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Annual report on the EU budget: 10 frequently asked questions

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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 issues:

- 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 to the Council under Article 287 of the Treaty on the Functioning of the European Union.

In 2024 EU budget spending totalled **€191.1 billion**. Taking account of spending from funds earmarked for the Recovery and Resilience Facility (**€55.9 billion**), payments from the EU totalled **€247.0 billion**.

2. What did the European Court of Auditors conclude about the 2024 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 2024 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), which is the main pillar of the EU's pandemic recovery package known as NextGenerationEU (NGEU).

The estimated level of error in **EU budget spending** was 3.6 %. This represents a decrease compared to the two previous years, when it was 5.6 % (2023) and 4.2 % (2022). The estimated error rate for 2024 remains too high, i.e. still above the 2 % threshold. Error was again **pervasive** in 2024: we therefore gave an **adverse opinion** for the sixth consecutive year.

The RRF is delivered in a way that is fundamentally different from standard 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 therefore provided a **separate opinion on RRF expenditure**, and dedicated a special chapter to it in the annual report. We found regularity issues that had a financial impact in 12 of the 395 milestones and targets we 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 in terms of protecting 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 the way in which the intended users of an audit report make decisions. Both the ECA and the European Commission use a **2 % threshold** to determine materiality.*

5. What does the ‘estimated level of error’ mean?

*The figure of 3.6 % 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 the purchase of services, goods, or investments, without having correctly applied the public procurement rules.

6. Does the error rate mean that 3.6 % 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 at least one of these requirements has not been met, we call it an ‘error’. This is what the figure of 3.6 % reflects.*

*While these errors involve payments for projects or beneficiaries that did not meet eligibility conditions, these projects or beneficiaries may still provide the intended benefits and so **cannot be considered wasteful**. To give an example from this year’s audit report: EU funding was granted to build a biogas plant in France. However, it turned out that the beneficiary of EU funds, a company, failed to carry out a market consultation (although this was required) and awarded the construction contract to a contractor in the same industrial group as itself. Although this is a clear case of a potential conflict of interests in violation of national and EU public procurement laws, the biogas plant was delivered and is now in use.*

Obviously, expenditure can 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. If an error is found, does that mean there has been fraud?

***In most cases, we have no such indication.** By definition, 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 2024 we reported 19 instances of suspected fraud among the 812 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. Seven of these cases were also reported to the European Public Prosecutor’s Office (EPPO).

8. What does ‘pervasive error’ mean?

Our 2024 audit results reaffirm our previous assessments, i.e. the way funds are disbursed has an impact on the risk of error. Over two thirds of the audited EU budget expenditure in 2024 was **affected by a material risk of error**. While we estimate the level of error for total expenditure to be 3.6 %, this increases to 5.2 % when examining expenditure that is subject to complex rules. Due to the substantial weight of this type of expenditure as a part of total spending, we consider the error to be pervasive, i.e. present in the entire audited population or **a significant part** thereof. The audited areas affected by material error mainly comprise the **reimbursement by the EU** of eligible costs for eligible activities. For example, reimbursements 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’).

We conclude that around one third of the areas audited in 2024 is free from material error. These concern **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 2024 (+31 %), reaching €601.3 billion by year-end (2023: €458.5 billion; 2022: €348.0 billion), mainly due to borrowing for NextGenerationEU (NGEU). Due to fluctuating rates, total interest expenditure in the current EU long-term budget (2021-2027) could reach around €30 billion, i.e. double the European Commission’s original forecast of €14.9 billion.

The **EU budget’s exposure** (i.e. the maximum amount that needs to be covered by the EU budget in case of payment defaults) **continued to rise** and totalled €342.0 billion at the end of 2024 (up from €298.0 billion in 2023 and €248.3 billion in 2022). This was mainly driven by the additional RRF loans made to member states and the macro financial assistance (MFA+) loans to Ukraine. The EU budget’s exposure is expected to rise in the coming years, reaching up to €567 billion by 2027.

10. Why is the European Court of Auditors concerned about the increasing burden from borrowing obligations?

In the past five years, the EU has **increasingly relied on capital markets** to finance larger programmes, such as the NGEU. By 2027 outstanding EU borrowing could exceed €900 billion, nearly 10 times the 2020 level prior to NGEU.

EU borrowing is therefore expected to increase significantly until the end of the current EU’s long-term budget in 2027, with the **bulk of the repayments deferred to future years**. To safeguard the sustainability of future EU budgets, appropriate repayment schedules should be implemented in order not to restrict the financial scope of EU action and programmes.