 4.9% estimated by ECA (§9.11). The Commission will address the errors identified by ECA through appropriate follow-up with the beneficiaries of EU funds. As stated above, the residual error rates reported by the Commission services remain below the materiality threshold.

Reply to Box 9.1

Ineligible expenditure: provisions included in payroll costs

The Commission clarifies that contributions to staff-related funds to solely fulfil established statutory rights are considered eligible costs in compliance with the applicable contractual framework. Therefore, the Commission does not consider these costs as provisions.

Reply to Box 9.2

Unclear technical specifications in public procurement

The example described in Box 9.2 refers to a procurement for which the Commission considered the technical specifications sufficiently specific to enable fair competition. Due to rapid progress of IT technology, during the tendering process some tenderers offered their own combination of parameters, which allowed to achieve better performance. The performance of the selected service was much better than the minimum required.

¹ Since 1 February 2025, DG NEAR (Neighbourhood and Enlargement) has been split into two separate DGs: the Directorates-General for Enlargement and the Eastern Neighbourhood (DG ENEST) and for the Middle East, North Africa and the Gulf (DG MENA).

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Follow-up on previous years' recommendations

To address recommendation 1 of the ECA 2020 Annual Report, the Commission intensified communication with international organisations to raise awareness on the need to ensure that ECA auditors obtain access to documents when auditing EU funded projects.

The Commission took many steps in this respect: the Commission has facilitated discussions between the United Nations organisations and ECA and supported all initiatives to find permanent solutions on access to and retention of documents. The issue is regularly included on the agenda of meetings with partners, including the formal meeting of the EU-UN Financial and Administrative Framework Agreement (FAFA) group and the more operational Joint Reference Group which discusses systematically audit and control issues.

However, the Commission acknowledges that despite all the efforts, some constraints regarding access to documents persist due to the existing legal frameworks of the implementing partners. The Commission will continue to provide support to the auditors and engage with the partner organisations to facilitate ECA audits.

As for all the other recommendations mentioned in Annex 9.2 of the chapter, the Commission welcomes the conclusion that these recommendations were fully implemented.

Recommendation 9.1 – Ensure beneficiaries comply with contractual limits on costs of indirect nature

The Commission should establish procedures to ensure that, before clearing pre-financing or making payments, checks are conducted to verify that beneficiaries have not claimed, as direct costs, indirect costs incurred by organisations implementing EU-funded project activities on their behalf. These checks must ensure that the total amount claimed as remuneration for indirect costs does not exceed the contractually agreed flat rate. The Financial Regulation provides that, for grant agreements, this rate must not exceed 7%.

Target implementation date: end of 2026.

The Commission **does not accept** the recommendation.

The Commission has always maintained the position that, in indirect management with pillar assessed entities, indirect costs claimed by grant beneficiaries are to be counted as direct costs of the pillar assessed organisation/partner. The Contribution Agreement Manual of the Commission stipulates that 'indirect costs claimed by beneficiaries of grants awarded by the organisation and/or its partners are to be covered by the direct eligible costs of the action and not by the remuneration'. This interpretation applies to all Commission services.

Recommendation 9.2 – Ensure clear and consistent definitions of ‘provision’ in contract conditions and guidelines

In order to eliminate ambiguity, ensure consistent interpretation and reduce the risk of errors, the Commission should clearly define and standardise the term ‘provision’ in its contract conditions and guidelines for beneficiaries.

Target implementation date: end of 2026.

The Commission **accepts** the recommendation.

While “provisions for future losses or debts” are expressly defined as an ineligible cost for grants under direct management, the term “provision” could be further clarified in indirect management. Therefore, the Commission will provide further explanation on the term “provision” through relevant guidance.

Recommendation 9.3 – Simplify and standardise currency conversion rules in grant agreements

In order to ensure consistency and reduce administrative burden and the risk of errors, the Commission should simplify and standardise currency conversion rules in grant agreements.

Target implementation date: end of 2026.

The Commission **accepts** the recommendation.

The Commission considers that simplification and standardisation of currency conversion rules in grant agreements (direct management) would help reducing the risk of errors by beneficiaries. The Commission has started to address this through a provision included in the corporate Model Grant Agreement, which will be used also for projects in external relations. This new provision is consistent with the provision in the grant agreement templates which are used in other funding programmes.



REPLIES OF THE EUROPEAN PARLIAMENT TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT

CHAPTER 10: EUROPEAN PUBLIC ADMINISTRATION

I. PARLIAMENT'S REPLIES TO THE OBSERVATIONS

Regularity of transactions

10.7. Parliament takes note of the observations of the Court of Auditors (ECA).

As per Article 1 of the “Rules on the Use of Appropriations from Budget Item 400” (“400 Rules”), the political groups manage the funds allocated to them according to the principles of indirect management of funds in analogical application of Article 62(1)(c) of the Financial Regulation. The 400 Rules themselves replace the “contribution agreements” (as referred to in Articles 157(3) and 158(7) of the Financial Regulation).

Parliament's administration is subject to the Financial Regulation and its procurement rules. However, for political groups the Bureau has adopted the 400 Rules, which contain a number of specific provisions for procurement procedures taking into account their particular situation and legal nature.

According to Article 1.4 of the 400 Rules, the political groups shall be responsible to the institution for the management of appropriations, within the limits of the powers conferred upon them by the Bureau for application of these rules. They shall ensure that the appropriations are managed in accordance with those provisions and they shall take appropriate action to prevent any expenditure which is not in accordance with these rules.

Parliament's administration has previously demonstrated efforts to assist the political groups with the aim to improve their internal financial management, as it was the case with the training session provided to them in 2023 and 2024 on this subject. Customised advice on general questions and in individual cases is always provided by Parliament's competent services on request of the political groups. Parliament's administration will continue to provide guidance and specific training to political groups.

10.8. Parliament takes note of the observations of the ECA and refers to its observations under point 10.7.

With the view of avoiding similar cases, these issues (need to reach the required number of offers and possible prolongation of framework contracts) will be highlighted in the forthcoming training for the financial staff of the political groups.

10.9. Parliament takes note of the observations of the ECA.

As follow-up to these findings, the administration will include a module on VAT in its training for the financial staff of the political groups. The question of flat-rate reimbursement for staff travel will also be discussed with the political groups.

10.10. Parliament takes note of the observations of the ECA.

While the overall legal framework may indeed leave room for interpretation in certain situations, Parliament considers that the actions taken concerning the treatment of this transaction are in full compliance with Article 221 of the Financial Regulation 2018. Parliament is ensuring equal treatment for all political parties thanks to a harmonised interpretation of the rules.

10.11. Parliament takes note of the observations made by the ECA.

To support compliance with procurement rules, Parliament's administration organises biannual meetings with all beneficiaries to inform and remind them of the requirements related to tender procedures, including the need to properly document all steps. In addition, in July 2023, Parliament organised a dedicated training session on procurement for all European political parties and foundations.

Parliament's administration remains committed to supporting European political parties and will continue its efforts to enhance their financial management capacities through ongoing guidance and targeted training initiatives.

10.12. Parliament's administration has consistently provided guidance to the political parties, including on the definition and management of conflicts of interest. Parliament considers that the provisions set out in Article II.1(5) of the contribution agreement and Article 61 of the Financial Regulation offer sufficient clarity and guidance for beneficiaries to ensure compliance with the applicable rules.

Parliament's administration takes note of the ECA's suggestion that further guidance on the interpretation of the conflict of interest definition could be beneficial. At the same time, it is important to underline that beneficiaries remain responsible for implementing and maintaining effective internal control systems and preventive measures to ensure compliance and to avoid conflicts of interest.

10.13. Parliament takes note of the observations of the ECA.

In order for the contractor to be able to execute the contracted services to the required level, the technical and organisational complexity of this service framework contract demands a long phase-in period for the contractor to acquire the necessary knowledge of the Parliament's ICT infrastructure. In practice, this indispensable learning process takes the form of a takeover period running simultaneously with a closing handout period, where the incoming and outgoing contractor are performing the contract in parallel. Therefore, it is appropriate to be able to establish a "long-term services" contract, where the contracting authority is able to benefit from the contractor's services for a longer period than 4 years.

Consequently the maximum 6 years duration of the framework contract can be justified with the long period and difficulty for the contractor to gain the essential understanding of the Parliament's ICT infrastructure, which imposes the need to have an initial phase-in period and closing phase-out period.

With regard to the foregoing, Parliament considers that the framework contract duration of maximum 6 years is legitimate.

Nevertheless, Parliament can agree that the justifications provided for the extended duration of this framework contract are perfectible. Thus, the explanations for possible future framework contracts with a longer duration than 4 years will be more detailed.

II. PARLIAMENT'S REPLIES TO THE RECOMMENDATIONS

10.22. Follow-up on the **recommendation** made in the **Court of Auditors' 2021 annual report**:

“Recommendation 9.1 - The European Parliament's administration should revise its guidelines on the application by the political groups of the rules on public procurement, and it should propose a revision of these rules to the Parliament's Bureau to better align them with the Financial Regulation. It should better monitor the application of these rules.

Timeframe: by the end of 2023”

Parliament takes note of the observations of the ECA.

Parliament's administration has taken several actions in line with the points included in recommendation 9.1:

1) The European Parliament's administration should revise its guidelines on the application by the political groups of the rules on public procurement.

The 400 rules are the main document applicable to the political groups and there is no other single specific document provided by Parliament's administration which can serve as a unified point of reference for the interpretation of these rules for the political parties. Parliament's administration is not competent to establish or adopt guidelines on behalf of the political groups on how to apply the rules on procurement.

Parliament's administration has continuously provided assistance and training to the political groups on, inter alia, the rules on public procurement in 2023 and 2024, and will continue with this approach. Further, ad hoc guidance is provided to political groups on request for all financial issues and in particular procurement procedures (cf. replies to observations under point 10.7).

2) The European Parliament's administration should propose a revision of these rules to the Parliament's Bureau to better align them with the Financial Regulation.

As regards the revision of the 400 Rules, this is within the remit of Parliament's Bureau.

3) The European Parliament should better monitor the application of these rules.

Political groups have authorising officer powers, and therefore are under an obligation to put in place a system of internal control to make sure that the financial rules applicable to them (“rules 400” and Political Groups' internal implementing rules) are complied with. Parliament's administration has provided assistance and training to the political groups and will continue to do so on, inter alia, compliance with the principles of sound financial management and best practices in procurement procedures (cf. replies to observations under point 10.7).

10.23. Parliament takes note of the observations of the ECA.

Please refer to replies to observations 10.7 and 10.22 above.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 10: EUROPEAN PUBLIC ADMINISTRATION

I. THE COMMISSION REPLIES IN BRIEF

The Commission welcomes the conclusion that the estimated level of error in administrative expenditure remains below the materiality threshold (paragraph 10.5).

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Regularity of transactions

Observations on the transactions examined

Related to the observation under paragraph **10.14**, the Commission notes that the lack of recent life certificates for the pensioners' partners did not constitute a quantifiable error. No undue payments were identified by the Court. The Commission has improved its control system through the introduction of life indicators instead of life certificate, which will be extended to the spouses in the course of 2025.

Related to the observation under paragraph **10.15**, the Commission is of the opinion that the proposed external service provider was accepted at the correct level and corresponding daily rate.

Related to the observation under paragraph **10.16**, on the length of extended duration of the framework contract, the Commission is of the opinion that the legal standard, set out by the Financial Regulation, for exceeding the 4-year limit has been met. The justification provided in the procurement documents for exceeding the framework contract duration beyond 4 years is comprehensive and proportionate. While the Financial Regulation requires justification for framework contracts exceeding 4 years, it does not impose a justification for each additional year beyond the 4-year threshold.

Related to the observation under paragraph **10.17**, the Commission has improved the underlying IT applications.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Recommendation 10.1 – Enhance controls before contracting IT services at the Commission

To ensure that it pays for IT services from external service providers at the correct rates, the Commission should improve the clarity of qualification requirements in procurement documents so as to enhance checks on compliance.

Target implementation date: for tender procedures launched after 1 June 2026.

The Commission **accepts** this recommendation.

The Commission is committed to continue ensuring adequate checks of qualifications and improving the clarity of qualification requirements in procurement documents for future calls for tenders for IT services provided by external service providers.

Recommendation 10.2 – Reinforce independence of evaluation committees for transactions which include the sale of property

To strengthen the independence of evaluation committees for transactions which include the sale of property, the Commission should ensure that their members are not all hierarchically subordinate to the responsible authorising officer.

Target implementation date: for the evaluation committees appointed after 1 June 2026.

The Commission **accepts** this recommendation.

In future transactions which include the sale of property, the nomination of persons in charge of the evaluation will be done in accordance with the requirements of Title V Common Rules of the Financial Regulation and the provisions of Article 153 Evaluation committee, applicable to direct management.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 11: “Recovery and Resilience Facility”

I. THE COMMISSION REPLIES IN BRIEF

The European Commission acknowledges the European Court of Auditors' (ECA's) chapter 11 concerning the Recovery and Resilience Facility (RRF).

In 2024, the Commission assessed 27 payment requests covering 839 milestones and targets, six of which were found not satisfactorily fulfilled. It disbursed EUR 85.3 billion in grants and loans based on 838 satisfactorily fulfilled milestones and targets, including five related to the lifting of suspensions issued in 2023. The ECA examined 395 milestones and targets, covering all grant payments. Out of this, the ECA identified findings 'with a financial impact' for only 12 milestones and targets related to six RRF payments to six Member States. For the other 383 milestones and targets audited, representing 97% of the audited population, the ECA identified no financial issues.

Concerning the compliance with payment and eligibility conditions, the Commission notes that the 12 findings of ECA with financial impact (§ 11.11) represent 1.6% of the total milestones and targets related to grants assessed by the Commission in 2024. As in the previous years, all 12 findings identified are based on interpretational differences between the ECA, on the one hand, and the Commission and Member States, on the other. Compared to previous years, the ECA increased the number of audited milestones and targets and yet identified a lower number of findings in both absolute and relative terms. The Commission considers this demonstrates the maturity of the RRF implementation model and reflects the improvements which the Member States and the Commission have implemented over the past years in the RRF monitoring and control systems. In this respect, the Commission thanks the ECA for its continuous scrutiny and recommendations, which have contributed to this positive result.

The six ECA findings where the ECA disagrees with the Commission's assessment of 'satisfactory fulfilment of milestones and targets' and the single finding which ECA considers a 'reversal' of a previously fulfilled target, are due to case-specific differences in the ECA's interpretation either of the legal requirements set by the Council or of the evidence provided by the Member State concerned to demonstrate the requirements were met. The Commission closely assessed the ECA's analyses and conclusions for each case and maintains its view that the milestones and targets were satisfactorily fulfilled.

Nonetheless, the Commission acknowledges that in one case, the ECA finding has brought some problematic facts to the Commission's attention. Specifically, for a milestone that required the entry into force of a law, the ECA has identified that elements of that law were later not implemented by the authorities. Whilst the Commission does not consider that such subsequent events challenge whether the payment was legal and regular, the Commission does consider that such events may indicate a reversal by the Member State. On the basis of the ECA's findings, the Commission has begun a formal review process with the relevant Member State, to ascertain all facts and provide a basis for subsequent steps.

The remaining four ECA findings related to the RRF eligibility period and the single ECA finding concerning 'double funding' are based on differences in the interpretation of legal provisions of the RRF Regulation. These interpretational differences have led to the same ECA findings in previous years and are expected to continue throughout the lifetime of the RRF. Following ECA

recommendations, the Commission published new guidance on double funding and eligibility¹. After constructive discussions between the two institutions, the ECA maintains on both issues (double funding and eligibility) a different interpretation than that applied by the Commission and the Member States. The Commission notes that it thus cannot resolve the differences at this stage of RRF implementation with only 18 months of implementation remaining. Moreover, any changes to the existing legal framework or Commission guidance would not resolve but rather create new legal uncertainties on the eligibility of measures for the Member States. The Commission maintains that its interpretation of the legal provisions is fully in line with the legal framework. Moreover, the Commission recalls that in its view findings on eligibility issues have no bearing on the legality and regularity of RRF payments. As expressed in the Commission's reply to ECA's 2022² and 2023³ annual reports, after the Commission assesses the eligibility of measures during the assessment of the Recovery and Resilience Plans (RRPs), the Council decides by means of a Council Implementing Decision whether a measure is eligible or not. The Commission cannot overrule the Council at the payment stage as to whether a measure is eligible or not.

In view of the above, the Commission does not consider that any milestones and targets have been paid erroneously. As regards the delays in Member States' implementation of audit recommendations, the Commission is closely monitoring their implementation by the Member States. As of 30 April 2025, 71% of the audit recommendations had been implemented, with some recommendations being acted upon by Member States before the final audit report was issued, reflecting their proactive engagement and commitment to implementing changes.

The Commission acknowledges that for some recommendations issued by the Commission to the Member States, there are delays in implementation by some Member States. Such cases, which represent 22% of the total recommendations related to critical and very important findings, remain open beyond the deadline agreed with the Member States. The Commission has adopted a conservative approach when closing recommendations. Recommendations are closed only once the Member State provides complete and adequate evidence of the implementation of all parts of the recommendation, meaning that even if a Member State completes all parts of a recommendation except one, the recommendation remains 'open'. The Commission further notes that when these delays concern individual findings, they do not necessarily constitute a breach of the financing agreement or trigger a flat-rate reduction. In addition, open recommendations related to very important or critical findings relevant for the overall audit and control system may also justify the addition of audit and control milestones during plan revisions.

The Commission welcomes the ECA's recognition of audit and control milestones as a positive step towards strengthening Member States' control systems. The Commission considers that these milestones significantly contribute to enhancing the control systems in Member States without putting into question the adequacy of the Member State control system as they ensure that identified weaknesses are addressed and the protection of the EU's financial interests is assured. Similarly, regarding the Member States' control systems to ensure compliance with public procurement and State aid rules, the Commission notes that the ECA, based on a sample of public procurement procedures, detected some weaknesses. These weaknesses do however not call into doubt the regularity of the procedures, nor the legality and regularity of the payments. The Commission also notes that Member States successfully detected and reported weaknesses themselves.

¹ COM(2024)474, Report from the Commission to the European Parliament and the Council: on the Recovery and Resilience Facility 2024, Annex II "Eligibility of measures under the Recovery and Resilience Facility – start date for eligible measures" and Annex IV "The concept of double funding under the Recovery and Resilience Facility"

² Commission replies to Chapter 11 of ECA's Annual Report 2022, page 453

³ Commission replies to Chapter 11 of ECA's Annual Report 2023, page 481

As regards the assurance provided in the 2024 Annual Activity Report (AAR) in the areas of public procurement and State aid, the Commission has revised its risk assessment methodology, classifying Member States as medium risk where corrective actions are accepted by the Member State but not yet confirmed. The Commission is of the opinion that this approach, consistently applied in the 2024 AAR, provides reasonable assurance, and the Commission does not share the ECA's view that it underestimates the level of risk.

The ECA also reports a new audit workstream on the 'traceability of RRF funds' in five Member States. This work does not call into question the legality or regularity of the payments made by the Commission to the Member States. The ECA requested information on the expenditure incurred by final recipients, which Member States are not required to collect and publish under the RRF legal framework. The Commission's own audit work confirms that the five Member States collect the data required by the RRF legal framework.

The Commission recalls that the RRF incorporates rigorous controls to prevent serious irregularities, including fraud. Nevertheless, the primary line of defence for protecting the EU's financial interests lies with the national control systems. Member States can report suspected cases of fraud through various channels, including the management declaration that accompanies payment requests, as well as notifying the relevant authorities, in particular the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO). The fact that 90% of newly initiated investigations by the EPPO result from notifications made by national authorities demonstrates that Member States are diligently fulfilling their reporting obligations.⁴

The ECA provides two recommendations, one of which the Commission accepts and the other the Commission partially accepts.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Compliance with payment and eligibility conditions (§11.11.-11.26.)

Fulfilment of certain milestones/targets (§11.13.-11.17.)

To receive an RRF payment, the Member State must achieve a set of pre-defined milestones (qualitative indicators) and targets (quantitative indicators) measuring the progress of implementing the reforms and investments in the RRP. The RRF Regulation requires the Commission to assess for each whether it has been 'satisfactorily fulfilled', without any criteria on how to interpret the requirement. To provide a transparent and accountable approach, the Commission has published a framework delineating how it considers a milestone or target satisfactorily fulfilled in line with the legal base.⁵ For each milestone or target, the Commission examines all the evidence provided by

⁴ EPPO Annual Report 2024, page 71.

⁵ COM(2023)99, Communication from the European Commission to the European Parliament and the Council: Recovery and Resilience Facility: *Two years on A unique instrument at the heart of the EU's green and digital transformation*, Annex I "Framework for assessing milestones and targets under the RRF Regulation"

the Member State and sets out its analysis in a public ‘preliminary assessment’.⁶ Before adopting a Commission decision and making the payment, the Commission receives the opinion of the Economic and Financial Committee on the preliminary assessment and of a dedicated committee of Member State experts.⁷ The Commission considers every payment decision is therefore both transparently made and subject to strong scrutiny.

Out of the 395 milestones and targets it has audited, the ECA has for six cases reached a different view than the Commission. In all six cases, this view resulted either from a different interpretation of the requirements or a different interpretation of whether the evidence provided demonstrates that these requirements are met. Notably, the ECA considers for one case that the Commission should have undertaken additional testing on a sample basis (§11.14). The Commission notes that it applies a rigorous process to assess each milestone and target requirement. As one option in this process, it can apply substantive testing to confirm quantitative requirements. However, such testing is neither formally required nor always necessary to reach reasonable assurance. For the one such case where the Commission considered the available evidence sufficient, the ECA has a different interpretation.

In relation to the example of Spanish milestone 408 “Adjustment of the computation period for the calculation of the retirement pension” (Box 11.1), the pension law enacted by Spain foresaw a transitional legal regime and a delay up to 1 January 2026 for the entry into force of two elements of the calculation method for pension contributions. This progressive approach to the pension reform was in line with the RRP and the practice for such reforms across the Union. In line with the milestone and target assessment framework, the Commission considered the transitional approach with a delay of specific elements as a limited and proportional minimal deviation based on the specific merits of the case, and the acknowledgement that a gradual implementation was explicitly what the RRP of Spain had provided for⁸. By contrast, the ECA considered the time between the payment and the date of application to be more than a minimum deviation in timing, as the relevant elements of the legislation had not entered into force within the year of the payment that was subject to the ECA’s audit opinion. On this basis, the ECA assessed that the milestone had not been satisfactorily fulfilled. The Commission methodology for the satisfactory fulfilment of milestones and targets does not contain such restrictions for minimal timing deviations to be limited to those within the same year.

The Commission agrees that in some cases milestones and targets set by the Council Implementing Decisions could have been drafted more clearly (§11.17). It also welcomes that this year ECA identified only four such cases, a number significantly lower than in the previous year. The Commission notes however that it does not consider all these cases correct. The Commission commits to continue its efforts to simplify and clarify milestones and targets in future RRP revisions, notably by removing any ambiguous or unclear language, or any specification that exceeds the requirements needed to demonstrate fulfilment of a measure.⁹

The ECA notes that it has identified serious weaknesses in two milestones, however, the ECA refrains from concluding on the satisfactory fulfilment of these two milestones (see §11.16). Polish milestone F1G “Entry into force of a reform strengthening the independence and impartiality of courts”

⁶ All documentation is available through the country-specific Recovery and Resilience Facility websites; https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages_en

⁷ Recovery and Resilience Facility Committee; all meeting documents available at <https://ec.europa.eu/transparency/comitology-register/screen/committees/C102400/consult?lang=en>

⁸ Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the fourth payment request submitted by Spain on 20 December 2023, transmitted to the Economic and Financial Committee by the European Commission, 12 June 2024, page 293

⁹ Communication from the Commission to the European Parliament and the Council: NextGenerationEU – The road to 2026, COM(2025)310

(Box 11.2) requires the entry into force of a reform strengthening the independence and impartiality of courts through a reform of the disciplinary regime of judges. The Commission assessed the fulfilment of the various elements of the milestone as satisfactory fulfilled. While the ECA considers that the Commission assessment for four out of five requirements of milestone F1G was correct, the ECA concludes in relation to one of these five requirements of the milestone that the way in which some Professional Liability Chamber (PLC) members have been appointed “*could undermine the independence and impartiality*” of the PLC. As regards the fulfilment of the Polish milestone F2G “Entry into force of a reform to remedy the situation of judges affected by the decisions of the Disciplinary Chamber of the Supreme Court in disciplinary cases and judicial immunity cases” (Box 11.2), the ECA essentially repeats its remarks regarding the appointment of judges to the PLC. The Commission does not agree with the ECA’s statements on milestones F1G and F2G.

The Commission based its assessment of the relevant milestones on established case law of the Court of Justice of the European Union (CJEU), including on the appointment of judges. The Commission’s interpretation has been supported by the opinion of 29 April 2025 delivered by Advocate-General Spielmann in Case C-521/21 on the exact topic, concluding that the recommendation for appointment issued by the Polish National Council of the Judiciary as recomposed in 2018 in itself does not disqualify the appointed judge in light of requirements of independent, impartial tribunal previously established by law.

The Commission further notes that the ECA does not issue an opinion on this matter due to the pending case C-517/24 concerning the request for a preliminary ruling seeking an assessment of the independence of the PLC. However, the Commission notes that the Commission had to ascertain the independence of the PLC on the basis of the existing case law at the time of the assessment. On this basis, there were no reasons for the Commission to call into question the independence and impartiality of the PLC as a chamber, and the Commission therefore concluded that the milestones were satisfactorily fulfilled.

The Commission recalls that Milestones F1G and F2G have strengthened a number of aspects of the independence of courts in Poland through a reform of the disciplinary regime applicable to judges. The former disciplinary regime, which the reform enacted by Poland replaced to fulfil the milestones, threatened the independence of judges, for example, because judges had to fear disciplinary sanctions for referring cases to the CJEU or for questioning the independence and impartiality of another judge. In line with milestones F1G and F2G, the reform now explicitly excludes disciplinary liability for such referrals to the CJEU or for verifying the independence of other judges.

Double funding (§11.18.-11.21.)

As noted in reply to a similar finding in the 2022 ECA Annual Report¹⁰ and in reply to a dedicated ECA Special Report¹¹ on this topic, the ECA applies a different concept of ‘double funding’ than the Commission and the Member States. The ECA considers that “*double funding can occur when the same underlying cost of a milestone or target is financed twice and/or when the same outputs/results are declared, and thus funded, twice*” (§11.19). In contrast, the Commission follows the concept of double funding set out by the RRF Regulation, whereby “*support under the Facility shall be additional to the support provided under other Union programmes and instruments. Reforms and investment projects may receive support from other Union programmes and instruments provided that such support does not cover the same cost*”. This means that Union support for a single measure can come from multiple instruments provided that they “*do not cover the same costs*”. In this respect, both in the Financial Regulation and the RRF Regulation, the concept of double funding is linked to costs.

¹⁰ Commission replies to Chapter 11 of ECA’s Annual Report 2022, page 453

¹¹ Commission reply to ECA Special Report 22/2025: *Double funding from the EU budget*

The Commission has provided guidance¹², explaining how to apply the cost-based concept of double funding to the performance-based implementation logic of the RRF.

The Commission also recalls that the inclusion of reforms, which mostly entail no cost, in RRFs is an essential condition for a positive assessment of the RRFs and hence explicitly foreseen and even required by the RRF Regulation. Various RRF recitals list possible reform measures which are unlikely to have any direct costs, such as reforms to promote open-source software, strengthen social dialogue, or minimise administrative burden, thereby making it clear that the co-legislators expected and even required zero-cost measures to be included in RRFs. In many cases, since there are no costs related to the implementation of these reforms, the Member State declares “zero costs” in the cost estimate it submits when preparing its RRF. Under its concept, the ECA considers such actions, which the Member States committed to undertake with resources other than the RRF funds, as ‘funded’ or as ‘double funded’ if other EU funds provide a contribution.

The single finding of ‘double funding’ which the ECA reports in relation to Croatian target 217 “New training programmes introduced in the framework of the judicial training programme” (Box 11.3) demonstrates this issue. The target relates to a large and ambitious justice reform in Croatia involving several new legal acts, the establishment of new mediation centres, and technological changes. Croatia indicated the cost for this measure towards the RRF as EUR zero, i.e. Croatia committed to implement this measure fully with funds other than the RRF. The ECA has identified that some of the training measures which Croatia committed to implement have received support from the European Social Fund. While the ECA concludes that *“the output of this target was financed twice from the EU budget”* (Box 11.3), the Commission considers that, since no RRF funds were used for this measure, no double funding could have occurred.

Reversal (§11.22.-11.23.)

In line with the RRF Regulation, no milestone or target can be considered satisfactorily fulfilled when *“previously satisfactorily fulfilled milestones and targets”* have been reversed by the Member State concerned.

The ECA reports a single finding of a “reversal” of a Greek target (target 50) related to the opening of 50 Mental Health Units (see §11.23). The ECA already reported this target in its 2023 annual report as a finding of “not satisfactory fulfilment” with a financial impact. The Commission did not agree with this finding and explained in its reply¹³ that to consider a Greek mental health unit to be ‘operational’, the ECA expects this unit to have a staffing level that corresponds to the theoretical maximum number of patients that the unit could handle and concluded that the staffing level was too low for five units to be ‘operational’. In contrast, the Commission considered that the units must have sufficient staff to handle the actual number of patients and considered Greece had satisfactorily fulfilled the target. The ECA now reports that it detected during an on-the-spot visit that the staffing level was too low (compared to the theoretical maximum) for five units, in addition to the five that it had already considered too low in the previous year.

In addition to the arguments that the Commission put forward last year to demonstrate why this target is satisfactory fulfilled, which remain relevant, the Commission takes note of the provision of the RRF Regulation that reversals concern *“previously satisfactorily fulfilled milestones and targets”* and notes that the ECA reports a financial error for the same target two years in a row: first to consider it not fulfilled and then consider that it is reversed. Moreover, the Commission notes the RRF

¹² COM(2024)474, Report from the Commission to the European Parliament and the Council: on the Recovery and Resilience Facility 2024, Annex IV *“The Concept of double funding under the Recovery and Resilience Facility”*

¹³ Commission replies to Chapter 11 of ECA’s Annual Report 2023, page 484

Regulation's provision, spelled out in the Commission guidance, that a reversal must be imputable to the actions or omissions of the Member State. The Commission recalls thus its reply to the only previous ECA finding of a reversal, that *"the Member State cannot prevent some staff level fluctuations, for instance that individual experts change posts. As such, the Commission does not consider that the Member State has 'reversed' this target due to the temporary reduction in employed staff"*¹⁴. The Commission further notes that the authorities have provided evidence that they have replaced the staff that left, ensuring that staffing levels are above what ECA considers the minimum to be. This further underlines that the Member State was not to blame for a temporary reduction in staffing and as such that there is no imputability to the Member State. The Commission thus does not agree with this finding.

Start of measures in the eligibility period (§11.24.-11.26.)

The ECA reports four findings related to a difference in interpretation of the legal base. As noted in §11.24, the Commission *takes as basis for its approach* the legal provision in the RRF Regulation that *'Measures started from 1 February 2020 onwards shall be eligible'*¹⁵. As the Commission recalls in its replies to the ECA Annual Report 2023, *"the RRF legislative proposal was made in May 2020 and the Regulation entered into force in February 2021. The 'eligibility' clause introduced by the co-legislators is in fact a retroactivity clause, allowing measures started from 1 February 2020 to be included in the RRFs. The intention of this retroactivity clause was to provide Member States already during the RRF legislative process reassurance that measures would be included and ensure that Member States would not stop or reduce investments in the context of the severe economic and social crisis caused by the pandemic precisely so as not to tighten the economic contraction further. The Commission has provided guidance to Member States in January 2021 (i.e. since even before the RRF Regulation entered into force) on how it would apply this clause, which has then been consistently applied by the Commission and Member States"*¹⁶.

In response to a previous ECA recommendation¹⁷, in October 2024, the Commission published additional guidance¹⁸ setting out the two tests it has applied to ensure a consistent approach: (1) *"Has implementation of the proposed measure started only on or after 1 February?"*; and (2) *"Have the costs incurred for that implementation started only on or after 1 February? Specifically, are the entirety of the costs recorded (in European System of Accounts (ESA2010) terms) after 1 February 2020?"*. The Commission notes that the measures for which ECA reports this type of finding pass the two tests.

This includes the example of French milestone 7-22 "Investment to reinforce the digital equipment of the Ministry of Interior" (*Box 11.4*), for which ECA reports an eligibility issue in relation to one of the six elements of the milestone. France reported, as part of the actions done to reinforce its population alert and information system, that additional emergency sirens were installed. While ECA reports that 13 out of a sample of 30 sirens were ordered before 1 February 2020, the Commission notes that all installation works were ultimately carried out during the eligibility period and are thus eligible. Moreover, the Commission recalls that milestone 7-22 neither specifically requires sirens to

¹⁴ Commission replies to Chapter 11 of ECA's Annual Report 2022, page 455

¹⁵ RRF Regulation, Article 17(2)

¹⁶ Commission replies to chapter 11 of ECA's Annual Report 2023, page 485

¹⁷ Commission replies to Chapter 11 of ECA's Annual Report 2023, page 491

¹⁸ COM(2024)474, Report from the Commission to the European Parliament and the Council: on the Recovery and Resilience Facility 2024, Annex II: *Eligibility of measures under the Recovery and Resilience Facility – start date for eligible measures*

be installed, nor a specific quantitative target for such sirens, but rather more generally asks that France develop as one of the six elements of such milestone a “population alert and information system”, which France did in any case through the provision of software enabling the alert to be triggered and to monitor the equipment. The Commission notes therefore that the milestone is fully met even when the sirens, ECA considers ineligible under its own interpretation, are excluded.

2. Monitoring and control systems examined (§11.27.-11.43.)

Member states’ responses to Commission’s key audit recommendations (§11.27.-11.32.)

The Commission monitors rigorously the implementation of the audit recommendations that it issues to Member States. On this basis, the majority (71%) of all audit recommendations, issued so far and regardless of their level of rating, had been implemented by 30 April 2025. The Commission maintains close contact with the concerned Member State to understand the reasons for any delays or any lack of information on the state of implementation. When justified and relevant, the Commission may accept on a case-by-case basis an extension of the deadline for implementation, to allow the responsible body sufficient time to address the substance of the recommendation.

The ECA presents data on the number of open “critical” and “very important” recommendations (*Figure 11.5*). In this respect, the Commission highlights that out of the 384 recommendations related to critical and very important findings issued, 136 are open (representing 35% of the total very important and critical recommendations issued). Of these, the implementation deadline set in the audit report had passed for 87 recommendations, representing only 22% of the total number of very important and critical recommendations issued.

The Commission recalls that it applies a very conservative approach and only marks recommendations as ‘implemented’ once the Member State provides adequate, sufficient and reliable evidence of their complete implementation. In this respect, the Member State authorities have, in most instances, already provided feedback on the recommendations which the Commission has deemed not (yet) fully complete or adequate for closure of the recommendation, and for which implementation remains ongoing.

Moreover, every time a Council Implementing Decision is revised, the Commission systematically assesses the need for additional audit and control milestones. For this, it considers if any recommendations which are relevant for the overall audit and control system and related to critical and very important findings remain open, with particular attention for the findings that have not been accepted by the Member State or which were not addressed within the agreed timeline. When such audit and control milestones are introduced in the Council Implementing Decision, they block any further payments until satisfactorily fulfilled.

Effectiveness of Member State control systems (§11.33.-11.40.)

Need for control milestones (§11.33.-11.35.)

When Member States submit requests to revise their RRP, the Commission reassesses the adequacy of the proposed control systems against criterion 2.10 of Annex V of the RRF Regulation. This reassessment is based in particular on the information gathered through its audit work. As soon as

the Commission deems Member State's control arrangements to be adequate, it considers them to be fully functional and effective in protecting the financial interests of the Union.

The Commission considers that its increasing audit work has revealed specific weaknesses that can be remedied by an audit and control milestone without putting into question the adequacy of the Member State control system. Consequently, the Member States' subsequent improvements of national control systems have improved the level of assurance. Furthermore, under the RRF, the regularity of expenditure is determined solely by the satisfactory fulfilment of milestones and targets.

For these reasons, while the Commission welcomes the ECA's recognition of audit and control milestones as a positive step toward strengthening Member States' control systems, it disagrees with the statement (§11.33) that *"weaknesses in the control systems of those member states whose second or subsequent payments were conditional upon the achievement of control milestones pose a risk to the protection of the EU's financial interests until they are fulfilled, with a potential impact on the regularity of expenditure"*.

While the Commission is assessing the satisfactory fulfilment of audit and control milestones, commitments may be made by Member States. Whereas the ECA notes (§11.34) that these commitments aim to improve the systems in place, commitments have been used to ensure the continuous fulfilment of the concerned milestone.

Member State control systems ensuring compliance with public procurement and State aid (§11.36.-11.39.)

The ECA recalls findings of a recent ECA special report which reported some weaknesses in some Member States' checks on public procurement and State aid (§11.36), which in its view means that the work underlying the management declarations provides insufficient assurance. The Commission highlights that while the management declarations provide supplementary information, the Commission's assurance on compliance with public procurement and State aid rules is based on the Commission's own audit work. The referenced ECA special report also recognised that the Commission enhanced its checks on public procurement and State aid and assessed this as a "positive development"¹⁹. In addition, the Commission is reviewing its guidance to Member States with a view to improve the related controls at national level.

As part of its 2024 statement of assurance work, the ECA also selected a sample of 38 public procurements across five Member States (CZ, EL, DE, FR, ES) for substantive testing. We take note of the identified weaknesses and acknowledge that they do not call into question the regularity of the procedures. These weaknesses do not affect the legality and regularity of payments either.

With regards to State aid, the Commission recalls that ECA Special Report 09/2025 found that *"Member state controls covered the main state aid risks"*²⁰ and had *"good state aid compliance checks"* and *"good grant compliance"*²¹. In relation to the use of self-declarations, we note that this concerns only a single Member State in the ECA Special Report 09/2025²².

¹⁹ ECA Special Report 09/2025: *Systems for ensuring compliance of RRF spending with public procurement and state aid rules*, paragraph 16

²⁰ ECA Special Report 09/2025, subtitle at paragraph 69

²¹ ECA Special Report 09/2025, subtitle and paragraph 72

²² ECA Special Report 09/2025, paragraph 73

Payment requests (§11.40.)

For five payments, ECA considers that Member States were aware of insufficient evidence for the satisfactory fulfilment of some milestones and targets without highlighting it in their management declarations. ECA reports this as five cases of “weaknesses in payment requests”. The Commission recalls that it is for the individual Member State to submit the payment request and the Member State’s management declaration should be based on the best knowledge of the Member State at the time of submission. The Commission further notes that most of the cases reported concern cases where a piece of information was available as part of the evidence provided by the Member State but was not highlighted in the management declaration as a reservation. The Commission notes that the declaration cannot be expected to repeat and cover all nuances and information provided in the cover notes and evidence submitted for specific milestones and targets, which otherwise would serve little purpose.

Information available to the Commission on detected fraud (§11.41.-11.43.)

The ECA states that the Member States have reported a low number of cases of fraud in the management declarations submitted together with the payment requests in comparison to the 2024 annual report of the European Public Prosecutor’s Office (EPPO) (see §11.42). The Commission would like to recall that Member States duly use the management declarations to report but can also do so through various channels. In any case, Member States are obliged to report suspected fraud cases to the relevant authorities, including OLAF and the EPPO²³. They must also keep records of these cases for five years after the last payment, as stated in Article 11.1(d) of the Financing Agreement. The EPPO annual report²⁴ confirms 90% of newly opened EPPO investigations have in fact been launched upon notification by the national authorities²⁵, indicating that Member States systems to detect and report cases of suspected fraud are a critical element in the work of the EPPO.

Since the start of the implementation of the RRF and up to 27 May 2025, the Commission has received in total 75 notifications from EPPO, of which 64 were active cases in Court proceedings or on-going investigations while 11 cases were dismissed. The Commission recalls that 80% of the notified on-going cases are related to a single measure in one Member State. The difference between the number of cases in EPPO’s annual report and the cases reported to the Commission is due to the fact that EPPO informs the Commission of its investigations when it considers necessary to allow it to take appropriate precautionary measures, or when the EPPO considers they have enough information to bring the case to judgement by national Courts.

The ECA notes that “a number of summaries of audits provided by national audit bodies highlighted inadequacies in the national management and control systems for ensuring the protection of the financial interests” (see §11.43). The Commission takes into account these results when selecting milestones and targets to be audited ex post and follows up on these issues with national audit authorities.

²³ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor’s Office (‘the EPPO’), Article 24.1

²⁴ EPPO Annual Report 2024

²⁵ Ibid., page 71

3. Traceability of RRF funds (§11.44.-11.49.)

The RRF is a performance-based programme that provides support to the Member States to implement reforms and investments. As set out in section 1, all RRF payment decisions and financial flows to the Member States as beneficiaries and decisions are fully transparent. In addition, the RRF Regulation requires the Member States to collect data for audit and control purposes²⁶, notably on the name of final recipients of RRF funds, and where relevant their contractors, sub-contractors, and the respective beneficial owners. Member States also need to keep a list of any measures for the implementation of reforms and investment projects under the RRF with the total amount of public funding of those measures. Member States also must publish twice a year the 100 final recipients receiving the highest amount of funding²⁷.

Throughout the implementation of the RRF, the Commission has provided detailed guidance²⁸ and ensured Member States' compliance through audit recommendations and control milestones. The Commission regularly engages bilaterally and within the framework of a dedicated expert group with the Member States to ensure they take the necessary actions and share best practices to collect and publish the required data. The Commission also actively reminds Member States of their existing obligations, follows up if data updates are not provided, and analyses the provided data to follow up with the national authorities where necessary.

The ECA chose for 2024, in addition to its regular statement of assurance work, to assess the national systems of five Member States to *"see whether they were capable of tracking RRF funds from the national budget down to the final recipients and beyond"* and *"provide data on expenditure incurred by final recipients"* (§11.46). The Commission notes that both elements are neither required by the RRF Regulation, nor call into question the legality and regularity of its payments to the Member States. Moreover, as RRF funds become national funds once disbursed to the Member States, it is fully expected that they are distributed in line with national budgetary procedures that vary across Member States. The exact way funds are assigned and disbursed depends on various factors, notably the existing national funding structures (e.g. centralised or federal structures), the specific reform or investment (e.g. construction procurement, subsidies, school's ICT purchases, or grants for homeowners' insulation works), and specific national and sectoral laws, rules, and customs, and whether or not the Member State contributes with additional national funds to a specific measure.

In light of this and the explicit RRF Regulation provision that Member States can rely on existing national control systems, necessarily leads to some diversity of data availability. Given that the Commission was not party to the underlying discussions with Member States, it only notes that the ECA requested data that go beyond the legal requirements of the RRF Regulation. As a dedicated performance audit on this topic is ongoing, the Commission reserves judgement on the conclusions reached by this workstream.

4. Issues related to the design of measures, milestones and targets (§11.50.-11.52.)

The Commission acknowledges that ensuring good coverage of reforms and investments by milestones and targets is key to measure their progress and is of the view that this is the case for

²⁶ RRF Regulation, Article 22(2)(d)

²⁷ RRF Regulation, Article 25a

²⁸ Most recently: COM(2024)474, Report from the Commission to the European Parliament and the Council: on the Recovery and Resilience Facility 2024, Annex V *"Final recipients under the Recovery and Resilience Facility"*

all RRFs. As in the previous year, the ECA states that milestones and targets should “*cover all the main elements of the underlying reform or investment, in particular its completion*” (§11.51). As previously noted,²⁹ the RRF Regulation explicitly defines milestones and targets to be ‘measures of progress’³⁰. The Commission thus notes the findings are based on an ECA performance standard and not the RRF legal framework. In practice, the full coverage or inclusion of completion milestones and targets is not always relevant or possible and may in some cases create a significant administrative burden, with little impact on the final results. The Commission has striven to ensure full completion milestones or targets whenever possible, and notes that the ECA’s prior work of Special Report 26/2023³¹ confirmed that a completion milestone is present for all but 5% of measures. In this respect, the Commission welcomes the ECA’s finding for 2024 that this is only the case for five measures related to the 395 milestones and targets audited.

5. Annual activity reports and the annual management and performance report (§11.53.–11.58.)

The Commission welcomes that ECA acknowledges improvements in the Commission’s checks of Member States systems related to public procurement and State aid (§11.57). As regards the assurance in these areas (§11.56), the Commission recalls that, following a recommendation made in Special report 09/2025 on control systems on public procurement and State aid, it has accepted to review its methodology for classifying Member States’ risks, as reflected in its 2024 AAR. In cases where Member States accept and commit to implementing the recommended corrective actions related to very important or critical findings on public procurement of State aid, but the Commission has not yet confirmed their implementation, the Member State will be classified as medium risk. However, as outlined in the Commission reply to the Special Report 09/2025, the Commission did not agree to categorise such situations as high-risk cases.

This approach has been consistently applied throughout the risk assessment exercise performed in the context of the AAR 2024, which underpins the declaration of assurance. The criteria used for the risk assessment are detailed and available in Annex 5 of the AAR 2024.

The adjusted risk assessment methodology is reflected in an increased share of Member States classified in the medium risk category as regards compliance with Article 22(2)(a) and 22(5) of the RRF Regulation. The Commission considers that the results stemming from the revised risk assessment methodology provide reasonable assurance as regards the level of risk assigned to each Member State. In this respect, the Commission does not agree with the ECA’s statement that this approach is likely to underestimate the level of risk.

²⁹ Commission reply to ECA Special Report 26/2023, page 4.

³⁰ RRF Regulation, Article 2(4): ‘*milestones and targets*’ means measures of progress towards the achievement of a reform or an investment, with milestones being qualitative achievements and targets being quantitative achievements”

³¹ Special Report 26/2023: *The Recovery and Resilience Facility’s performance monitoring framework*, paragraph 31

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Recommendation 11.1 – Extend the coverage of checks performed during preliminary assessments

When assessing milestones and targets supported primarily by monitoring or implementation reports, instead of relying on member states' data and checks, the Commission should perform sufficient substantive testing to ensure the reliability of the information supporting the member states' compliance with the Council Implementing Decisions requirements.

(Target implementation date: end 2025.)

The Commission **partially accepts** this recommendation.

The Commission assesses each milestone and target rigorously and transparently to obtain reasonable assurance that all requirements are satisfactory fulfilled. Without prejudice to the specific requirements of Council Implementing Decisions, the Commission considers as a general matter that it cannot obtain reasonable assurance that requirements are satisfactory fulfilled only from monitoring or implementing reports. This is notably the case when such reports are produced directly by the Member States' authorities for the sole purpose of demonstrating satisfactory fulfilment. The Commission therefore agrees that further evidence, including – where relevant – substantive testing, is necessary in those cases. However, in other cases where the monitoring or implementation reports are part of the set of evidence provided by the Member States, the Commission needs to assess on a case-by-case basis whether this set of evidence is sufficient for the Commission to have reasonable assurance.

Recommendation 11.2 – Address the member states delays in implementing the Commission's recommendations from the ex-post audits

Analyse the reasons for delays for the implementation by member states of recommendations linked to critical or very important findings and consider applying flat rate reductions.

(Target implementation date: end 2025.)

The Commission **accepts** this recommendation.

The Commission is conducting a review to assess the implementation status of all outstanding recommendations to ensure an appropriate categorisation of the remaining open issues.

In addition, the Commission maintains the possibility to apply the Reductions and Recoveries Framework. It thus reserves the right to examine on a case-by-case basis whether the non-implementation of 'critical' or 'very important' Commission audit recommendations of systematic nature constitutes a serious breach of obligations of the Financing Agreement or Loan Agreement, which can lead to flat rate reductions between 5% and 100% of the Member State's RRF allocation.

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 12:

Follow-up of the recommendations made in ECA special reports from 2021

Regarding the European Court of Auditors' (ECA) recommendations addressed to the Commission (§12.7-12.12), **the Commission gives the utmost importance to the implementation of all accepted recommendations.** The Commission follows up on the actions that it committed to implement and that fall within its mandate. It cannot, however, be excluded that the ECA assesses recommendations as partially implemented when the Commission considers them fully implemented. The ECA indeed assesses the level of implementation against the recommendation it formulated, independently from whether or not it was fully accepted by the Commission. The Commission, on the other hand, assesses the level of implementation against the commitment it undertook in the replies to special reports.

In this context, the Commission takes note that the **levels of implementation of recommendations addressed to the Commission has increased compared to last year's levels** (§12.8), with 77% of recommendations implemented in full or in most respects, against 68% last year.

More in detail, in relation to the level of acceptance of recommendations (§12.4), the number of recommendations not accepted in 2021 has decreased compared to 2020 (around two percent of the recommendations issued in 2021 against 7% in 2020). **As regards non-acceptance or partial acceptance of recommendations**, this can have several reasons. These cover for instance (i) the limits entailed by the existing regulatory framework and/or the difficulty to pre-empt future EU legislation, (ii) the remit of roles and competences (including responsibility and accountability arrangements) between different EU Institutions, bodies, Member States and stakeholders, (iii) the complementarity with policies, legislation and programmes, (iv) the Commission's assessment of the feasibility of the recommendations and/or the resources and timing implications.

Concerning the **timely implementation of recommendations** (§12.18), the Commission welcomes the ECA's conclusion that the proportion of recommendations implemented on time by the Commission increased. The Commission notes in this context that the timeliness of the follow-up actions is also to be seen in conjunction with the level of acceptance of the recommendations. The Commission remains fully committed to implement all accepted recommendations within the timeframes set up in the ECA's special reports. This is however not applicable for recommendations which the Commission did not accept in the first place, for the reasons set out in the published replies to the concerned special report.

In some cases, the follow-up actions may require more time than initially expected due to the complexity of the measures, legislative or policy-related developments, resources constraints, external factors, or to the need to involve other institutions or entities. The fact that a recommendation is not fully implemented by the initial expected completion date does not entail that this recommendation will not be implemented thereafter. Evolving circumstances, or changes in the policy or political context, may typically lead to a reprioritisation of actions.

The Annex presents the Commission's responses to the recommendations which, according to the ECA's assessment, have not yet been fully or timely implemented.

Annex – Follow-up of 2021 special report recommendations – European Commission

Special Report No 01/2021: Resolution planning in the Single Resolution Mechanism

Reply to recommendation 4, paragraph 121: The Commission did not accept the recommendation. As seen from the European Banking Authority discussion paper on the Early Intervention Measures (EIMs), there can be a number of reasons why EIMs may not be used, and any thresholds/triggers are only part of the picture that has to be carefully considered when designing the way forward in this area. A similar argument applies as regards the Failing or Likely to Fail (FOLTF) triggers. The FOLTF is a supervisory judgement. Hard quantitative triggers can prevent a sufficient timely action or, inversely, force a FOLTF declaration in a situation where the supervisor does not assess this to be the case. Indeed, the FOLTF triggers are meant to provide supervisors and resolution authorities with sufficient flexibility when taking this decision, considering that it is a supervisory judgement, which must take into account a forward-looking assessment. The Commission would also like to recall that the Commission has the exclusive right of initiative for legislative acts and amendments.

Special Report No 02/2021: EU humanitarian aid for education: helps children in need, but should be longer-term and reach more girls

Reply to recommendations 4a and 4b, paragraph 70: The Commission considers that the recommendation is implemented. In order to ensure better documentation of the analysis, the Commission has enhanced internal guidelines on how to document the cost efficiency analysis. In addition, the Commission considers that comparing average Education in Emergencies cost per beneficiary established by the national education cluster rather than with other specific projects funded by the Commission provides a wider and robust comparison basis.

Special Report No 03/2021: Exchanging tax information in the EU: solid foundation, cracks in the implementation

Reply to recommendation 2c, paragraph 110: Guidance and Questions & Answers have been developed by the Commission services together with Member States for the Directive on Administrative Cooperation (DAC) DAC6, DAC7 and DAC8. This work has been carried out when the directive was not yet or only recently implemented by Member States. Work on similar guidance for DAC1 to DAC4 is different in character as these directives have been applied for a number of years already and any guidance therefore requires detailed understanding of how the directives have been implemented by Member States as well as their needs, which vary from one Member State to another. The Fiscalis visits project (VISDAC) covers DAC1- DAC4 precisely because an in-depth review of how these directives have been implemented and applied in all Member States is necessary to be able to provide useful guidance. The VISDAC project will result in a list of best practices on the use of data (some of which will cover risk-analysis) and will also provide recommendations on the best suited actions to take. For risk-assessment this could consist of Fiscalis workshops presenting best practices followed by a project group that could work on guidelines.

Special Report No 04/2021: Customs controls: insufficient harmonisation hampers EU financial interests

Reply to recommendation 1d, paragraph 63: The Commission has carried out the planned activities indicated in the special report point 1(d). The Commission has provided a specific guidance to cover this aspect and has updated the Financial Risk Criteria (FRC) Decision in 2024. The Commission has

sent a questionnaire and made an analysis of the state of implementation of the FRC decision on standard and simplified declarations. The Report on the 'Update of the implementation of the FRC Decision' dated December 2023 shows improvements in some Member States. In the meantime, the FRC Decision was updated, and new rules apply since April 2024. The monitoring visits are expected to take place by the end of 2026.

Reply to recommendation 1e, paragraph 63: The Commission has taken several relevant actions to address the ECA's recommendation:

1) creation of the capacity to extract lists of operators from the Customs Risk Management System (CRMS) (done since January 2022). The ECA was informed.

2) update of the Financial Risk Criteria (FRC) Decision to include the concept of operator of interest and of level of risks (done since April 2024), the ECA was informed. Further clarifications to this concept were brought by the FRC Guidance amended in December 2024.

3) with the adoption of the new Implementing Regulation on Technical Arrangements (IRTA) on 7 February 2025, the Commission got a legal basis to process the Economic Operators Registration and Identification (EORI) numbers for risk analysis and management. The use of EORI numbers will allow to link anomalies observed at EU level to individual economic operators. The analytical capability under development will harness EU level insights in support of the Member States.

Special Report No 05/2021: Infrastructure for charging electric vehicles: more charging stations but uneven deployment makes travel across the EU complicated

Reply to recommendation 5c, paragraph 80: The preparation for the implementing and delegated acts has been completed and the adoption is expected by co-legislator in Q2 2025. Following, the ex-post analysis will start on the use and performance of supported infrastructure on a sample / risk basis after deployment.

Special Report No 07/2021: EU space programmes Galileo and Copernicus: services launched, but the uptake needs a further boost

Reply to recommendation 1a, paragraph 93: The Commission considers the development of the strategy well in progress, with one important milestone already achieved with the publication of the Staff Working Document on user uptake status on 15 July 2024. The Commission welcomes the recognition by the ECA of the progress made and agrees in considering this recommendation implemented in some respects.

Regarding the concerns raised by the ECA about the absence of a final comprehensive strategy, the Commission would like to emphasise that the timing of this initiative entirely depends on the alignment with broader Union priorities, which will provide a coherent framework for sector-specific initiatives. It is also important to recall that space is a shared competence between the European Union and its Member States by virtue of Article 4 (3) of the TFEU. Therefore, developing an effective strategy requires close coordination with Member States and stakeholders to clarify roles, integrate all relevant actors, and set realistic, measurable targets. The Commission remains committed to outreach activities and constructive engagement to ensure the successful adoption of Galileo and Copernicus services.

Reply to recommendation 1b, paragraph 93: The Commission would like to reiterate that space is a shared competence between the EU and Member States, requiring strong coordination and collaboration. The consultation process for the EU Space Programme is clearly established by the

EU Space Regulation, which entered into force in May 2021. To further support Member States, the budget for National Collaboration Programmes (NCPs) has been increased, enabling accelerated efforts within Member States as well as transnational and transversal initiatives. This reflects a structured and coordinated approach to foster user uptake across the EU. Progress on these efforts is discussed in NCP workshops. The Commission remains committed to ensuring complementarity between Copernicus actions and Member State initiatives and welcomes any further dialogue or clarification to address the Court's observations.

Reply to recommendation 2a, paragraph 96: The Commission considers this recommendation as implemented. The scope of the recommendation was to develop a conceptual framework for estimating benefits and enhancing performance measurement. This process was completed with the publication of the final document, as recognised by the ECA. Furthermore, the Commission has secured the necessary budget for 2025 to strengthen this framework by conducting a dry run based on the developed methodology. This step, which represents an additional proactive follow-up action to the accepted recommendation, will enable the establishment of an initial baseline, using the new conceptual framework, to assess the benefits of the EU Space Programmes. Therefore, the Commission considers that the implementation is completed, and it is now engaged to use the developed conceptual framework.

Reply to recommendation 2b, paragraph 96: The Commission considers the recommendation implemented. The audit was conducted in a different context than the one established by the current EU Space Programme Regulation (2021), which represents itself the implementation of the recommendation received. While the recommendation to include socio-economic benefits is indeed relevant, it is important to highlight that, at the time of the publication of the ECA report, the co-legislators had already reached a political agreement on the indicators for the EU Space Programme to report on. These indicators were agreed upon as part of the legislative process, and the Commission is bound to implement and follow them accordingly. The indicators cannot be revised without amending the current regulation and the final decision to approve specific indicators will always remain a prerogative of the co-legislators. Nevertheless, the Commission acknowledges the importance of the ECA's recommendation and is working proactively to improve the quality of the indicators defined, in view of possible amendments of the regulation in future legislative processes.

Reply to recommendation 3b, paragraph 101: The Commission agrees with the status of implementation assessed by the ECA. The initiatives described in the ECA's remarks are examples of the ongoing efforts to ensure complementarity between Copernicus actions and Member States initiatives. Progress on these efforts will be discussed during National Collaboration Programmes' workshops and subsequently reported back to the User Forum.

Reply to recommendation 3c, paragraph 101: The Commission considers the recommendation as implemented. The Commission welcomes the recognition of progress made with the Copernicus Data Space Ecosystem (CDSE) infrastructure in supporting access to Copernicus data. As for the reference to the fragmentation of Copernicus data/products, it is important to underline that Copernicus provides its data and information to several communities: public authorities, researchers, commercial entities and the general public. For researchers in particular, Copernicus dissemination infrastructures are connected to the GÉANT network providing access services to the NRENs (National research and education network). Copernicus is evolving its interfaces to the users following technological advances and offering them cloud based exploitation tools. The adoption of new technologies is easing and will further ease interoperability features. The Commission remains

focused on facilitating sustainable access to Copernicus data and on ensuring collaboration with relevant actors.

Reply to recommendation 4b, paragraph 104: The Commission agrees with the status of implementation assessed by the ECA. Since the audit was conducted, significant efforts have been made by multiple Commission services to address and overcome the identified barriers. The process of addressing such barriers requires ongoing collaboration between the Commission and Member States. Furthermore, since according to the TFEU, space is a shared competence between the European Union and its Member States, collaboration between the Commission and Member States and taking targeted actions are needed to ensure sustainable progress as regards the use of EU Space data and services in EU regulatory frameworks (that has been a consistent approach). The work carried out thus far demonstrates a clear commitment to these objectives, and efforts are continuous to ensure a comprehensive implementation.

Special Report No 08/2021: Frontex's support to external border management: not sufficiently effective to date

Reply to recommendation 3c, paragraph 94: The recommendation concerning the potential benefits of extending the scope of Frontex's vulnerability assessment (VA) to a regional and EU level could not be fully implemented as there was no ongoing revision of the European Border and Coast Guard (EBCG) regulatory framework at the time the ECA carried out its assessment. The evaluation conducted in 2022 did not explicitly refer to the regional and EU level scope as this issue was proved to have limited interest of the Member States. In the relevant discussion (in 2021 Frontex High-Level Roundtable on Vulnerability Assessment), Member States underlined that the Vulnerability Assessment (VA) reports (i.e. the results of VA) should remain per Member States. Thus, in the absence of sufficient support among the Member States to modify the VA mandate in order to allow for the regional VA, the Commission, within its discretionary powers, decided to focus on the elements that could potentially lead to a recommendation for improvement in VA – responding to the needs of the Member States. The Commission remains open for any proposals in this regard, especially in the context on the reflection on possible directions for Frontex after 2028, along the lines of political guideline of the President for 2024-2029, as regards reinforcing Frontex.

Special Report No 09/2021: Disinformation affecting the EU: tackled but not tamed

Reply to recommendation 1d, paragraph 111: The Commission takes note of the ECA's observations regarding the information provided in the Annex to the Communication on Defence of Democracy COM (2023) 630 final. It would underline that the Annex itself was intended to provide a summary overview of the implementation of the European Democracy Action Plan. The Commission Communication COM (2023) 630 provides information on different funding sources to support the implementation of the European Democracy Action Plan against disinformation. The published information does not include summarised information on the expenditure made in implementing the actions, though specific funded activities do have amounts specified and the activities are clearly identified.

Reply to recommendation 5a, paragraph 119: Although the European Commission has not formally adopted an overarching media literacy strategy yet, it supports a regular exchange with Member States on the most important media literacy practices and actions via its Media Literacy Expert Group (MLEG) and the European Board for Media Services (formerly ERGA). Given the competence and crucial role of Member States in relation to media literacy policy, the adoption of an overarching strategy by the Commission will require close cooperation not only between its

services, but also with Member States. In order to ensure an inclusive process for drafting a potential future media literacy strategy, the Commission started exchanges and included specific questions on media literacy in its public consultation and call for evidence on the European Democracy Shield issued on 31 March 2025 [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14587-European-Democracy-Shield_en]. Discussions with Member States will be held in parallel, allowing the Commission to link its media literacy actions to the policy priorities of the Shield initiative and to identify priority areas where its actions can complement those of Member States.

Reply to recommendation 5b, paragraph 119: In order to define clear objectives against which to assess the impact of its actions on media literacy, the Commission wishes to integrate the feedback received from stakeholders, including Member States, in the context of the ongoing consultation on the European Democracy Shield. This will ensure that the objectives take into consideration the most pressing needs and policy priorities.

Reply to recommendation 5c, paragraph 119: Despite the absence of a formal media literacy strategy, the Commission is ensuring a good internal coordination of media literacy actions across its different services and with the other EU institutions. The Commission is also consulting Member States and other stakeholders to ensure these actions are relevant and impactful.

Special Report No 10/2021: Gender mainstreaming in the EU budget: time to turn words into action

Reply to recommendation 2b, paragraph 104: The Commission partially accepted this recommendation.

In line with its commitment under the Interinstitutional Agreement accompanying the new multiannual financial framework, the Commission will strengthen the assessment of gender equality impact in evaluations and impact assessments for relevant future EU funding programmes and instruments and will update its better regulation guidance, accordingly.

The Commission will screen whether the potential impact on gender equality impact of future EU funding programmes and instruments is significant, when preparing future proposals for EU spending programmes.

For relevant EU spending programmes, the Commission will present the assessment of the gender equality impact in evaluation and impact assessment and during the annual performance reporting, within the limits of available data.

As supporting flanking measure, please consider that the Commission also updated its Better Regulation guidelines and toolbox, published by 25 November 2021. The better regulation update supports better identification, selection and qualitative and quantitative assessment of significant gender equality impacts in impact assessments and evaluations, in the limits of available data, while observing the better regulation principle of proportionate analysis.

Furthermore, regardless of whether they are relevant for a given initiative, there is still a need to report on fundamental rights, including gender impacts, in all impact assessments and justify why they have not been assessed further, should this be the case (revised in 2021, Tool #18 and 29–Identification of impacts). The explanatory memoranda of Commission proposals also specify significant gender equality impacts, where relevant. Full implementation will be by 31 December 2025, when the interim evaluations would be finalised and the impact assessments for next MFF programme proposals carried out. With respect to the Common Agricultural Policy (CAP), due to the entry into force of the new CAP in 2023, end 2025 will be too early for an evaluation. However, by

the end of 2025, an allocation of expenditure by gender will be available for the first year of the implementation of the new CAP in 2023. Furthermore, in May 2023 the Commission organized a training for Managing Authorities of CAP Strategic Plans (CAP SPs) on including the gender dimension in the EU budget. In addition, in November 2022, the EU CAP Network with the support of the Commission organized an event on Advancing gender equality in rural areas in the EU with the participation of Managing Authorities for CAP SPs to raise their awareness on gender equality and ensure that gender aspects are properly treated in the implementation of CAP 2023-2027. In addition, as part of its capacity building activities, the CAP Network – European Evaluation Helpdesk organised a group practice workshop on the evaluation of generational renewal in the EU, in the CAP, including aspects of gender equality.

Reply to recommendation 3c, paragraph 105: The Commission accepted this recommendation partially as it cannot, at this stage, give commitments on the content of future legislative proposals (as stated in the original reply).

For the part of the recommendation which the Commission accepted, the recommendation is currently partially implemented through the 2021 revised Better Regulation Toolbox – Tool #43, Monitoring arrangements and indicators which specifies that monitoring and evaluation arrangements should be analysed in the impact assessment report, for the preferred option if one is specified or otherwise based on the initiative's objectives.

This part of the impact assessment should inform the legal provisions on monitoring and evaluation to be included in the proposal itself. Main elements may include indicators and/or regulatory reporting requirements, which are a prerequisite to ensure the timely monitoring of EU initiatives. The monitoring and evaluation arrangements that were initially identified in the impact assessment will need to be reflected in the Commission's proposal. They might have to be revisited again later to reflect changes to the proposal made in the legislative process to avoid that the indicators initially chosen no longer to reflect the objectives of the initiative.

In addition, for the post-2027 Multiannual Financial Framework (MFF), the recast of the Financial Regulation requires that where appropriate, the data collected in relation to performance indicators shall be broken down by gender and shall be collected in a way allowing for aggregation of such data across all relevant programmes.

Given that this recommendation refers to the preparation of future legislative proposals, the Commission cannot fully implement it before the first impact assessments/evaluations/preparatory steps would analyse the appropriateness of collecting and reporting on such data when preparing the proposals for future EU funding programmes.

Regarding sex-disaggregated data available in accordance with the MFF 2021-2027, the programme performance statements (attached to the 2023 Annual Management and Performance Report) provide the relevant sex-disaggregated information available for each EU budget programme.

Reply to recommendation 4b, paragraph 107: The Commission partially accepted this recommendation, as it cannot commit on the content of future legislative proposals.

The Commission proposes objectives for each programme based on their relevance to the core aspects of said programme. The Commission will assess the appropriateness including objectives and related indicators, when preparing proposals for future EU funding programmes, in the context of evaluations and impact assessment or other preparatory steps.

Performance indicators are then selected based on their relevance to a given objective, availability and quality of data, as well as cost-efficiency.

Reply to recommendation 5a, paragraph 108: The Commission considers that this recommendation is fully implemented. The Commission has developed a gender equality tracking methodology and applied it to the entire EU budget, including the Recovery and Resilience Facility, since the Draft Budget 2023. The methodology was inspired by the coefficients defined by the Organisation for Economic Cooperation and Development. Over time, the results have shown steady improvement, reflecting a positive trend in the EU budget's contribution to gender equality (gender scores 1 and 2), alongside a significant reduction in the use of gender score 0* (unclear contribution).

Reply to recommendation 5c, paragraph 108: The assessment of defining a percentage of the EU budget to support gender equality will be done in the context of the preparation for the post-2027 Multiannual Financial Framework.

Special Report No 11/2021: Exceptional support for EU milk producers in 2014–2016 Potential to improve future efficiency

Reply to recommendation 2a, paragraph 87: The Commission did not accept the recommendation and did not take any further actions. As mentioned in its initial reply, market crises cannot be predefined by operational thresholds.

Special Report No 12/2021: The Polluter Pays Principle: Inconsistent application across EU environmental policies and actions

Reply to recommendation 3a, paragraph 74: The Commission considers the recommendation partially implemented and recalls that the deadline for implementation of this recommendation, as reported in the dedicated RAD database, is set at 31 December 2025 and has not passed yet.

Several Commission activities directly addressed Managing Authorities (e.g. Just Transition Platform Conference October 2024 – session “Conversion, Rehabilitation and Repurposing of Sites after Coal Phase Out”– This session addressed Polluter Pays Principle in relation to depollution of industrial sites and was attended also by Managing Authorities).

Special Report No 13/2021: EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient

Reply to recommendation 1a, paragraph 115: In the review of the Union Anti-money laundering and countering the financing of terrorism (AML/CFT) framework, published in June 2024, the Commission mandate concerning a Union Risk Assessment (URA) was refined to include a specific reference to “areas and sectors” of the internal market most exposed to risks, which implies the application of a specific geographical dimension where activities are not common to all Member States or vary significantly in volume/risk.

The Commission is also currently revising the URA methodology with the World Bank exploring inter alia an improved gathering of statistics that would allow applying geographical elements in an even more effective way.

Reply to recommendation 1b, paragraph 115: The Commission considers that the recommendation is implemented and would like to reiterate that the following third countries are listed autonomously by the EU: Afghanistan, Panama, Vanuatu and Trinidad and Tobago. These countries were de-listed by the Financial Action Task Force (FATF), but not by the EU due to EU specific benchmarks developed with these countries in addition to their FATF action plan. Following the 2020 methodology, the Commission has significantly increased its resources to cover all four FATF

Joint Groups responsible for monitoring countries listed by the FATF with the view to more actively engaging in the FATF process and ensuring that any concerns that the EU has are already effectively addressed in the framework of that process. These efforts and active engagement of the Commission in the FATF workstream explain why the autonomous listing is only used exceptionally, in cases where it is not possible to effectively address the EU's concerns directly through the FATF process. The Commission kindly asks that the merits of this approach are fully recognised and that the conclusions on the Recommendation could be adjusted to 'fully implemented'.

Special Report No 15/2021: Air passenger rights during the COVID-19 pandemic: Key rights not protected despite Commission efforts

Reply to recommendation 1e, paragraph 76: The Commission reviewed Regulations (EC) No 261/2004 and (EC) No 1107/2006. The Commission carried out an assessment that demonstrated the close link between the protection of passengers against insolvencies of airlines and the financial resilience of airlines, leading to the conclusion that the issue should be dealt together with the review of the Air Services Regulation 1008/2008, which addresses the financial fitness of airlines.

The Commission therefore considers that the relevant actions that could be taken within the framework of the Passenger Rights regulations were taken. Future action on the topic will have to be made in the framework of the Air Services Regulation.

Reply to recommendation 3c, paragraph 79: In line with the findings of its recent report on the application of the Consumer Protection Cooperation (CPC) Regulation, and as announced in the E-commerce Communication adopted by the Commission on 5 February 2025, (<https://digital-strategy.ec.europa.eu/en/library/e-commerce-communication-comprehensive-eu-toolbox-safe-and-sustainable-e-commerce>) the Commission is reflecting on a review of the Regulation, in order to further strengthen the enforcement of EU consumer law, in particular as regards widespread illegal practices.

Special Report No 16/2021: Common Agricultural Policy and climate-Half of EU climate spending but farm emissions are not decreasing

Reply to recommendation 1c, paragraph 93: The Commission considers this recommendation as fully implemented. The Commission made several efforts towards Member States to provide incentives for tackling greenhouse gas (GHG) emissions from livestock and fertilisers. The study recently published ([Rough estimate of the climate change mitigation potential of the Common Agricultural Policy \(CAP\) Strategic Plans \(EU27\) over the 2023-2027 period](#)) indicates that CAP Strategic Plans (CSPs) practices would lead to a mitigation of 35 million tonnes of CO₂e per year, distributed between 5 million tonnes of GHG emission reduction and 30 million tonnes of enhanced carbon sequestration per year. Most of the mitigation potential is on carbon removal and emission reduction from the fertiliser use, in a magnitude which is significant in comparison to EU climate objectives. Even if CSP estimated mitigation effect is less relevant in the case of livestock emissions, it has to be considered in complementarity with other national policies.

Reply to recommendation 3a, paragraph 95: The Commission did not accept the recommendation. While the reasons outlined in the Commission's response to this recommendation are still valid, the Commission looked for an alternative to monitoring indicators. On 26 May 2025, the EU CAP Network - EU evaluation helpdesk published a study ([Rough estimate of the climate change mitigation potential of the CAP Strategic Plans \(EU-27\) over the 2023-2027 period | EU CAP](#)

Network), estimating the climate change mitigation potential of several CAP Strategic Plans (CSPs) interventions at EU level for the 2023–2027 period. This study examines the CSPs potential contribution to reducing greenhouse gas (GHG) emissions, enhancing carbon removals, and conserving existing carbon stocks.

Special Report No 18/2021: Commission’s surveillance of Member States exiting a macroeconomic adjustment programme: an appropriate tool in need of streamlining

Reply to recommendations 2a, 2b and 2c, paragraph 96: When accepting these recommendations to “consider proposing to amend the relevant legal act”, the Commission had pointed out “that it is not in a position to make specific commitments in relation to possible legislative proposals or to the outcome of the legislative negotiations with the co-legislators”. In the context of the Economic Governance Review (EGR) the Commission has indeed considered legislative proposals but decided not to proceed at that stage. Instead, the Commission is currently re-examining the need for amendments to Regulation 472/2011, including regarding Post-Programme Surveillance (PPS) and enhanced surveillance, to closer integrate it with the post-EGR fiscal framework and to simplify it. Moreover, the Commission is reducing the intensity of PPS, including with additional steps of streamlining since the spring 2025 round of PPS, which is having similar effects without requiring a legislative change. For these reasons, the Commission believes that these recommendations are fully implemented.

Reply to recommendation 3a, paragraph 99: Actions of similar effect as the ones recommended by ECA have been taken while these remain to be formalised and documented through revisions to the “ECFIN internal Vade mecum on euro area economic adjustment programmes” and to the data provision agreements between PPS countries and the Commission.

Special Report No 20/2021: Sustainable water use in agriculture: CAP funds more likely to promote greater rather than more efficient water use

Reply to recommendation 3b, paragraph 98: The recommendation’s implementation is ongoing. The evaluation of the impact of rural development funding and market support on water will be part of the interim evaluation on the Common Agricultural Policy (CAP) due by December 2026. In addition, the study on climate change adaptation in agriculture in the EU, with special attention to water management was launched in November 2024 (final deliverable due in Q4 2025). The Commission is implementing the recommendation in line with the target implementation date in the special report (2026).

Special Report No 22/2021: Sustainable finance: More consistent EU action needed to redirect finance towards sustainable investment

Reply to recommendation 5a, paragraph 90: The Commission considers this recommendation implemented. On 20 June 2022, the Commission published a staff working document titled “Climate Mainstreaming Architecture in the 2021–2027 Multiannual Financial Framework” (see <https://europa.eu/GcQXcq>) which includes a dedicated Annex on how the “Do no harm” principle is operationalized in the various EU spending programmes.

The Commission highlights that in June 2022, when the Staff Working Document on climate mainstreaming was published, the 2021–2027 programmes were only beginning to issue their first calls under the new framework.

Consequently, it was not yet clear how the "Do No Significant Harm" (DNSH) principle would be applied in some of the newer programmes, including the Digital Europe Programme (DEP). Nevertheless, the DEP's contribution to climate objectives is continuously monitored.

Several activities are expected to support the green transition, most notably Destination Earth, which will develop a highly precise digital model of the Earth to aid in responding to major natural disasters, adapting to climate change, and predicting its socioeconomic impacts. Several other initiatives have also been, and will continue to be, integrated into the programme to ensure that the DEP contributes to the green transition (for example, Green Deal Data Space, Digital Product Passport, the reference deployment of cloud-to-edge based service solutions, the EU Energy Saving Reference Framework, Agricultural Data Space, and Energy Data Space).

In parallel, the Commission has issued new guidelines for the current Multiannual Financial Framework (MFF) requiring relevant Work Programmes to explain their contributions to green priorities. This allows Commission services to explain the implementation of the DNSH principle where relevant. This approach helps ensure that climate objectives are properly mainstreamed in all relevant programmes from the programming phase onward. This is illustrated in the DEP's latest Work Programme (see the "Green Digital Europe" section). The programme has also introduced an optional evaluation criterion for digital projects: the extent to which the project addresses environmental sustainability and European Green Deal goals, both in terms of direct effects and awareness of environmental impacts. In this context, the first module of the exascale supercomputer JUPITER, funded by the DEP, is ranked first in the list of the most energy-efficient supercomputers worldwide.

Reply to recommendation 5d, paragraph 90: The Commission considers this recommendation implemented. Whereas the Commission will continue to use the EU climate methodology (see <https://europa.eu/GcQXcq>) to report on progress towards achieving the 30% climate spending target, it also provides information on the budget expenditure for activities falling under intervention fields with a 100% climate coefficient by virtue of meeting the technical screening criteria of the EU Taxonomy concerning climate mitigation or adaptation. This is done in the programme performance statements, accompanying the Draft Budget and Annual Management and Performance Report, since the year 2023.

Furthermore, the Commission highlights that the programme performance statement is a yearly exercise, with new updated information available every year. The programmes that have reported on taxonomy relevant expenditures in the first 2023 exercise are the relevant ones for the expenditures covered by taxonomy.

Reply to recommendation 6a, paragraph 91: The Commission considers the recommendation implemented. It has an internal dashboard for monitoring sustainable finance aspects of the green transition, which has recently been updated and further improved. It includes indicators on green bonds, sustainable funds, including Sustainable Finance Disclosure Regulation (SFDR) Art. 8 and 9 funds tracking EU climate benchmarks, relative performance of green financial instruments and uptake of the taxonomy.

There have also been various public domain assessments: in June 2023, the Commission adopted a sustainable finance package including updates to the EU Taxonomy and a stock-take of the implementation of the sustainable finance framework. The package included an assessment of the take-up of the framework to date, an overview of some challenges noted by market operators, and a series of guidance materials to facilitate implementation.

Following this, the EU Platform on Sustainable Finance, an advisory body to the European Commission (created under Article 20 of the Taxonomy Regulation), has been tasked with

developing a methodology to monitor financial flows into sustainable investments in the European Union.

The final report of the Platform, published on 11 March 2025, proposes an architecture to measure the effective contribution of finance towards the objectives of the European Green Deal, drawing on regulatory disclosures as well as market data. It presents a first analysis based on this methodology and available data, examines trends, particularly between financial and non-financial companies. The final report includes recommendations for future iterations of data collection and the systematic monitoring of capital flows.

The Commission will consider how to build on the Platform's work to conduct regular annual monitoring reports, looking at the contribution of financial flows towards sustainable investments.

The Commission also presented its first Omnibus package on 26 February 2025. Depending on the outcome of the negotiations, this package might change the scope of sustainability reporting obligations on undertakings, directly impacting how much data will be available to monitor in the future.

Special Report No 23/2021: Reducing grand corruption in Ukraine: several EU initiatives, but still insufficient results

Reply to recommendation 1b, paragraph 91: In June 2023, the Commission adopted a sustainable finance package including updates to the EU Taxonomy and a stock-take of the implementation in Ukraine of the sustainable finance framework. The package included an assessment of the take-up of the framework to date, an overview of some challenges noted by market operators, and a series of guidance materials to facilitate implementation.

Reply to recommendation 7b, paragraph 102: The war in Ukraine has profoundly altered the economic landscape, making the implementation of this recommendation currently unfeasible. Ukrainian State-Owned Enterprises (SOEs) have been deeply affected by the Russian invasion and by Ukraine's fragile economic situation. To be able to explore conditions for removing debt moratoria on SOEs, the situation of the country must stabilise first. It should be noted that the Presidential Decree No. 64/2022 imposed martial law in Ukraine since 24 February 2022. Due to the martial law in force, publication of financial reports of SOEs, including debt, has been suspended from March 2022. Since then, a consolidated report of all SOEs is not available. Despite some aspects of this sub-recommendation being impossible to implement due to the circumstances described above, the Commission has provided support to Ukrainian authorities to carry out a number of crucial reforms that lay the groundwork for addressing debt moratoria in the future.

Special Report No 24/2021: Performance-based financing in Cohesion policy: worthy ambitions, but obstacles remained in the 2014-2020 period

Reply to recommendation 1a, paragraph 128: The Commission considers the recommendation partially implemented. The Commission does not rely exclusively on the information provided by each Member State regarding the fulfilment of enabling conditions and conducts its own monitoring and analysis. The Commission is using any source of information available and gathers information through Monitoring Committees which are composed of representatives of the regional, local, urban and other public authorities, economic and social partners, relevant bodies representing civil society, research organisations and universities.

Reply to recommendation 1b, paragraph 128: The Commission reports in the Annual Activity Reports about the state of play of the enabling conditions and not about Commission's enforcement activities. In particular, taking into account the very low non-fulfilment rate and the significant progress in the past two years.

Reply to recommendation 2a, paragraph 128: The Commission considers that the recommendation is fully implemented. The approach to the mid-term review is set out in the regulatory framework, in particular Article 18(1) of Regulation (EU) 2021/1060. Moreover, recital 24 of the same Regulation specifies that each programme “should provide a fully-fledged adjustment of programmes based on programme performance, while also providing an opportunity to take account of new challenges and relevant country-specific recommendations”.

This approach allows for flexibility depending on the context of each and every programme. The Commission services provided specific guidance to Member States in the form of answers to questions. All Q&As are published and thus available to all Member States, ensuring clear and common approach as much as this is required. The process and submission details were explained to the Member States.

Reply to recommendation 2b, paragraph 128: The Commission agrees with the ECA's assessment. In line with Article 18 (1) (e) of Regulation (EU) 2021/1060, the Commission will accept any relevant evaluation as part of the evidence base for the mid-term review exercise, including the Recovery and Resilience Facility mid-term evaluation where appropriate.

Reply to recommendation 3b, paragraph 128: The Commission considers that the recommendation is fully implemented. The assessment of Member States' reasoned requests for amendment of conditions to be fulfilled or outputs/results to be achieved is carried out by Commission services in accordance with the relevant regulatory provisions. In particular, as regards the appropriateness of the amounts linked to the fulfilment of the respective conditions or the achievement of results, the Commission and the Member State should ensure that resources employed are adequate for the investments undertaken. Therefore, when Member States request an amendment to an adopted FNLTC scheme, the verification of the appropriateness of the proposed amounts versus the proposed conditions or results is carried out again by the Commission, based on the updated proposal. Then, the Commission confirms that the respect of the general criteria provided by the Regulatory framework combined with a thorough case-by-case analysis of Member States' reasoned requests for amendment of conditions to be fulfilled or outputs/results to be achieved are sufficient.

Reply to recommendation 4b, paragraph 128: The Commission considers that the recommendation is fully implemented. In line with the current legal framework, for expenditure declared under the Financing-Not-Linked-To-Cost (FNLTC) schemes, audits and management verifications are limited to verifying that the conditions for reimbursement by the Commission have been fulfilled or the results have been achieved. The Commission has developed an explanatory note where it detailed how to get assurance on compliance with applicable rules by addressing it ex ante, at the moment the FNLTC scheme is approved.

During audits of operations, the Commission checks that the authorities are getting assurance according to the arrangements described in the scheme. The Commission has developed relevant audit checklists in that respect.

Special Report No 25/2021: ESF support to combat long-term unemployment: Measures need to be better targeted, tailored and monitored

Reply to recommendation 3, paragraph 79: The Commission considers the recommendation implemented in some respects. The supporting study of the ex-post evaluation for the 2014-2020 programming period has been launched and is in the final phase undergoing further necessary revision.

The publication is expected to take place in the third quarter of 2025.

Special Report No 26/2021: Regularity of spending in EU Cohesion policy: Commission discloses annually a minimum estimated level of error that is not final

Reply to recommendation 1, paragraph 77: The Commission neither accepted nor implemented the recommendation.

Reply to recommendation 2a, paragraph 83: The Commission welcomes the acknowledgement by ECA to improvements in the documentation of the elaboration of the audit plan. The audits included in the audit plan result from a three-step exercise, aligned with the audit strategy and available resources in the Commission/ Joint Audit Directorate for Cohesion (DAC):

1. Two-step risk assessment: first at the level of audit authorities, then at programme level
2. Workload analysis to align the audit plan to the available audit resources after deduction of resources needed for mandatory desk audit tasks.
3. Creation of country specific fiches reflecting the cumulative audit work carried out and the results of the current risk assessment, in order to identify remaining gaps and need for prioritisation and/or coverage.

Consequently, the quantitative reflection in the risk assessment is complemented with qualitative analysis reflected in the country fiches based on professional judgement, including to take account of historic data.

Reply to recommendation 2d, paragraph 83: The Commission neither accepted nor implemented the recommendation.

Reply to recommendation 3a, paragraph 86: The Commission welcomes the acknowledgement by ECA that it has improved its methodology for estimating the maximum risk. The Commission confirms that it did not accept the recommendation, however it eventually took further actions to improve the methodology considering the ECA recommendation. For programmes that were audited by the Commission or the ECA (compliance audits) and for which errors were found, and for which the Member State authorities were requested to carry out additional checks, the maximum risk was increased at flat rate as from the Annual Activity Report 2022. The Commission therefore issues maximum risks in the annual activity reports that take account of the specific situation of each programme and possible remaining risks.

Reply to recommendation 3b, paragraph 86: The Commission welcomes the acknowledgement by ECA to improvements in the drafting of its most recent Annual Activity Reports on how assurance is obtained for each programme. These reports are now signed and published.

Reply to recommendation 4, paragraph 88: The Commission only partially accepted this recommendation. This is because, as stated in its replies, the Commission considers that the Corporate Management Board (CMB) is the appropriate body to provide guidance on the content of the Annual Management and Performance Report (AMPR). The Cabinets of the President and the Commissioner responsible for the budget, as observers in the CMB, are part of these discussions. The Commission established processes whereby the central services issue detailed instructions, provide guidance and support, and perform qualitative reviews to ensure that the information in the annual activity reports of the Commission departments represents a reliable and relevant source of information for the AMPR. After drafting the AMPR using the information in these reports, the central services organize interservice consultations and a full collegial adoption process. Therefore, the Commission considers that the data quality and the information provided in the AMPR is relevant and reliable.

The link between the level of approval of the guidance on the AMPR and the problems with data quality mentioned by the ECA remains unclear.

The Commission considers that, for the part that was accepted, this recommendation is implemented with the detailed instructions added in the annex to the orientation note for the AMPR from the CMB and with the publication of the 2021 AMPR on 7 June 2022.

REPLIES OF FRONTEX TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 12: FOLLOW-UP OF THE RECOMMENDATIONS MADE IN OUR SPECIAL REPORTS FROM 2021

Annex 12.2. The Agency welcomes the positive outcome of the follow-up of SR 8/2021 with 13 (72%) fully implemented recommendations and further 2 (11%) implemented in some respects. The Agency would like to highlight that in case of the regional approach towards vulnerability assessment (3(b)(ii)) and the organisation of rapid response exercises (4(a)), neither is required by the currently applicable Regulation (EU) 2019/1896. Nevertheless, the Agency performed rapid border intervention, organised and participated in other rehearsals and quick redeployments with the similar needed effects.

REPLIES OF THE EUROPEAN AGENCY FOR LAW ENFORCEMENT COOPERATION (EUROPOL)
TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT CHAPTER 12: FOLLOW-
UP OF THE RECOMMENDATIONS MADE IN OUR SPECIAL REPORTS FROM 2021

Recommendation 3b:

At EU level there is no reporting framework for capturing the specific statistical aspects of money laundering and document fraud pertaining to migrant smuggling.

Investigations into migrant smuggling duly take into account the aspects of money laundering and document fraud, which the SOCTA 2025¹ identifies as key enablers for migrant smuggling. Among many others, Europol's press release² example on 18 arrests in an Operational Task Force (OTF) supported by Europol in Bulgaria highlights the investigative focus on the use of false documents and parallel financial systems by organised criminals involved in migrant smuggling.

¹ <https://www.europol.europa.eu/cms/sites/default/files/documents/EU-SOCTA-2025.pdf>

² <https://www.europol.europa.eu/media-press/newsroom/news/bulgarian-authorities-arrest-18-for-smuggling-migrants-across-its-southern-border>

**Annual report on the activities funded
by the 9th, 10th and 11th European
Development Funds for the
2024 financial year**

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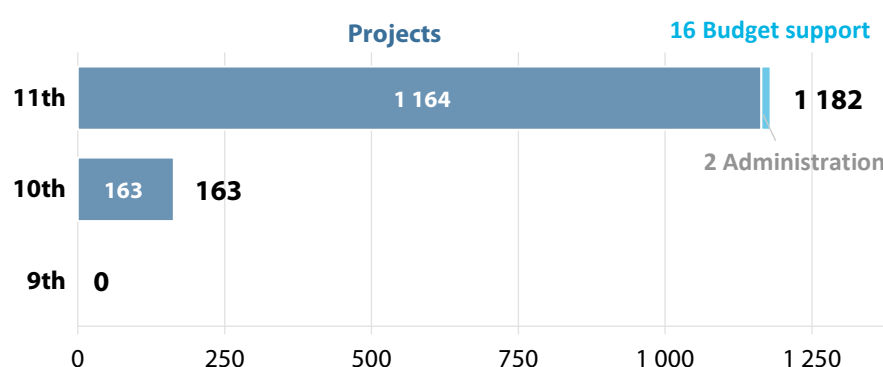
Introduction

01 This annual report presents our findings on the 9th, 10th and 11th European Development Funds (EDFs). **Figure 1** gives an overview of the spending by EDF and our audit population in this area in 2024. Our audit population for 2024 (€2 864 million) represented more than twice the amount of payments made during the year (€1 345 million), mainly due to cleared pre-financing amounts.

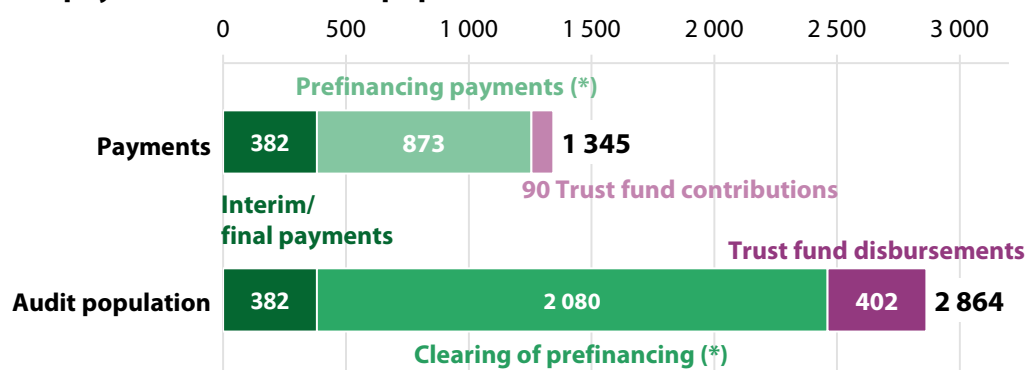
Figure 1 – European Development Funds: 2024 financial overview

(million euros)

EDFs payments by budget line and type



EDFs payments and audited population



(*) In line with the harmonised definition of underlying *transactions* (for details see **Annex 1.1** paragraph **19**).

Source: ECA, based on the 2024 annual accounts of the 9th, 10th and 11th EDFs.

Brief description

02 Launched in 1959, the EDFs were the main instruments by which the European Union (EU) financed development cooperation with the African, Caribbean and Pacific (ACP) countries and *overseas countries and territories (OCTs)* until the end of

2020. The primary objective of the EDFs is to reduce and ultimately eradicate poverty, in accordance with the primary objective of development cooperation as laid down in Article 208 of the [Treaty on the Functioning of the European Union](#) (TFEU). The 11th (and final) EDF covers the 2014-2020 *multiannual financial framework (MFF)*.

03 For the 2021-2027 MFF, development cooperation with ACP countries has been incorporated into the *Neighbourhood, Development and International Cooperation Instrument – Global Europe*, as part of the EU general budget, and cooperation with the OCTs has been incorporated into the [Decision on the Overseas Association, including Greenland](#). However, the 9th, 10th and 11th EDFs have not been incorporated into the EU general budget and continue to be implemented and reported on separately until their *closure*.

04 The EDFs are implemented in challenging geopolitical and organisational environments. Their activities span diverse regions with varying legal and institutional frameworks, requiring the ability to adapt to different regulatory and operational conditions. They are particular in that:

- (a) they are directly financed by the member states' and UK contributions based on quotas, or 'contribution keys';
- (b) they are managed by the Commission, outside the framework of the EU general budget, and the European Investment Bank;
- (c) due to the intergovernmental nature of the EDFs, the European Parliament plays a more limited role in their functioning than it does for the development cooperation instruments financed by the EU general budget; notably, it is not involved in establishing and allocating EDF resources. However, the European Parliament is the *discharge* authority, except for the Investment Facility, which is managed by the European Investment Bank. A tripartite agreement concluded in 2012 between the European Investment Bank, the Commission and the ECA¹ set out the rules for our access and information held by the European Investment Bank concerning these operations; and

¹ Pursuant to Article 134 of [Regulation \(EC\) No 215/2008](#) on the Financial Regulation applicable to the 10th EDF.

- (d) the principle of *annuality* does not apply to the EDFs: EDF agreements were usually concluded for a *commitment* period of 5 to 7 years, and payments can be made over a much longer time frame as the internal agreement establishing the 11th EDF² will remain in force for as long as is necessary for all operations to be fully implemented.

05 The EDFs are managed almost entirely by the Commission's Directorate-General for International Partnerships (DG INTPA). A small proportion (5 %) of the 2024 EDF payments was managed by the Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR). Since 1 February 2025, DG NEAR has been split into two separate DGs: the Directorate-General for Enlargement and the Eastern Neighbourhood (DG ENEST) and the Middle East, North Africa and the Gulf (DG MENA).

06 The expenditure covered in this report relates to support that is delivered in 76 countries (see [Annex I](#) for the main *beneficiary* countries) using a wide range of methods such as works, supply and service contracts, *grants*, *budget support*, *programme estimates* and *delegation agreements* concluded with *pillar-assessed* entities (such as international organisations).

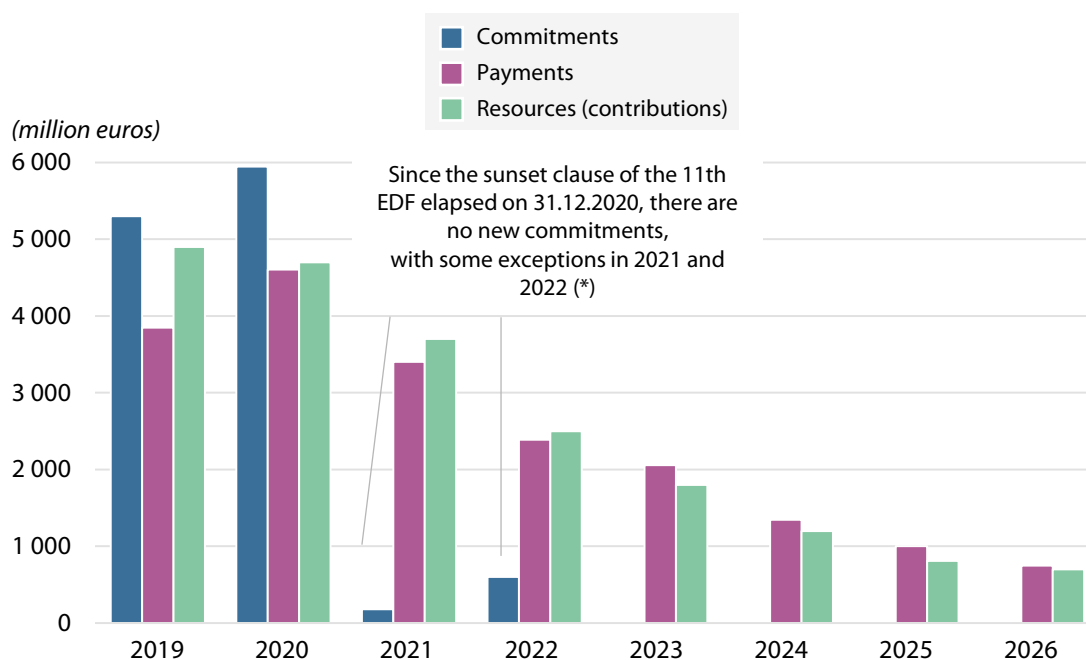
² Article 14(3) of the [internal agreement](#) establishing the 11th EDF.

Financial implementation of the 9th, 10th and 11th EDFs

07 The budget of the 9th EDF (2000-2007) was €13.8 billion, and that of the 10th EDF (2008-2013) €22.7 billion. The [internal agreement establishing the 11th EDF \(2014-2020\)](#) came into force on 1 March 2015. The 11th EDF provides €30.5 billion, of which €29.1 billion has been allocated to the ACP countries and €0.4 billion to the OCTs, with €1 billion for administrative costs.

08 EDF resources (i.e. contributions from the EU member states and the UK) and payments have continued decreasing since 2019 and 2020 respectively, and no new commitments have been made since 2023. Payments are expected to continue decreasing, to a low of €0.75 billion in 2026 (see [Figure 2](#)).

Figure 2 – Trend in EDF commitments, payments and resources (i.e. contributions), including 2025 and 2026 forecasts



(*) The exceptional commitments are:

- (1) reflows under the ACP Investment Facility from operations under the 9th, 10th and 11th EDFs
- (2) reuse of the 10th & 11th EDF reserve under the Council Decision 2022/1223

Source: ECA, based on 2019-2023 ECA annual reports, [Council Decision \(EU\) 2022/1223](#) and [COM\(2024\) 432 final](#).

09 [Figure 3](#) shows the use of EDF resources both in 2024 and cumulatively for the 9th, 10th and 11th EDFs.

Figure 3 – Use of EDF resources as at 31 December 2024

(million euros)

	Situation at end of 2023		Budgetary implementation during the 2024 financial year (net commitments after decommitments / net payments after recoveries)				Situation at end of 2024				
	Total amount (rounded)	Implementation rate (% of resources)	9th EDF ²	10th EDF ²	11th EDF ²	Total amount (rounded)	9th EDF	10th EDF	11th EDF	Total amount (rounded)	Implementation rate (% of resources)
A – RESOURCES¹	65 990		-1	-92	45	-47	15 238	21 054	29 651	65 943	
B – USE											
1. Global commitments (financing decisions)	65 423	99.1 %	-1	-73	-297	-371	15 238	21 005	28 809	65 053	98.7 %
2. Individual commitments (individual contracts)	64 605	97.9 %	-1	-35	77	41	15 237	20 964	28 444	64 646	98.0 %
3. Payments	59 489	90.1 %	0	163	1 182	1 345	15 221	20 640	24 973	60 834	92.3 %
C – Outstanding commitments (B1-B3)	5 934	9.0 %					17	365	3 836	4 219	6.4 %
D – Available balance (A-B1)³	567	0.9 %					0	49	842	890	1.3 %

¹ Include initial allocations to the 9th, 10th and 11th EDFs, co-financing, interest, sundry resources and transfers from previous EDFs.

² Negative amounts correspond to *decommitments*.

³ Available balance includes '*non-mobilisable reserve*' (unusable without unanimous decision from the Council).

Source: ECA, based on 2024 annual accounts of the 9th, 10th and 11th EDFs and additional information provided by the Commission. The figures presented do not cover the part of the EDFs managed by the European Investment Bank.

The ECA's statement of assurance to the European Parliament and the Council on the 9th, 10th and 11th EDFs – Independent auditor's report

Opinion

I. We have audited:

- (a) the annual accounts of the 9th, 10th and 11th EDFs, which comprise the balance sheet, the statement of financial *performance*, the cash flow statement, the statement of changes in net assets, notes to the financial statements and the report on financial implementation for the financial year ended 31 December 2024, approved on 24 June 2025;
- (b) the legality and regularity of the underlying transactions of which financial management falls to the Commission³.

Reliability of the accounts

Opinion on the reliability of the accounts

II. In our opinion, the annual accounts of the 9th, 10th and 11th EDFs for the year ended 31 December 2024 present fairly, in all material respects, their financial position as at 31 December 2024, the *results* of their operations, their cash flows and the changes in their net assets for the year then ended, in accordance with the EDF Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.

Legality and regularity of the transactions underlying the accounts

Revenue

Opinion on the legality and regularity of revenue

III. In our opinion, the revenue underlying the accounts for the year ended 31 December 2024 is legal and regular in all material respects.

³ Pursuant to Articles 43, 48-50 and 58 of the *Financial Regulation* applicable to the 11th EDF, this statement of assurance does not extend to the EDF resources managed by the EIB.

Expenditure

Adverse opinion on the legality and regularity of expenditure

IV. In our opinion, owing to the significance of the matter described under ‘Basis for adverse opinion on the legality and regularity of expenditure’, the expenditure accepted in the accounts for the year ended 31 December 2024 is materially affected by *error*.

Basis for Opinion

V. We have conducted our audit in accordance with the IFAC International Standards on Auditing (ISAs) and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under these standards and codes are described in more detail in the ‘Auditor’s responsibilities’ section of our report. We have also met independence requirements and fulfilled our ethical obligations under the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for adverse opinion on the legality and regularity of expenditure

VI. Our overall *estimated level of error* for expenditure accepted in the accounts of the 9th, 10th and 11th EDFs for the year ended 31 December 2024 is 6.5 %. The effects of the errors we found are therefore both material and pervasive to the year’s accepted expenditure.

Key audit matters

VII. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

Accrued charges

VIII. We assessed the accrued charges presented in the accounts which are subject to a high degree of estimation. At year-end 2024, the Commission estimated that eligible expenses incurred but not yet reported by beneficiaries amounted to €3 885 million (year-end 2023: €5 074 million).

IX. We examined the calculation of these accrual estimates and reviewed a sample of 30 individual pre-financing payments and 24 invoices recorded but not yet checked to address the risk that the accrual was misstated. The work performed led us to conclude that the accrued charges recognised in the final accounts were appropriate.

Responsibilities of management (the Commission)

X. In accordance with Articles 310 to 325 of the TFEU and with the 11th EDF Financial Regulation, management is responsible for preparing and presenting the EDF annual accounts on the basis of internationally accepted accounting standards for the public sector and for the legality and regularity of the underlying transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to *fraud* or error. The management is ultimately responsible for the legality and regularity of the transactions underlying the EDF accounts.

XI. When preparing the EDF accounts, the management is responsible for assessing the EDFs' ability to continue as a going concern, disclosing any relevant matters and using the going concern basis of accounting unless it either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

XII. The management is responsible for overseeing the EDFs' financial reporting process.

Auditor's responsibilities for the audit of the EDF accounts and underlying transactions

XIII. Our objectives are to obtain reasonable assurance as to whether the EDF accounts are free from material misstatement and the underlying transactions are legal and regular, and to provide, on the basis of our audit, the European Parliament and the Council with a *statement of assurance* as to the reliability of the accounts and the legality and regularity of the underlying transactions. Reasonable assurance is a high level of assurance, but it is not a guarantee that the audit has necessarily detected all instances of a material misstatement or non-compliance that may exist. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence any economic decisions taken on the basis of these EDF accounts.

XIV. For revenue, we examine all contributions from member states and a sample of other types of revenue transactions.

XV. For expenditure, we examine payment transactions once expenditure has been incurred, recorded and accepted. This examination covers all categories of payments (other than advances) at the point they are made. Advance payments are examined once the *recipient* of funds has provided evidence of their proper use and the institution or body has accepted that evidence by clearing the advance payment, which might not happen until a subsequent year.

XVI. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the EDF accounts and of material non-compliance of the underlying transactions with the requirements of the EDF legal framework, whether due to fraud or error. We design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Instances of material misstatement or non-compliance resulting from fraud are more difficult to detect than those resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Consequently, there is a greater risk of such instances not being detected.
- Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the *effectiveness* of the internal control.
- Evaluate the appropriateness of the accounting policies used by management and the reasonableness of management's accounting estimates and related disclosures.
- Conclude as to the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, as to whether material uncertainty exists owing to events or conditions that may cast significant doubt on the EDFs' ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our report to the related disclosures in the EDF accounts or, if these disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the EDFs to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including all disclosures, and assess whether the annual accounts fairly represent the underlying transactions and events.

XVII. We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including findings of any significant deficiencies in internal control.

XVIII. Of the matters discussed with the Commission, we determine which were of most significance in the audit of the EDF accounts and are therefore the key audit matters for the current period. We describe these matters in our report unless law or regulation precludes public disclosure or, as happens extremely rarely, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh any public interest benefits.

4 July 2025

Tony Murphy
President

European Court of Auditors

12, rue Alcide De Gasperi – L-1615 Luxembourg

Information in support of the statement of assurance

Audit scope and approach

10 **Annex 1.1** to our 2024 annual report on the implementation of the budget sets out our audit approach and methods, which we also apply to the audit of the EDFs.

11 Our observations on the reliability of the EDF accounts are based on the financial statements⁴ of the 9th, 10th and 11th EDFs, as approved by the Commission⁵, together with the accounting officer's letter of representation received on 20 June 2025. We tested amounts and disclosures and assessed the accounting principles applied, as well as any significant estimates made by the Commission and the overall presentation of the accounts.

12 To audit the regularity of transactions, we examined a sample of 85 transactions that were representative of the full range of spending from the EDFs. This comprised 16 transactions related to the *Emergency Trust Fund for Africa*, one transaction related to the *Bêkou Trust Fund*, 54 transactions authorised by 14 EU delegations⁶ and 14 transactions approved by Commission headquarters. Where we detected errors in the transactions, we analysed the underlying causes to identify potential weaknesses. Moreover, for the transactions audited on the spot, we carried out performance assessments where feasible and relevant.

13 We also examined the following for 2024:

- (a) all member state contributions;
- (b) the systems used by DG INTPA and the EU delegations for: (i) *ex ante* checks by Commission staff and external auditors (contracted by the Commission or beneficiaries) before payments were made, (ii) monitoring and supervision, notably the follow-up of external audits and the *residual error rate (RER)* study;
- (c) the regularity information in the *annual activity report (AAR)* of DG INTPA, the consistency of the methodology for estimating amounts at risk, future corrections and recoveries and their inclusion in the Commission's *annual management and performance report*; and
- (d) the follow-up of our previous recommendations.

⁴ Pursuant to Article 39 of [Regulation \(EU\) 2018/1877](#) on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323.

⁵ In compliance with Article 38 of [Regulation \(EU\) 2018/1877](#) on the financial regulation applicable to the 11th European Development Fund, and repealing Regulation (EU) 2015/323.

⁶ Burundi, Democratic Republic of the Congo, Guinea-Bissau, Kenya, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Sierra Leone, Togo, Uganda, Zambia.

14 As stated in paragraph [05](#), DG INTPA implements most of the external aid instruments financed from both the EU general budget and the EDFs. Our observations on the AAR refer to DG INTPA's entire area of responsibility, not just the EDFs.

Reliability of accounts

15 We found that the accounts were free from material misstatements.

16 As of 31 December 2024, the full accounting closure of the 9th EDF (2000-2007) had not yet taken place – more than 17 years after the introduction of a *sunset clause* in 2007. This highlights the complexity and long duration of some EDF *programmes*. Eight contracts remain ongoing under the 9th EDF.

17 We found that the Commission, when calculating cut-off estimates, consistently took into account extensions of contract implementation periods that occurred after the end of the reporting period. This improvement is mainly due to the Commission's implementation of the recommendation made in our [2023 annual report](#).

18 As in previous years, we found that some pre-financing payments had remained uncleared for up to 16 years, including €446 million that had remained uncleared for more than 10 years. These pre-financing payments relate mainly to the EU-Africa Infrastructure Trust Fund (EU-AITF). Due to the long-term nature of operations supported by this fund, only a fraction of old AITF pre-financing is cleared each year, and such clearing extends over many years.

Regularity of transactions

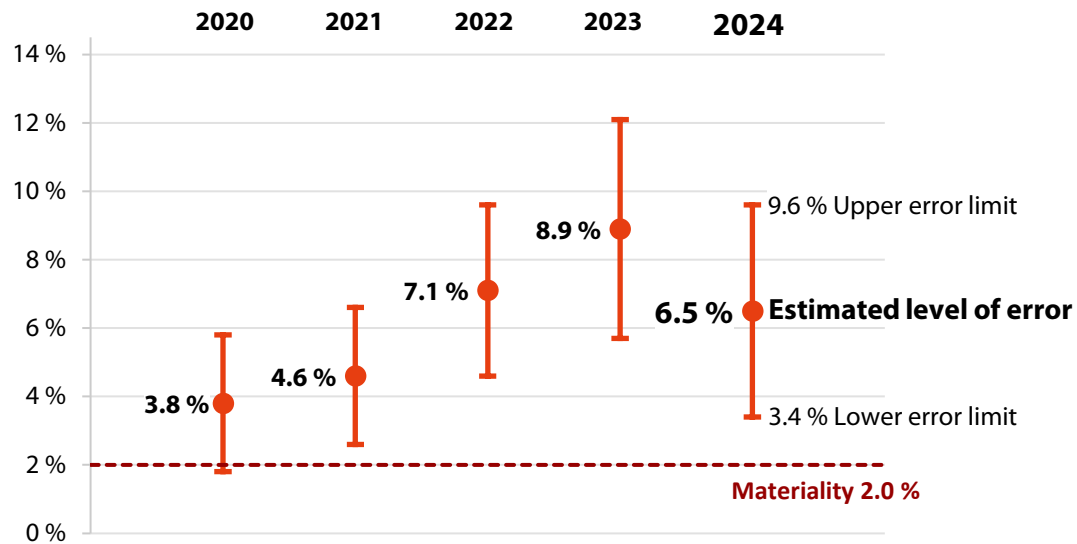
Revenue

19 Revenue transactions did not contain a material level of error.

Expenditure

20 Of the 85 transactions we examined, 34 (40.0 %) contained errors. On the basis of the 27 errors we have quantified, we estimate the level of error to be 6.5 % (see [Figure 4](#)).

Figure 4 – Results of transaction testing

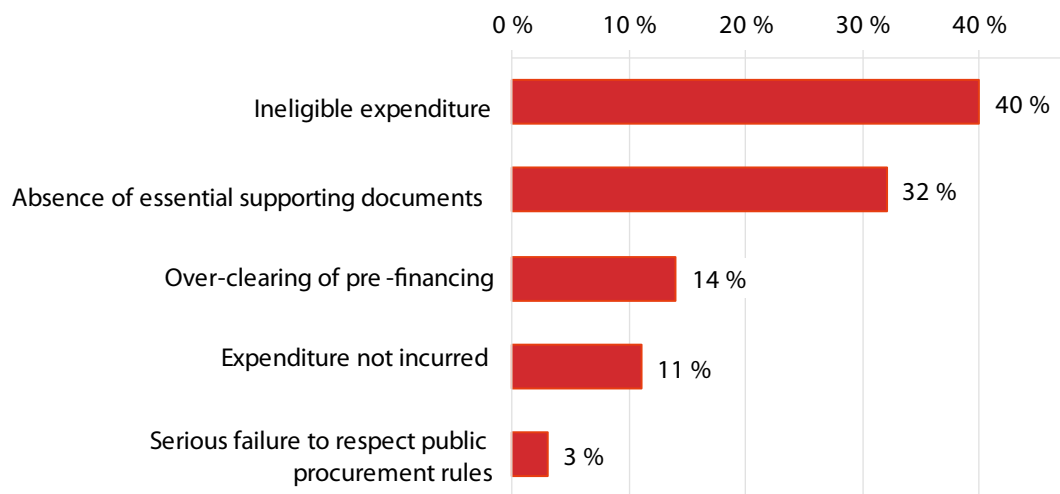
Estimated level of error (ELE)**Sample size (transactions)**

2020	2021	2022	2023	2024
140	140	140	140	85

Source: ECA.

21 Figure 5 gives a breakdown of our estimated level of error for 2024 by error type. The error types that contributed most to our estimated level of error were ineligible expenditure, absence of essential supporting documents, over-clearing of pre-financing, expenditure not incurred and serious failure to respect *public procurement* rules.

Figure 5 – Breakdown of estimated level of error, by error type



Source: ECA.

22 *Box 1* presents examples of errors we have quantified.

Box 1

Ineligible expenditure charged to the project

The Commission signed a *contribution agreement* with an international organisation to support migrant protection and reintegration in North Africa. The total cost of the action was €58 million, fully funded by the EU.

The international organisation charged reintegration assistance costs for 4 496 migrants totalling €7.2 million, including a *lump sum* of €250 per migrant returning from Libya to Chad. This amount was claimed to cover the costs and services of a reintegration assistant employed by the organisation's Chad office.

However, this lump sum was not clearly defined or substantiated in the annex to the contribution agreement, as required by the general conditions. In addition, the use of this category of costs had not been approved by means of a Commission *ex ante* review and was not specified in the contract's special conditions.

As a result, we considered these costs ineligible.

Absence of essential supporting documents and expenditure not incurred during the contract implementation period

The Commission signed a grant agreement to provide an organisation with institutional support. The total value of the agreement was €23 million, with an EU contribution of €17 million.

We audited costs related to benefits some staff members had received at the end of their contracts and found several errors.

In one case, we did not receive essential supporting documents, such as an employment contract and payslip, to verify the staff member's entitlement to the claimed benefits totalling €0.1 million. As a result, we considered these costs ineligible.

In addition, although the contract's implementation period ran from January to December 2021, we found that some of the benefits claimed, amounting to €0.7 million, related to staff whose contracts had already ended in 2020. This meant that the costs relating to these benefits had been incurred outside the contract implementation period. We therefore considered these costs ineligible.

Over-clearing of pre-financing: expenditure accepted as eligible without having been incurred

We audited a €1.8 million transaction under a contribution agreement concluded with an international organisation. The action was implemented under *indirect management*, with an EU contribution of €3.2 million.

The transaction concerned the clearing of pre-financing based on the financial report submitted by the international organisation for the period up to 31 December 2023.

During our audit, we found that the financial report included €0.4 million which had been incorrectly cleared, as it concerned budget *appropriations* rather than actual expenditure. As a result, we considered this amount ineligible.

Serious failure to respect public procurement rules: deficiencies in technical specifications and award criteria in procurement for solar pumps

The Commission signed a grant agreement with a non-governmental organisation (NGO) and its partners for a project in East Africa to strengthen vegetable value chains and enhancing youth economic empowerment. The project was valued at €0.6 million, with EU financing of up to €0.5 million.

As part of the project, the NGO installed five solar pumps on farms benefiting from the project. These pumps were procured via a negotiated procedure. However, the requests for quotation sent by the NGO to three companies did not include technical specifications or evaluation criteria. Two companies submitted offers, and the contract was awarded to the company that submitted the more expensive offer. The reasons cited in the evaluation report for this decision were the company's previous performance and its perceived reliability.

The absence of defined technical specifications and evaluation criteria meant that the competitor with the lower offer did not have the opportunity for a fair assessment. As a result, there was no assurance that the procurement procedure ensured the best value for money, and we considered the related expenditure ineligible.

23 Of the 27 transactions containing *quantifiable errors*, 8 were affected by errors due to beneficiaries not declaring separately lump sums or other costs declared under simplified cost options (SCOs), but rather as part of their personnel costs or expenditure breakdown. The contracts were unclear on what constitutes a lump sum. This lack of clarity increases the risk of beneficiaries misreporting expenditure and highlights the need for the Commission to provide clearer guidance on the use and declaration of lump sums (see [Box 1](#)).

24 We found that three transactions were affected by over-clearing of prefinancing, contributing 0.9 percentage point to the estimated level of error. In these cases, the Commission accepted financial reports that included advance payments, which do not constitute costs incurred and are therefore ineligible (see example in [Box 1](#)). In our [2023 annual report](#), we recommended that the Commission implement sufficient controls to mitigate the risk of clearing ineligible amounts paid to pillar-assessed organisations. The Commission agreed to implement the recommendation by the end of 2025.

25 Of the 36 transactions relating to contracts under indirect management with pillar-assessed organisations (international organisations and state agencies), 15 were affected by quantifiable errors, contributing 2.8 percentage points to the estimated level of error. For such contracts, the Commission accepts expenditure on the basis of a financial report and a management declaration. The latter is a self-declaration from the pillar-assessed organisation certifying that the financial information submitted is properly presented, complete and accurate, and in compliance with the obligations laid down in the contract.

26 As in previous years, we faced delays in receiving requested documentation from some international organisations and, consequently, in carrying out our work. They restricted our access to documents only to a temporary electronic consultation in a view-only environment without transferring them to us. This hindered the planning, execution and quality control of our audit. These difficulties persisted despite the Commission's attempts to resolve them through ongoing communication with the

international organisations concerned. In previous annual reports⁷, we have recommended that international organisations provide us with access to the documents we need to carry out our tasks in accordance with the TFEU. We also recalled this recommendation in our [2023 annual report](#). Paragraphs **8.13** in **chapter 8** and **9.15** in **chapter 9** of our 2024 annual report on the implementation of the EU budget also describe this issue.

27 In 13 cases of quantifiable error, the Commission had sufficient information to prevent, or to detect and correct, the error before accepting the expenditure. Had the Commission made proper use of all the information at its disposal, the estimated level of error would have been 2.2 percentage points lower.

28 We also found 10 cases of non-compliance with legal and financial *provisions* but with no direct financial *impact* on the EU budget. These errors, which were not quantifiable, related to, for example, non-compliance with EU visibility rules (see [Box 2](#)).

Box 2

Non-compliance with visibility rules

We audited the clearing of pre-financing worth €38 million under a contribution agreement signed with an international organisation and implemented under indirect management. The project aimed to strengthen the health system in support of universal health coverage through a range of various activities. The total cost of the action was €215 million, with an EU contribution of €208 million (97 %).

Beneficiaries of EU funds are required to clearly publicise the fact that the EU has financed all or part of the action they are implementing. We found several cases of non-compliance with these visibility rules: there was no mention of the EU's financial contribution in the artworks produced for a global health forum, nor on the official websites of subsidised universal health coverage events, nor in the documents relating to a sub-grant awarded by the international organisation to a public entity in an ACP country.

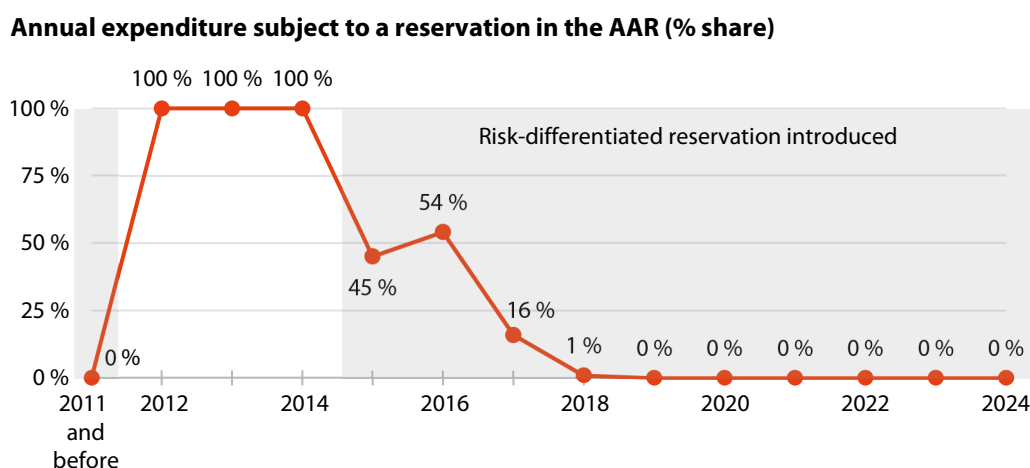
⁷ 2018 and 2020 annual reports on the EDFs.

29 Over the years, we have consistently found fewer errors in two spending areas due to their specific payment conditions. These areas are: (i) budget support and (ii) projects subject to the '*notional approach*'. In 2024, we audited four '*notional approach*' transactions but our sample did not include any budget support transactions. Paragraphs **9.20-9.22** in **chapter 9** of our 2024 annual report on the implementation of the EU budget give more details on budget support and the notional approach.

Review of DG INTPA's 2024 annual activity report

30 The Director-General's declaration of assurance in DG INTPA's 2024 AAR does not include any *reservations*. DG INTPA has significantly reduced the scope of reservations (i.e. the share of expenditure covered by them), from 16 % in 2017 to 1 % in 2018, and then to zero from 2019 onwards. **Figure 6** shows the scope of reservations presented in the AARs each year from 2011 to 2024.

Figure 6 – DG INTPA annual activity report reservations 2011-2024



Source: ECA, based on data from DG INTPA annual activity reports, 2011-2024.

31 DG INTPA estimates the overall amount at risk at payment to be €89.7 million (1.1 % of 2024 expenditure) and the overall amount at risk at closure to be €78.6 million (0.97 % of 2024 expenditure). Of the amount at risk at payment, DG INTPA estimates, based on average historical data, that €11.1 million (12.4 %) will be corrected by its checks in subsequent years (this amount is known as the '*corrective capacity*'). Out of this estimated amount, the Commission reported €5.0 million as having actually been recovered in 2024. Having tested 60.9 % of this implemented amount (€3.1 million), we found that €0.2 million should not have been reported as implemented corrective capacity.

2024 residual error rate study

32 In 2024, DG INTPA had its 13th RER study carried out by an external contractor. The purpose of the study is to estimate the rate of those errors that have evaded all DG INTPA management checks across its entire area of responsibility, in order to conclude on the effectiveness of those checks. The study is an important element underlying the Director-General's *declaration of assurance*, and feeds into the regularity information on *external action* disclosed in the annual management and performance report.

33 Our previous annual reports⁸ on the EDFs have already described limitations in the studies that may have contributed to the RER's underestimation, and in 2022 we recommended improving the methodology used for the RER study so that high-value items are extrapolated correctly. The RER study is based on the RER methodology and manual provided by DG INTPA. For the 2024 RER study, DG INTPA used a sample size of 401 transactions. The study estimated the overall RER at 0.48 %. For the 9th year in a row, the RER was below the Commission's 2 % *materiality threshold*.

34 In 2024, the Commission decided to revise the RER methodology with effect from 2025. The amendments aim, *inter alia*, at defining more clearly the treatment of high-value items and capping the possibility to rely entirely on the results of management checks and other auditors' work. However, some shortcomings exist. The revised methodology still allows errors to be classified as "isolated", meaning they can be excluded from extrapolation in the residual error rate calculation. As in previous years, the audit will focus only on closed contracts while most of DG INTPA payments are for ongoing contracts. Preparatory work on the implementation of this methodology revision is ongoing and we should be able to verify its correct implementation next year (see [Annex II](#)).

⁸ 2017, 2018, 2019 and 2020 annual reports on the EDFs.

Assessment of project achievements during our audit visits

35 As part of our audit visits, we also assessed the achievement of projects that were either completed or close to completion. Our aim was to make observations on *performance* aspects going beyond the regularity of transactions. Our assessment included, but was not limited to, a review of *output* and outcome indicators, as well as project results.

36 The results of our checks varied. In some cases, funding had been used effectively and contributed to the achievement of project objectives (see [Box 3](#)).

Box 3

Successful implementation of a project

The Commission signed a *delegation agreement* with a state agency for €8.65 million to improve transparency and effectiveness in managing public resources in a southern African country and to support domestic revenue mobilisation. An external evaluation rated the project as “highly successful”. Our audit confirmed that the project had successfully contributed to strengthening budget planning and investment management. Notable achievements include the introduction of output-based budgeting, support for a public investment database, and the piloting of mobile offices to enhance the national tax authority’s outreach in remote areas.

37 However, as in previous years⁹, we also identified cases in which EU projects had failed to achieve all their objectives (see [Box 4](#)). In particular, the infrastructure built under the projects was not always maintained after project completion, raising serious concerns about their durability. The Commission did not systematically assess the state of project infrastructure before making final payments; nor did it follow up to ensure that such infrastructure remained in use.

⁹ 2022 and 2023 annual reports on the EDFs.

Box 4

Projects that failed to achieve all their objectives

(a) Collapsed greenhouses and abandoned farms

We audited a €600 000 project to promote youth employment through sustainable greenhouse farming in a West African country. The initiative included the construction of greenhouses, irrigation systems and childcare facilities to support young farmers. However, most of the greenhouses we saw during our field visits had collapsed shortly after their supposed completion due to weak structures and exposure to extreme weather conditions. In some locations, irrigation systems were not working due to broken solar pumps, leaving crops to wither. The childcare and crop sorting facilities were also either severely damaged or abandoned.

Picture 1 – Greenhouses collapsed and in a state of disrepair



Source: ECA, on-the-spot check.

(b) Leather tanning centre never used and facilities at poultry market left vacant

We audited a project to support economic competitiveness in a North-West African country. The project included the building of infrastructure worth a total of €4 million. We visited a leather tanning centre and a poultry market. The visit revealed that the leather tanning centre had never been used because it did not meet the needs of its intended users as the basins were not watertight.

Similarly, facilities at the poultry market remained empty months after its completion. It lacked the necessary resources for day-to-day operation: it had no electricity as local authorities had stopped covering utility costs once EU support ended. Furthermore, the necessary administrative decisions on the allocation of the poultry selling space were still pending at municipal level.

Picture 2 – Leather tanning centre never used



Source: ECA, on-the-spot check.

Conclusion and recommendations

Conclusion

38 The overall audit evidence indicates that the EDFs' accounts for the financial year ending 31 December 2024 present fairly, in all material respects, their financial position, the results of their operations, their cash flows and the changes in net assets for that year, in accordance with the provisions of the EDF Financial Regulation and the accounting rules based on internationally accepted accounting standards for the public sector.

39 The overall audit evidence indicates that, for the financial year ended 31 December 2024:

- (a) the revenue of the EDFs was not affected by a material level of error;
- (b) EDF payment transactions were affected by a material level of error (see paragraphs [20-27](#)). We estimate the level of error to be 6.5 %, based on our transaction testing.

Recommendations

40 [Annex II](#) shows the findings of our follow-up of recommendations made in our previous annual reports. We still consider recommendation 1 from our [2020 annual report](#), on complete and timely access to documents provided by international organisations, to have been implemented in only some respects. We reviewed two recommendations made in our [2021 annual report](#). The Commission had implemented both recommendations in most respects.

41 We also reviewed six recommendations from our [2022 annual report](#) on the EDFs and one recommendation from our [2023 annual report](#) on the EDFs that required immediate action. The Commission had implemented two recommendations from 2022 in full, three in most respects and one in some respects, and the one recommendation from 2023 in full (see [Annex II](#)). Based on this review and our findings and conclusions for 2024, we make the following recommendations to the Commission:

Recommendation 1 – Ensure compliance with visibility rules

Strengthen controls to ensure that organisations implementing contracts, as well as their own implementing partners, comply with visibility rules. This could include requiring evidence of such compliance before clearing the final pre-financing amount or making the final payment.

Target implementation date: end of 2027.

Recommendation 2 – Strengthen checks related to lump sums or other costs declared under simplified costs options

To reduce the risk of beneficiaries incorrectly claiming lump sums or other costs declared under SCOs, the Commission should:

- (a) provide them with further guidance and clarify what constitutes a lump sum; and
- (b) ensure, as regards costs declared under SCOs, that the underlying methodology has undergone a positive *ex ante* assessment in accordance with the Commission's procedures. Furthermore, it should verify that, when claimed, such costs comply with contractual requirements.

Target implementation date: end of 2026.

Recommendation 3 – Take steps to increase project durability

The Commission should take steps to increase project durability so that any infrastructure built under the projects is preserved. In particular, it should:

- (a) liaise better with national authorities so that infrastructure projects have sufficient resources for day-to-day operations and maintenance, and that final recipients have adequate training and expertise;
- (b) strengthen checks, for example via on-the-spot visits, related to the actual usage of such infrastructure; and
- (c) take into account the findings of these checks in similar future funding decisions or instruments and apply the lessons learned.

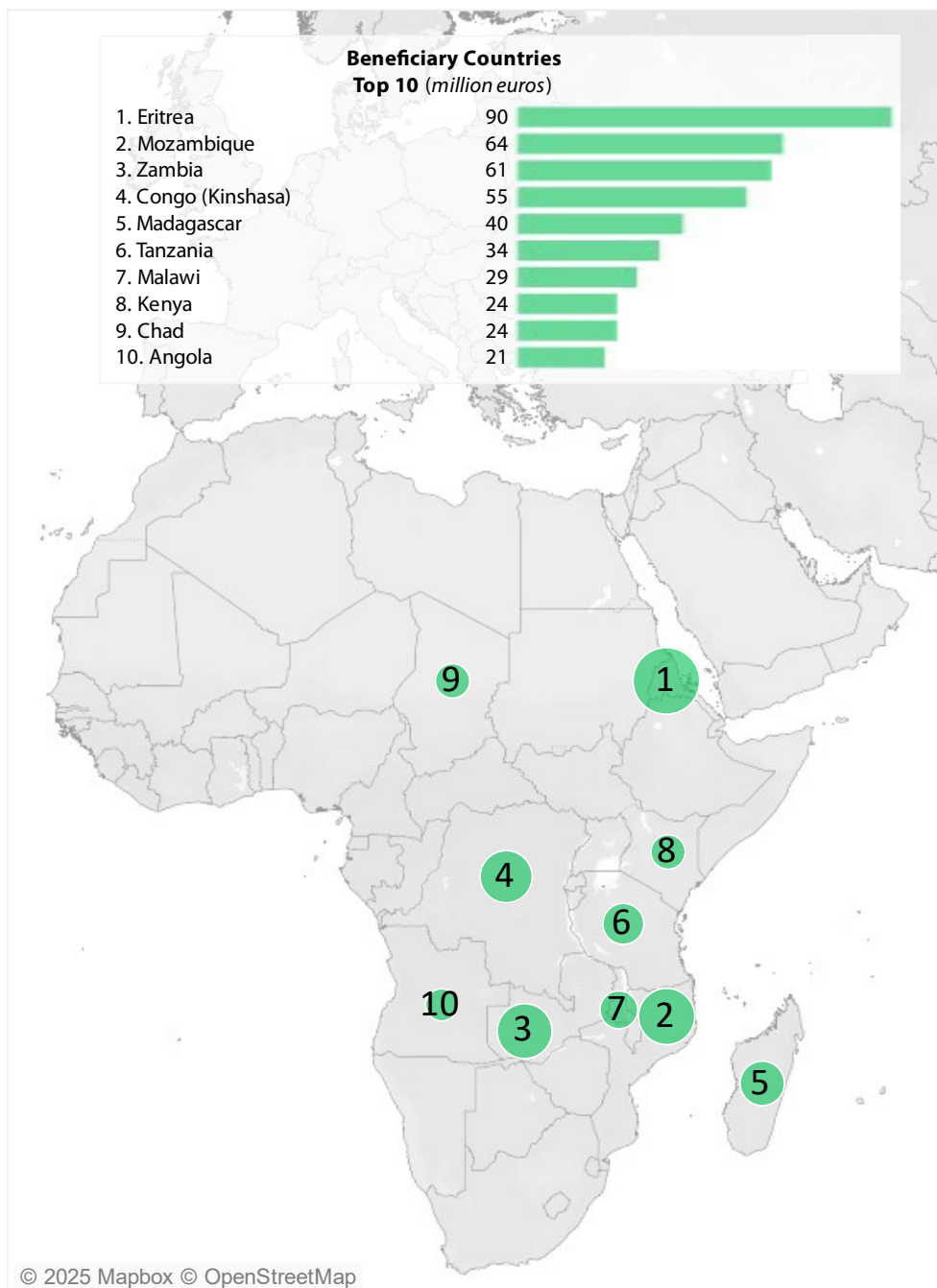
Target implementation date: end of 2026.

Annexes

Annex I – EDF payments to main *beneficiary* countries: Africa, Pacific and Caribbean

European Development Fund payments in 2024 – Africa

European Development Fund Payments – Africa

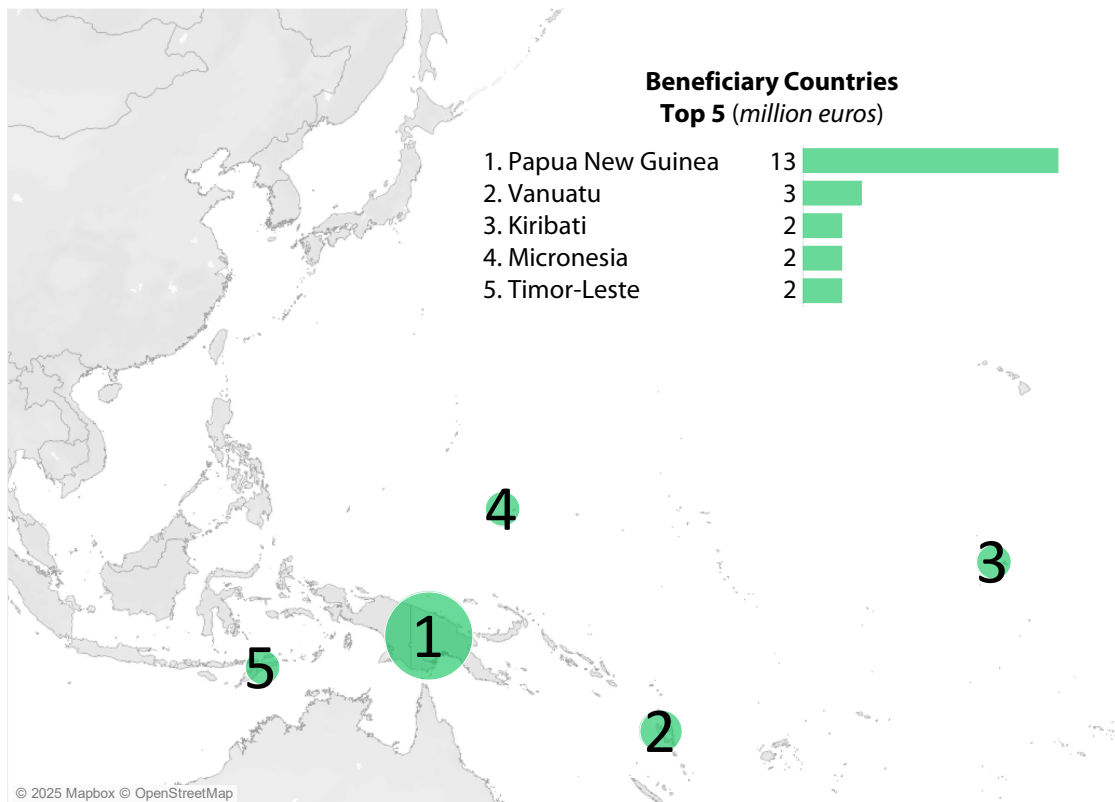


Source: Map background © [Mapbox](#) and © [OpenStreetMap](#) licensed under the Creative Commons Attribution-ShareAlike 2.0 license (CC BY-SA).

<i>Top 10 - Beneficiary countries in previous years (in million euros)</i>							
<i>2019</i>		<i>2020</i>		<i>2021</i>		<i>2022</i>	
Nigeria	119	Senegal	141	Somalia	219	Mozambique	104
Mali	103	Burkina Faso	141	Congo (Kinshasa)	109	Sudan	100
Burkina Faso	94	Benin	116	Tanzania	101	Uganda	60
Ethiopia	91	Mozambique	114	Uganda	84	Congo (Kinshasa)	57
Congo (Brazzaville)	91	Nigeria	104	Niger	81	Zambia	56
Nigeria	91	Niger	104	Malawi	79	Malawi	51
Malawi	87	Ghana	100	Mozambique	74	Chad	48
Tanzania	71	Chad	95	Sudan	70	Tanzania	48
Uganda	64	Congo (Kinshasa)	93	Nigeria	66	Burundi	48
Rwanda	60	Uganda	90	Kenya	65	Kenya	48
						Eritrea	40

European Development Fund payments in 2024 – Pacific

European Development Fund Payments – Pacific

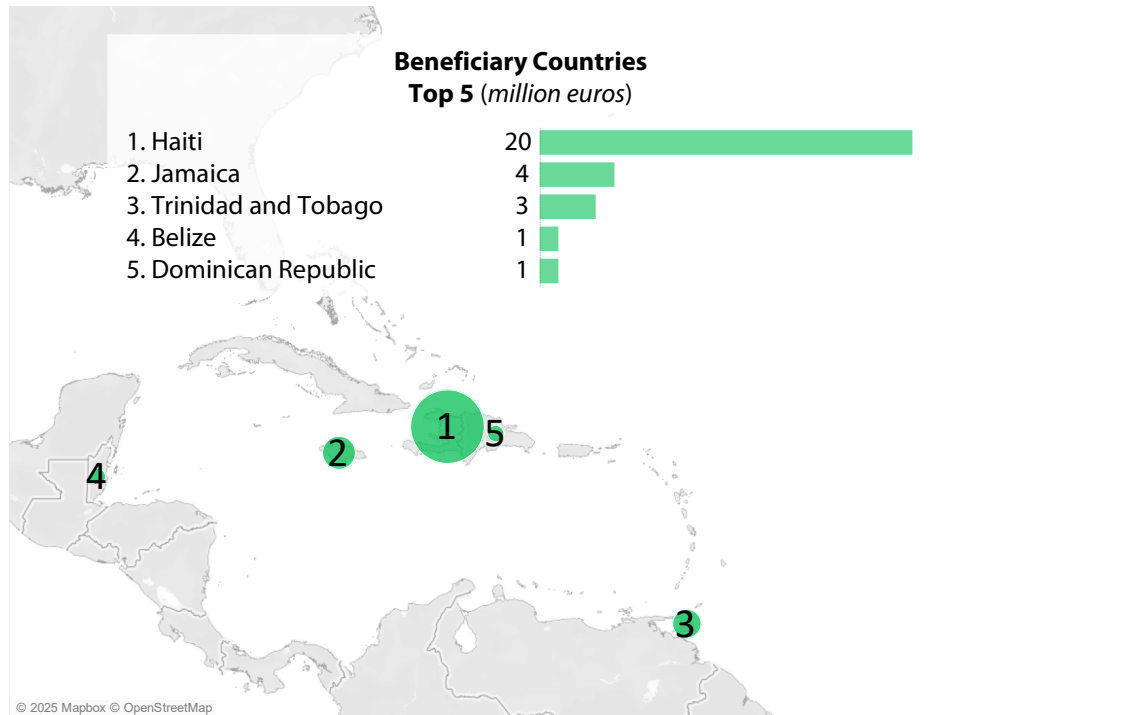


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Top 5 beneficiary countries in previous years (in million euros)									
2019		2020		2021		2022		2023	
Papua New Guinea	14	Timor-Leste	19	Papua New Guinea	29	Papua New Guinea	23	Papua New Guinea	24
New Caledonia	13	Vanuatu	12	Timor-Leste	9	Timor-Leste	11	Timor-Leste	7
French Polynesia	11	Fiji	11	Vanuatu	6	Fiji	5	Fiji	7
Timor-Leste	7	Papua New Guinea	10	Fiji	5	Vanuatu	4	Vanuatu	5
Solomon Islands	4	Solomon Islands	8	Marshall Islands	3	Kiribati	4	Kiribati	3

European Development Fund payments in 2024 – Caribbean

European Development Fund Payments – Caribbean



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Top 5 beneficiary countries in previous years (in million euros)							
2019		2020		2021		2022	
Haiti	35	Haiti	76	Haiti	47	Haiti	18
Dominican Republic	19	Jamaica	23	Jamaica	11	Jamaica	7
Jamaica	10	Dominican Republic	15	Guyana	8	Dominican Republic	6
Dominica	9	Guyana	10	Belize	7	Belize	3
Curaçao	7	Suriname	3	Dominican Republic	6	Dominica	3
						Jamaica	3

Annex II – Follow-up of recommendations

Level of implementation:  fully;  in most respects;  in some respects;  not implemented;  unable to conclude or no longer relevant.

Level of acceptance:  accepted;  partially accepted;  not accepted;  no information.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
2020	Recommendation 1: Take steps so that international organisations provide the ECA with complete, unlimited and timely access to documents necessary to carry out its task in accordance with the TFEU, and not just in read-only format. Timeframe: by the end of 2021.			The Commission has stepped up communication with international organisations regarding our access to documents. Some international organisations continue to provide read-only access to supporting documentation (see paragraph 26).
2021	Recommendation 1: Strengthen internal control to ensure that no contracts are signed without the existence of a valid legal basis. Timeframe: by the end of 2023.			The Commission harmonised and simplified procedures and contract conditions through the adoption of the 'model grant agreement' and through onboarding in <i>eGrants</i> . These steps are currently being finalised. Moreover, the relevant checklists have been reinforced to ensure that no contracts are signed without the existence of a valid legal basis. Headquarters and Delegation staff was informed of these changes through the note sent in December 2023.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	Recommendation 2: Take appropriate measures aimed at ensuring that any commitments or advance payments claimed as incurred costs by beneficiaries in their financial reports are deducted before carrying out payments or clearings. Timeframe: by the end of 2023.			The Commission has taken measures such as issuing guidelines, introducing an additional checklist and engaging in awareness raising, particularly at the 2024 meeting of the EC-UN Joint Technical Reference Group.
2022	Recommendation 1: Check that all accounting balances for closed EDFs are cleared and that information in the annual accounts is updated in a timely manner. Timeframe: in the time for the preparation of the 2023 accounts.			
	Recommendation 2: Check that pre-financing and invoices are cleared in a timely manner. Timeframe: end of 2024.			In 2024, DG INTPA carried out a risk analysis on budgetary risks and issued instructions aimed at further reducing the amount of old prefinancing not yet cleared.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	Recommendation 3: Take appropriate measures to improve EU delegations' control systems so that amounts not yet spent but claimed as incurred costs are identified before making payments or clearing expenditure. Timeframe: end of 2024.			The Commission is currently reviewing its control strategy. One of expected outcomes is improved guidance on financial reporting, but also improved <i>ex ante</i> controls, in order to better prevent errors (including excess clearing).
	Recommendation 4: Reiterate to beneficiaries of EU projects that they must abide by contractual conditions relating to VAT eligibility, and carry out the necessary checks to ensure that deductible VAT is not charged to projects. Timeframe: end of 2024.			
	Recommendation 5: Take into consideration all available technical and financial information to prevent, or detect and correct, errors before accepting expenditure. Timeframe: end of 2024.			The Commission is reviewing its control strategy and, with the support of a consulting company, launched a study in 2024 to investigate the <i>efficiency</i> and effectiveness of current controls and ways to improve them. Conclusions are expected to be delivered in 2025.

Year	ECA recommendation	Level of acceptance	ECA analysis of progress made in implementing recommendation	
			Level of implementation	Remarks
	Recommendation 6: Improve the methodology used for the RER study so that high-value items are extrapolated correctly, and verify that the contractor applies it properly. Timeframe: end of 2024.			The Commission did not accept this recommendation. However, in May 2024, following a review of DG INTPA's control strategy, the RER methodology was re-assessed and the methodology to extrapolate high value items has been clarified. This new RER methodology should come into effect in 2025. The preparatory work on its implementation is ongoing and we should be able to assess its correct application from that year onwards (see paragraph 34).
2023	Recommendation 1: When calculating cut-off estimates during the preparation of the provisional accounts, take into account changes to contracts that have occurred after the end of the reporting period. Timeframe: from the 2024 accounts onwards.			

**European Commission replies to the
annual report on the activities funded
by the 9th, 10th and 11th European
Development Funds for the
2024 financial year**

REPLIES OF THE EUROPEAN COMMISSION TO THE EUROPEAN COURT OF AUDITORS' 2024 ANNUAL REPORT: REPORT ON THE ACTIVITIES OF THE 9TH, 10TH AND 11TH EUROPEAN DEVELOPMENT FUNDS FOR THE FINANCIAL YEAR 2024

I. THE COMMISSION REPLIES IN BRIEF

The Commission welcomes the report of European Court of Auditors, takes note of the findings and is committed to implement the appropriate remedial actions where necessary. The Commission notes with satisfaction the reduction of the error rate - reported by the Court at 6.5% this year, compared to 8.9% and 7.1% (in 2023 and 2022 respectively). The Commission is stepping up its efforts to further reduce the error rate in the future. The Commission takes note of the example of successful achievement of a project and monitors closely the implementation of the EU-funded projects. The Commission is committed to undertake remedial actions in cases where the implementing partners fail to fulfil their obligations.

The Commission wishes to underline that the implementation of EDFs takes places in risky, complex and increasingly fast-evolving environments. It is characterised by diversity:

- in terms of geographical dispersion, covering many different EU Delegations (EUD) around the world;
- in terms of implementing entities and partner countries with their diverse management and control capacities, ranging from small local NGOs to International Organisations; and
- in terms of assistance delivery methods, including traditional projects, budgetary support, sectoral policy support programmes, contributions to global instruments, blending, budgetary guarantees, and other aid implementation modalities.

Additionally, the Commission faces challenges in assigning staff to delegations located in hardship countries, as well as a shortage of specialized professionals both in the European Union Delegations (EUD) and at the headquarters (HQ). The Commission takes all necessary measures to ensure full and efficient implementation of the EDFs in accordance with the existing legal and financial framework. The Commission continues to adapt and refine its procedures to further reduce the risk of errors, while taking into account, amongst others, the results of the ECA's statement of assurance. Notably, the Commission's Directorate-General for International Partnerships (DG INTPA) is adapting its overall control strategy in order to address the root causes of errors and respond to ECA's recommendations.

The ECA's annual error rate measures, among others, errors in contracts which can still be subject to controls and corrections by the Commission in subsequent accounting years. Through the Residual Error Rate (RER) study, the Commission estimates a level of error based on a representative sample of closed contracts – by that time, many issues will have been solved. The ECA's error rate and the Commission's residual error rate for the expenditure of the EDFs in 2024 are therefore not directly comparable.

II. COMMISSION REPLIES TO MAIN ECA OBSERVATIONS

1. Reliability of accounts

The Commission notes that from the total of EUR 446 million pre-financing payments that remain uncleared for more than 10 years, EUR 426 million relate to two contracts under the EU-Africa Infrastructure Trust Fund (AITF). The aim of this Trust Fund is to provide financial support with grants to infrastructure projects leveraging thus alongside long-term financing made available by Project Financiers (specific development finance institutions that have been designated by each donor of the Trust Fund). The two contracts will end in 2030 and the annual clearing of the AITF's old pre-financing is very limited and spreads out over years. With the view to better reflect the contract conditions, the amount of EUR 392 million was re-classified as long-term pre-financing. Those 2 cases represent the 96% of the total open prefinancing older than 10 years. In addition, a total of 2.8 million are linked to an old one litigation case.

To reduce the remaining old open pre-financing, the Commission has already put in place and will continue to perform various annual controls. Furthermore, the Portfolio Dashboard deployed by the Commission since October 2023 will further support the reduction of the EDF old open pre-financing by:

- highlighting the effort to be made by each Delegation or unit; and
- identifying which transactions should be treated in priority.

2. Regularity of transactions

Expenditure

The Commission agrees that further guidance on lump sums would be beneficial (see recommendation 2 (a) of the ECA report). At the same time, it considers that 4 out of 8 errors are related to transactions managed under indirect management mode with contracts implemented by pillar-assessed entities that submit a global financial report that does not include detailed list of expenditure. For contracts managed under the indirect management mode these lump sums are a component of other costs (very often personnel costs) and are not visible in the report.

The Commission continues its efforts to address the errors relating to contract managed under indirect management with pillar-assessed organisations (see §25) by raising awareness to its staff on a regular basis through notes, newsletters and trainings, on how to correctly implement the contractual framework and relevant procedures when it comes to considering the available technical and financial information before accepting expenditure.

The Commission has also strengthened its analysis of recurrent and systemic findings in order to prevent, detect and correct errors. This analysis as well as the most frequent errors are discussed with partner organisations, notably the United Nations, in annual working group meetings such as the EU-UN Financial and Administrative Framework Agreement (FAFA) Working Group.

The Commission welcomes the observation (see §26) that it had intensified communication with international organisations to raise awareness on the need to ensure that ECA auditors obtain access to documents when auditing EU-funded projects.

The Commission took many steps in this respect: the Commission has facilitated discussions between the United Nations organisations and ECA and supported all initiatives to find permanent solutions on access to and retention of documents. The issue is regularly included on the agenda of meetings with partners, including the formal meeting of the EU-UN Financial and Administrative Framework Agreement (FAFA) group and the more operational Joint Reference Group which discusses systematically audit and control issues.

However, the Commission acknowledges that despite all the efforts, some constraints regarding access to documents persist due to the existing legal frameworks of the implementing partners. The Commission will continue to provide support to the auditors and engage with the partner organisations to facilitate ECA audits.

Review of DG INTPA's 2024 annual activity report

DG INTPA follows the corporate Commission rules and guidelines on whether to issue a reservation under the AAR. In 2024, the residual error rates calculated by DG INTPA remain below the materiality threshold of 2%.

2024 Residual error rate study

The Residual Error Rate (RER) study is an important element underpinning the declaration of assurance of the Director-General of DG INTPA; however, it is not the only source of assurance. DG INTPA has a comprehensive internal control framework and a control strategy covering the full implementation cycle. All elements of the control framework serve as building blocks for its assurance which is reported in its Annual Activity Report. The latter is the basis for the regularity information in the Annual Management and Performance Report (AMPR).

The Commission recognises the limitations in terms of controls set in the Financial and Administrative Framework Agreement (FAFA) with the United Nations and is looking for workable solutions, acceptable to both parties. The Commission keeps working on improving the RER methodology. A new approach addressing the comments made by the Court is already being used in view of the 2025 RER study implementation.

3. Assessment of project achievements during ECA audit visits

The Commission agrees on the importance of ensuring the sustainability of infrastructure projects (see §37 and Box 4 of the ECA report). To achieve this objective, the Commission systematically involves national (and, where appropriate, local) authorities from the outset, seeks long-term commitments, integrates sustainability into project design and looks for coordination and synergy with other partners particularly to support/strengthen institutional frameworks for maintenance.

However, the long-term durability of infrastructure projects ultimately depends on national strategies and policies, as well as on the continued commitment of national authorities to allocate adequate financial and human resources, to build on existing technical capacities, and to further develop the regulatory framework. This is also a strategic concern for other donors, particularly EU Member States.

III. COMMISSION REPLIES TO THE RECOMMENDATIONS

Recommendation 1 – Ensure compliance with visibility rules

Strengthen controls to ensure that organisations implementing contracts, as well as their own implementing partners, comply with visibility rules. This could include requiring evidence of such compliance before clearing the final pre-financing amount or making the final payment.

Target implementation date: end of 2027.

The Commission **accepts** the recommendation.

Recommendation 2 – Strengthen checks related to lump sums or other costs declared under simplified costs options

To reduce the risk of beneficiaries incorrectly claiming lump sums or other costs declared under SCOs, the Commission should:

- (a) provide them with further guidance and clarify what constitutes a lump sum; and**
- (b) ensure, as regards costs declared under SCOs, that the underlying methodology has undergone a positive ex ante assessment in accordance with the Commission's procedures. Furthermore, it should verify that, when claimed, such costs comply with contractual requirements.**

Target implementation date: end of 2026.

The Commission **accepts** the recommendation.

Recommendation 3 – Take steps to increase project durability

The Commission should take steps to increase project durability so that any infrastructure built under the projects is preserved. In particular, it should:

- (a) liaise better with national authorities so that infrastructure projects have sufficient resources for day-to-day operations and maintenance, and that final recipients have adequate training and expertise;**
- (b) strengthen checks, for example via on-the-spot visits, related to the actual usage of such infrastructure; and**
- (c) take into account the findings of these checks in similar future funding decisions or instruments and apply the lessons learned.**

Target implementation date: end of 2026.

The Commission **accepts** the recommendation. The Commission will further explore innovative ways of reinforcing the design, effective use and durability of supported infrastructure.

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Our annual report presents our opinion on whether the EU's annual accounts are reliable and whether the underlying revenue and expenditure transactions comply with the applicable rules and regulations. It also presents our analysis of the budgetary and financial management and performance aspects of the EU budget's implementation.



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