



Press Release

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EU spending: auditors find increased errors

Errors in spending from the EU budget have increased, according to the European Court of Auditors (ECA). While the auditors conclude in their annual report, published today, that the EU's accounts for the 2021 financial year give a true and fair view, and that revenue can be considered error-free, payments are still affected by too many errors. The auditors also identify risks in relation to the EU funds that have been made available in response to the coronavirus crisis and the war of aggression in Ukraine. For the first time, the report includes a separate opinion on the EU's temporary recovery instrument, the Recovery and Resilience Facility (RRF).

The auditors find that the overall level of errors in spending from the EU budget increased in 2021, to 3.0 % (2020: 2.7 %). Nearly two thirds of the audited expenditure (63.2 %) was considered high-risk, also an increase compared to 2020 (59%) and before. The rules and eligibility criteria governing this type of expenditure are often complex, which makes errors more likely. Material error continues to affect high-risk expenditure, at an estimated rate for 2021 of 4.7 % (2020: 4.0 %).

Adverse opinion on EU budget expenditure

As in the last two years, the auditors conclude that the level of error for high-risk expenditure was pervasive, and have issued an adverse opinion on the EU's spending in 2021.

The estimated level of error is not a measure of fraud, inefficiency or waste: it is an estimate of the amount of money that was not used in full accordance with EU and national rules. However, during their work the auditors also identified 15 cases of suspected fraud (compared to six in 2020). They reported these cases to the European Anti-Fraud Office (OLAF), which has already opened five investigations. One case was reported in parallel to the European Public Prosecutor's Office (EPPO), along with an additional case that the ECA had identified in 2021.

"With the war of aggression in Ukraine, the energy shortage, the coronavirus pandemic and climate change, the EU is being forced to deal at one and the same time with the consequences of an unprecedented series of crises", said ECA President Tony Murphy. "Such an environment creates increased risks and challenges for the EU's finances and makes it all the more important that the European Commission manage them soundly and effectively. Through our work, we play an important role in ensuring this."

The purpose of this press release is to convey the main messages of the annual report adopted by the European Court of Auditors. The full report is on eca.europa.eu.

ECA Press

12, rue Alcide De Gasperi – L-1615 Luxembourg

E: press@eca.europa.eu @EUAuditors eca.europa.eu

First opinion on RRF expenditure

This year the audit covered for the first time the RRF, the main component of the EU's €800 billion "NextGenerationEU" (NGEU) package, which is intended to alleviate the economic consequences of the pandemic. While EU budget expenditure is based on the reimbursement of costs and compliance with conditions, under the RRF Member States receive funds in exchange for achieving predefined milestones or targets. In 2021 just one payment was made from the RRF, to Spain. The auditors found that one of the 52 milestones included in the Spanish payment request had not been fully met, but did not consider the associated impact to be material. However, the auditors identified weaknesses in the Commission's assessment of the milestones, and call for improvements in future assessments of the same kind.

The auditors note that compliance with other EU and national rules does not form part of the Commission's assessment on the legality and regularity of payments under the RRF and is therefore not covered through the ECA's opinion. This aspect will be looked at separately through future audits when the European Commission work in this regard has been completed. Furthermore, the effectiveness of the different reforms contained in the milestones would rather be a topic for future dedicated special reports.

Response to the pandemic and the war of aggression in Ukraine increases budgetary risks

The total exposure of the EU budget to potential future obligations more than doubled in 2021, from €131.9 billion to €277.9 billion. This was mainly due to the issue of €91.0 billion in bonds to finance the NGEU package and a €50.2 billion increase in financial assistance to help Member States protect jobs and workers affected by the pandemic.

The auditors also warn of the risks that the war of aggression in Ukraine poses to the EU budget. At the end of 2021, Ukraine had outstanding loans with a nominal value of €4.7 billion under multiple EU programmes. The European Investment Bank has also granted Ukraine loans, covered by EU guarantees, to the value of €2.1 billion.

Outstanding commitments from the EU budget decreased in 2021, mainly because of delays in the implementation of shared management funds under the 2021-2027 MFF, and stood at €251.7 billion at the end of 2021 (2020: €303.2 billion). However, total outstanding commitments (including €89.9 billion for the NGEU) reached a record high of €341.6 billion. The ECA points out that significant differences persist in Member States' absorption of the European Structural and Investment Funds (ESIFs) from the 2014-2020 budget. While Ireland, Finland and Cyprus, for example, had called up more than three quarters of the money allocated to them, the three EU countries where the absorption rate was lowest (Croatia, Slovakia and Malta) had only used a little more than half of their committed amounts.

Open questions regarding the Commission's rule of law letter to Hungary

In their report the auditors refer to the written notification which the Commission sent to Hungary in April 2022, triggering the procedure that may lead to measures against a Member State for breaches of the rule of law. In its annual management and performance report (AMPR), which provides key information on its internal control and financial management, the Commission does not disclose how this notification may affect the regularity of expenditure in Hungary.

Background information

In 2021, EU budget spending amounted to €181.5 billion, the equivalent of 2.4 % of the Member States' total general government spending and 1.3 % of their gross national income. Taking account of RRF spending, total payments from the EU in 2021 were €228.0 billion. About three quarters of this was spent under shared management, a system under which the Member States distribute funds, select projects and manage the EU's expenditure.

Each year, the auditors audit EU revenue and expenditure, examining whether the annual accounts are reliable and whether income and expenditure transactions comply with the applicable rules.

An 'adverse' opinion means that the auditors have identified widespread problems. In reaching their opinion, the auditors test samples of transactions to obtain statistically based estimates of the extent to which spending under the EU budget are affected by error. They measure the estimated level of error for this spending against a threshold of 2 %, this being the rate above which irregular spending is considered to be material.

Press contact

ECA press office: press@eca.europa.eu

- Vincent Bourgeois: vincent.bourgeois@eca.europa.eu - M: (+352) 691 551 502
- Damijan Fišer: damijan.fiser@eca.europa.eu - M: (+352) 621 552 224
- Claudia Spiti: claudia.spiti@eca.europa.eu - M: (+352) 691 553 547