

ECA Identified Increased Errors in EU Spending in 2021

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News

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Errors in spending involving the EU budget have increased from 2.7% in 2020 to 3.0% in 2021. Several risks exist in relation to the EU's funds that have been made available in response to the COVID-19 pandemic and the war of aggression in Ukraine. These are the main results of the European Court of Auditors' (ECA) [annual reports on the EU's general budget and the European Development Fund in 2021](#), published on 13 October 2022. The reports present the ECA's statement of assurance as to the reliability of the accounts and the legality and regularity of the transactions underlying them. For the first time, the 2021 report provides an opinion on the legality and regularity of expenditure under the Recovery and Resilience Fund (RRF), which is intended to alleviate the economic repercussions of the COVID-19 pandemic (→ [eucrim 3/2021, 151](#)).

While the [ECA is satisfied](#) with the revenue side of the EU budget in 2021, the EU budget expenditure (3.0% in 2021) is subject to material error. In situations in which beneficiaries often have to follow complex rules when they submit claims for incurred costs, high risks to expenditure exist. Accordingly, the level of high-risk expenditure increased from 59% in 2020 to 63.2% in 2021, which is considered substantial. The level of error is estimated to be 4.7% (2020: 4.0%) in this part of the audit population. As in the previous two years, this error is material and pervasive, and therefore the ECA issued an adverse opinion on EU budget expenditure.

Although estimations on the level of error are different from measuring fraud, the auditors identified 15 cases of suspected fraud (compared to six in 2020), which were reported to OLAF. One case was reported in parallel to the EPPO.

Since only one payment in 2021 was made to Member States (payment to Spain) under the RRF, the audit on RRF expenditure was limited. Nonetheless, the auditors found that one of the 52 milestones included in the Spanish payment request had not been satisfactorily fulfilled but did not amount to a material error. The auditors identified weaknesses in the Commission's assessment of the milestones, however, and call for improvement in future assessments of the same kind.

The ECA also cautioned that the financial responses to the COVID-19 pandemic and the war of aggression in Ukraine have considerably increased budgetary risks. The report pointed out that €91 billion in bonds were issued to finance the Next Generation EU (NGEU) package and €50.2 billion were spent to financially assist Member States in protecting jobs and workers affected by the pandemic. This doubled the EU's potential future obligations in 2021 compared to 2020. Regarding the war of aggression, the report stated that Ukraine had outstanding loans with a nominal value of €4.7 billion under multiple EU programmes at the end of 2021.



The European Investment Bank has also granted Ukraine loans, covered by EU guarantees, to the value of €2.1 billion.

Lastly, the ECA also assessed the Commission's annual management and performance report. In this context, criticism was voiced that the Commission did not disclose details of the letter sent to Hungary in April 2022, which triggered the conditionality mechanism. Thus, open questions remain on how this notification may affect the regularity of the expenditure concerned.

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