



Luxembourg, October 2024

## 2023 annual report on the EU budget: the 10 most frequently asked questions (FAQs)

### 1. What is the European Court of Auditors' role regarding the EU's accounts?

Every year, we **audit the EU's consolidated accounts and provide an opinion** on three areas: whether the accounts are reliable, whether EU revenue was received, and whether payments were made in accordance with the rules. These checks form the basis for our **statement of assurance**, which we are required to provide to the European Parliament and the Council under Article 287 of the Treaty on the Functioning of the European Union (TFEU).

In 2023, EU budget spending totalled **€191.2 billion**. Taking account of spending from funds earmarked for the Recovery and Resilience Facility (**€48.0 billion**), payments from the EU totalled **€239.2 billion**.

### 2. What did the European Court of Auditors conclude about the 2023 accounts?

We have signed off the accounts as **reliable** (i.e. given a 'clean' opinion), as we have for every financial year since 2007. We concluded that the 2023 accounts presented fairly, in all material respects, the EU's financial position, its results for the year, its cashflow, and the changes in its net assets.

We found that revenue was free from material error. For expenditure, we provide two separate opinions: one on the EU budget, and another on the Recovery and Resilience Facility (RRF), the main pillar of the EU's pandemic recovery package known as NextGenerationEU (NGEU). The estimated level of error in **EU budget spending** was 5.6 %. This represents a noticeable increase compared to previous years, when it was 4.2 % (2022), 3.0 % (2021) and 2.7 % (2019 and 2020). As in the four previous years, we concluded that error was pervasive in 2023, and therefore gave an **adverse opinion**.

The RRF is delivered in a way that is fundamentally different from EU budget spending. Whereas beneficiaries of EU budget spending are paid for having undertaken certain activities or are reimbursed for costs incurred, under the RRF member states are paid for the satisfactory achievement of predefined milestones or targets. We have therefore provided a **separate opinion on RRF expenditure**, as well as dedicating a special chapter to it in the annual report. We found regularity issues in 16 of the 452 milestones and targets examined, and six payments to six member states were affected by error. We also found persistent weaknesses in members states' reporting and control systems, which poses a risk to the protection of the EU's financial interests. We therefore issued a **qualified opinion**.

### 3. What is a 'clean/qualified/adverse' opinion?

A **'clean'** opinion means that the figures in the accounts present a true and fair view, and follow the rules on financial reporting and financial management. The underlying transactions are legal and regular in all material respects.

A **'qualified'** opinion means that the auditors are unable to give a clean opinion, but the problems identified are confined to specific areas.

An **'adverse'** opinion means that the problems are widespread.

#### 4. What is a 'material' level of error?

*In audit terminology, this means **the level above which errors are regarded as having a significant effect**. A material level of error is one that is likely to influence decision-making by the intended users of an audit report. Both the ECA and the European Commission use a **2 % threshold** to determine materiality.*

#### 5. What does our 'estimated level of error' mean?

*The figure of 5.6 % represents our estimate of the **amount of money that should not have been paid out** from the EU budget because, in our view, it was not spent in accordance with EU rules or specific national rules.*

*Typical errors include payments to ineligible beneficiaries or projects, or for purchases of services, goods or investments, without having correctly applied public procurement rules.*

#### 6. Does that mean that 5.6 % of EU money was wasted?

***No.** It would be inaccurate to say this, because there is a significant difference between 'error' and 'waste'. In our testing of EU budget spending, we check whether EU money has been spent in accordance with the rules, whether the costs charged have been calculated properly, and whether eligibility conditions have been met. If one or more of these requirements have not been satisfied, we call it an 'error'. This is what the figure of 5.6 % means.*

*While these errors involve payments for projects or beneficiaries that did not meet eligibility conditions, they may still provide the intended benefits and so **cannot be considered wasteful**. To give an example from this year's audit report: in a simplified open public procurement procedure launched in Czechia for the construction of an automated bicycle parking tower, only one bidder submitted an offer and subsequently won the contract. It turned out that the successful bidder's main subcontractor had drafted part of the technical specifications and tailored them to the sole bidder's product in such a detailed way that it did not allow for equivalent products to be awarded the tender. Although this is a clear case of a conflict of interests in violation of national and EU public procurement laws, the parking tower was delivered and is now in use. Obviously, expenditure can also be legal and regular, but still be wasteful. One example we reported on in the past was port infrastructure that had been built without adequate regard for projected levels of freight.*

#### 7. Do the errors we found constitute fraud?

***In most cases, we have no such indication.** Fraud is a deliberate act of deception to gain an advantage. Although it can be difficult to identify fraud through standard audit procedures, our testing does reveal several cases of suspected fraud each year.*

*In 2023, we reported 20 instances of suspected fraud among the 748 transactions we audited. We reported these cases to OLAF, the European Union's Anti-Fraud Office, which, where necessary, investigates the cases and follows them up in cooperation with national authorities. 17 of these cases were also reported to the European Public Prosecutor's Office (EPPO).*

#### 8. What does 'pervasive error' and 'high-risk' expenditure mean?

*Almost two thirds of EU budget expenditure in 2023 was deemed to be high-risk. While we estimate the level of error for total expenditure to be 5.6 %, this increases to 7.9 % when examining high-risk expenditure only. Due to the substantial weight of this expenditure type under total spending (64.4%), we consider error to be pervasive, i.e. present in the entire audited population or **a significant part** thereof.*

**High-risk expenditure** mainly refers to the **reimbursement by the EU** of eligible costs for eligible activities (often according to complex rules). For example, reimbursements are made for research projects (under ‘Single market, digital and innovation’), investment in regional and rural development (‘Cohesion, resilience and values’ and ‘Natural resources and environment’), and development aid projects (‘Neighbourhood and the world’).

**Lower-risk expenditure** concerns **entitlement-based payments**, which are made to beneficiaries that meet certain (less complex) conditions. For example, such payments include student and research fellowships (under ‘Single market, digital and innovation’), direct aid for farmers (‘Natural resources and environment’), and salaries and pensions for EU staff (‘European public administration’).

#### 9. What is the situation regarding debt and budget exposure?

**EU debt increased again significantly** in 2023, reaching €458.5 billion by year-end (2022: €348.0 billion; 2021: €236.7 billion), mainly due to borrowing for NextGenerationEU (NGEU). In fact, the EU has now become one of the largest debt issuers in Europe.

At the same time, additional interest and coupon payments for NGEU borrowing are estimated to be between €17 billion and €27 billion.

The **EU budget’s exposure** totalled €298.0 billion at the end of 2023 (up from €248.3 billion in 2022 and €204.9 billion in 2021). This was mainly driven by the additional RRF loans made to member states and the MFA+ loans to Ukraine. The EU budget’s exposure is expected to rise in the coming years, mainly due to new RRF loans.

#### 10. Why does the ECA point to increased risks relating to the slow absorption of EU funds?

**Payments from the RRF were lower than expected** at the end of 2023. With payments of €141.6 billion out of €356.4 billion of commitments made, slightly over €215 billion in RRF grants are available to be paid by the end of 2026. When the pressure to use the money intensifies, the risk of error and misspending is likely to increase.

At the same time, absorption of EU Cohesion policy funds continued to be low in 2023, with the **risk of decommitments** that might jeopardise the achievement of EU objectives.

The ECA’s 2023 annual report is available in 24 EU languages at [eca.europa.eu](https://eca.europa.eu).