

ECA Warns of Gaps in the Control of the Recovery and Resilience Facility

Thomas Wahl



News

On 8 March 2023, the European Court of Auditors (ECA) [published a report](#) in which it warns of gaps in the protection of the EU's financial interests and criticises the Commission's control system for the Recovery and Resilience Facility (RRF). The ECA took a closer look at the design of the Commission's control system for the RRF and how it fulfils criteria of assurance and accountability.

The RRF is the EU's large-scale financial support to Member States to overcome the corona pandemic and to stimulate investment and reform. The ECA first points out that the RRF follows a different spending model than the regular EU spending programmes do. Under the RRF, Member States receive funding upon the successful completion of milestones and targets, which are based on preliminary assessments by the Commission. Even though RRF-funded projects must comply with EU and national financing rules, such as procurement procedures and fulfilment of eligibility criteria for reimbursable costs, compliance with these rules are no precondition for making payments, unlike with other EU programmes. In this context, the ECA criticises that there is only limited verified information at the EU level on compliance with these EU and national rules, which impacts the assurance the Commission can provide and finally leads to a accountability gap at the EU level.

In addition, although there is an extensive set of checks for verifying the fulfilments of milestones and targets, the various stages in the preliminary assessment were insufficiently specified and not fully documented. It also lacks a clear plan on the extent money should be frozen or reduced if targets and milestones are not fully fulfilled or if reform measures are reversed.

Regarding the protection of the EU's financial interests, the ECA notes that the Commission will audit the countries' own control systems to prevent, detect and correct fraud, corruption, conflicts of interest and double funding. However, this does not cover whether Member States adequately check the compliance of RRF-funded investment projects with EU and national rules and, if breaches occur, the EU money is duly recovered. Further shortcomings with regard to the protection of the financial interests result in the fact that the Irregularity Management System does not contain centralised and standardised information on fraud related to the RRF. Lastly, flat rate corrections to be applied in the event of a deficiency in Member States' control systems are insufficiently defined.

Against this background, the ECA addresses several recommendations to the Commission:

- Improving the procedures for *ex ante* verifications;
- Drawing up guidance on the reversal of a measure related to a previously fulfilled milestone or target;

AUTHOR

Thomas Wahl

Senior Researcher
Max Planck Institute for the
Study of Crime, Security and
Law

Published in
2023, Vol. 18(1) *eucrim* pp 25 – 26

ISSN: 1862-6947

<https://eucrim.eu>



- Addressing the EU-level assurance gap regarding the compliance of RRF-funded investment projects with EU and national rules;
- Aligning reporting on RRF-related fraud;
- Developing internal guidance regarding corrections, as provided for in the financing agreements.

The ECA announced that it also plans to look at the EU countries' checks in RRF spending.

The ECA has addressed several reports on the topic of RRF. Earlier, in January 2023, the auditors published a [comparative analysis](#) of the RRF and the EU's cohesion policy funding 2021-2027. It looks at the similarities and differences between both instruments in terms of their governance and management, programming of spending, conditions for making payments, monitoring and cost of implementation, control, and audit. For the RRF, the analysis already concluded that the Commission must ensure that the financial interests of the EU are effectively protected.

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The project is co-financed by the [Union Anti-Fraud Programme \(UAFP\)](#), managed by the [European Anti-Fraud Office \(OLAF\)](#).



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the European Union**