

Special report

# Financial corrections in Cohesion policy

A complex framework and only one decision adopted by the Commission so far



EUROPEAN  
COURT  
OF AUDITORS

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## Executive summary

I Cohesion policy is implemented under shared management, which means that member states and the European Commission are together responsible for protecting the EU budget. Member states are required to ensure that the expenditure they claim for reimbursement from the EU budget is free from material error. The Commission may recover EU funds from member states that have been unduly paid and is ultimately accountable to the European Parliament and the Council for the regularity of spending through the annual budgetary discharge procedure. In order to exclude irregular expenditure from EU financing, both the member states and the Commission are required to make financial corrections when necessary.

II We examined whether the approach to financial corrections in Cohesion policy is well designed, and whether the Commission has been making effective use of them to protect the EU's financial interests. We looked at the 2014-2020 and 2021-2027 regulatory framework and at the application and reporting of financial corrections during the 2014-2020 period.

III Overall, we conclude that the Commission detected irregularities and weaknesses in the management and control systems and proposed financial corrections that were made by the member states. However, the Commission adopted its first financial correction decision for the 2014-2020 period in September 2025. We found that the Commission's own capacity to make financial corrections is constrained by several factors, in particular that:

- o the legal framework governing the financial correction mechanism is complex and not strictly time bound. Moreover, the requirement that an irregularity must be attributable to an economic operator excludes from its scope the programme authorities, in this role, tasked with implementing the EU budget. As a result, in situations which put the most significant risk to the EU budget, when a programme authority fails to ensure that the management and control system functions effectively, this cannot by itself lead to a mandatory net financial correction by the Commission;
- o the legal framework set up for the 2021-2027 period does not significantly improve the provisions compared with the 2014-2020 period;
- o in some cases, the Commission incorrectly quantified the proposed corrections and departed from the provisions of EU legislation by limiting the scope of future audits by national authorities;

- there were cases when the initiation of financial correction procedures was delayed, and its duration was extended by additional verification work needed after the final audit report and by lengthy follow-up process aiming to reach an agreement between the Commission and the member states on the amount of financial corrections;
- in its response to certain ECA audits, the Commission took too long to follow up the ECA's findings;
- there were cases where the Commission revised its final audit findings without sufficient justification, and cases of quantifiable findings that the ECA had identified, but which the Commission did not pursue;
- the Commission did not define with sufficient clarity the criteria for assessing serious deficiencies and categories of key requirements to ensure an objective assessment. In a number of cases, the Commission did not apply any mandatory net financial corrections even though the legal criteria were fulfilled. When it launched the mandatory net financial correction procedure with an impact on funds received by member states, it did so more than three years after the legal criteria had been fulfilled and proposed lower amounts of financial corrections than required;
- the Commission reports on financial corrections that are made by member states, but the information it provides is incomplete and insufficiently reliable.

**IV** Based on these conclusions, we recommend that the Commission:

- applies financial corrections as provided for in the legal framework;
- ensures timely implementation of financial corrections;
- ensures consistency when assessing management and control systems and evaluating serious deficiencies; and
- improves transparency and accuracy in the reporting of corrections in the Annual Activity Reports and the Annual Management and Performance Report for Cohesion policy.

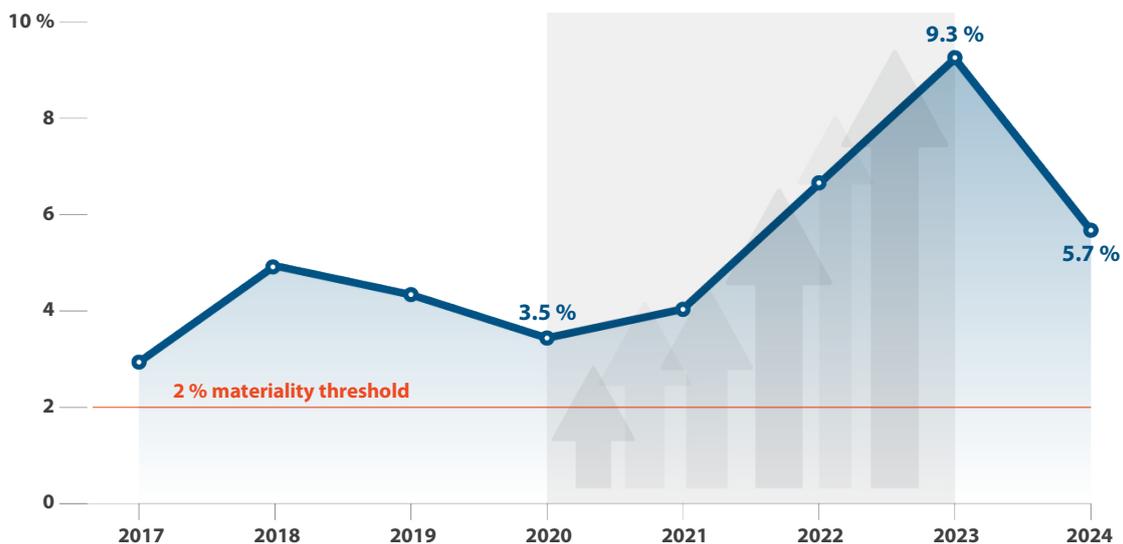
# Introduction

## Cohesion policy

**01** Cohesion policy is implemented under shared management<sup>1</sup>, which means that member states and the European Commission<sup>2</sup> are together responsible for protecting the EU budget. During the 2014-2020 programming period, the Cohesion policy budget, including the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), totalled €404.8 billion in EU funding<sup>3</sup>. Member states are required to ensure that the expenditure they claim for reimbursement from the EU budget is free from material error. The Commission must take action to recover EU funds from member states that have been unduly paid if the member states do not correct such expenditure themselves which is their responsibility in the first instance.

**02** In our annual reports, we consistently find the error rate to be above the 2 % materiality threshold in the area of Cohesion policy, which shows the potential for additional corrective actions. Over the past years, this rate has been significantly above this threshold, as illustrated in *Figure 1*.

**Figure 1 – Estimated error rate for Cohesion spending, 2017-2024**



Source: ECA, based on its annual reports.

<sup>1</sup> Article 74 of the [Common Provisions Regulation \(CPR\) 1303/2013](#).

<sup>2</sup> Article 325 of the [Treaty on European Union](#).

<sup>3</sup> [Cohesion open data platform](#), European Commission.

## Financial corrections in Cohesion policy

**03** In order to exclude irregular expenditure from EU financing, member states and the Commission<sup>4</sup> are required to make financial corrections. In Cohesion policy, financial corrections are governed by the Common Provisions Regulation (CPR). There is a CPR<sup>5</sup> applicable to the 2014-2020 period, and one for the 2021-2027 period<sup>6</sup>.

### *Financial corrections by member states*

**04** When the member states' programme authorities detect irregularities, they apply financial corrections by deducting the irregular expenditure from the payment claims or accounts they submit to the Commission. They can replace the ineligible expenditure with other expenditure they consider legal and regular within the same operational programme<sup>7</sup>. This maintains the programme's overall EU funding level.

**05** Financial corrections by member states result from audits of national audit authorities (€3.4 billion since the beginning of the 2014-2020 period<sup>8</sup>), from management verifications, but also from Commission audits and follow-up to ECA audits and investigations by the European Anti-Fraud Office (OLAF).

### *Financial corrections by the Commission*

**06** As provided for in the CPR, when the Commission detects irregular expenditure<sup>9</sup> declared for EU financing or a serious deficiency in the management and control system, it informs the member state of its provisional conclusions. In the event of an agreement, the member state makes the financial correction as described in paragraphs **04** and **05** above<sup>10</sup>. By doing so it excludes the expenditure concerned, and is allowed to reuse the funds for regular expenditure.

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<sup>4</sup> Article 85 of CPR 1303/2013.

<sup>5</sup> CPR 1303/2013.

<sup>6</sup> [CPR 2021/1060](#).

<sup>7</sup> Article 143(3) of CPR 1303/2013.

<sup>8</sup> Annexes to [DG REGIO 2024 AAR](#), p. 119 and [DG EMPL 2024 AAR](#), p. 118.

<sup>9</sup> Fulfilling criteria of Article 144 of CPR 1303/2013.

<sup>10</sup> *Ibid.*, Article 145(5).

**07** In the event of disagreement between the Commission and a member state, the Commission is required to adopt a financial correction decision<sup>11</sup>. In such a case, the member state is not allowed to replace the irregular expenditure with other eligible expenditure and the EU funding it receives is definitively reduced. As all financial corrections decided by the Commission definitively reduce the funds allocated to the member state, we refer to them as “net financial corrections”.

**08** Where the Commission or the ECA detect irregularities demonstrating a serious deficiency in the effective functioning of the management and control system operated by a member state, and which had not been identified, reported and corrected by the member state prior to the date of detection<sup>12</sup>, the Commission is required to make a financial correction whether or not the member state agrees. The direct reduction in the EU funds available to a member state for the operational programme concerned is intended as a deterrent to stress the importance of compliance with EU rules. The reduction required by Article 145(7) CPR cannot be avoided by member state agreement, therefore, we refer to it in this report as a “mandatory net financial correction”. It is mandatory in the sense that there is no possibility for the member states to replace expenditure, contrary to the financial corrections referred to in paragraphs **06** and **07**.

**09** In the 2024 Annual Activity Reports (AARs), the Commission reported that member states had made €1.4 billion in financial corrections since the beginning of the 2014-2020 period, following its own audits (in 79 % of cases), ECA audits (14 %) and OLAF investigations (7 %)<sup>13</sup>. By the end of September 2025, the Commission had adopted its first financial corrections decision for the 2014-2020 period.

## Roles and responsibilities in the area examined

**10** Three levels of control and assurance are in place to ensure the regularity of Cohesion policy spending; see [Figure 2](#).

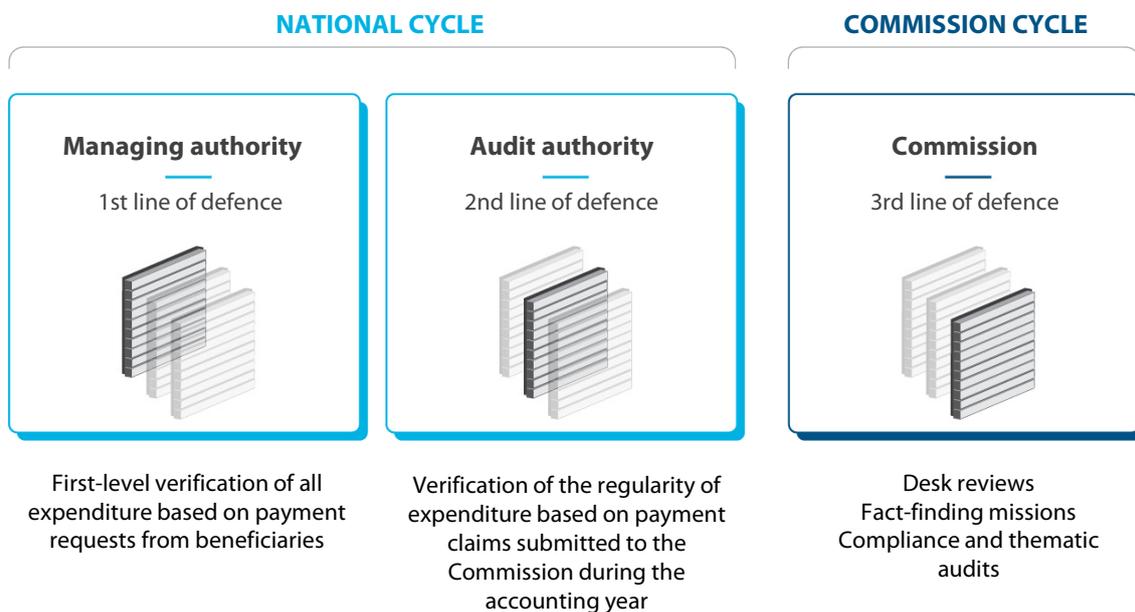
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<sup>11</sup> Article 145(6) of CPR 1303/2013.

<sup>12</sup> Ibid., Article 145(7).

<sup>13</sup> Annexes to DG REGIO 2024 AAR, p. 120 and DG EMPL 2024 AAR, p. 119.

**Figure 2 – Cohesion policy’s internal control and assurance framework**



Source: ECA, based on Figure 4 of [review 03/2024](#).

**11** According to EU legislation “The member states shall in the first instance be responsible for investigating irregularities and for making the financial corrections required and pursuing recoveries.”<sup>14</sup>. The combined verification work of the managing and audit authorities at member state level results in a key deliverable known as the “assurance package”.

**12** In our [2017 special report on the preventive measures and financial corrections for the 2007-2013 period](#), we concluded that, overall, the Commission made effective use of the measures at its disposal for the 2007-2013 period to protect the EU budget from irregular expenditure. However, we also identified that the Commission faced difficulties in monitoring the implementation of financial corrections, and that the information provided by the member states on implementation was not sufficient for robust monitoring. We found that the regulatory provisions for the 2014-2020 period significantly strengthened the Commission’s position on protecting the EU budget, in particular by integrating financial corrections into the annual assurance package and by obliging the Commission to apply financial corrections in specific circumstances. We recommended that the Commission should set up an integrated monitoring system on corrective measures, make effective use of the strengthened provisions, and impose financial corrections wherever necessary.

<sup>14</sup> Article 143(1) of CPR 1303/2013.

## Audit scope and approach

**13** With this audit, we assessed whether the approach to financial corrections in Cohesion policy is well designed, and whether the Commission has been making effective use of them to protect the EU's financial interests during the 2014-2020 period.

**14** In particular, we assessed the extent to which:

- the regulatory framework, for both the 2014-2020 and the 2021-2027 periods, provides a suitable basis for the Commission to impose financial corrections when necessary;
- the Commission made appropriate use of its own and ECA audit findings to apply financial corrections in a timely manner in accordance with the legislation;
- the Commission has put in place a robust system for reporting on the implementation of financial corrections.

**15** Our audit covers the 2014-2020 spending period, based on expenditure declared in the 2017 to 2023 financial years. We also assessed the regulatory framework for financial corrections for the 2021-2027 period. We gathered evidence from the following sources:

- review of relevant EU legislation, case-law, academic literature, evaluation reports, and policy papers;
- analysis of guidance provided to member states, and the Commission's internal guidelines and procedures for making financial corrections;
- review of reports by the Commission's Internal Audit Service;
- review and analysis of a sample of cases (audits) to assess the Commission's identification and assessment of irregularities, and how these were reflected in financial corrections;
- quantitative analysis of data retrieved from the Commission's systems and from published reports;
- meetings with Commission staff.

**16** To make our assessment, we took three distinct risk-based samples, taking account of the materiality of the identified irregularities and the length of the procedures:

- (a) 16 Commission audits proposing financial corrections;
- (b) 15 ECA audits indicating quantifiable errors;
- (c) 14 audits by the Commission and two of the ECA that identified significant errors that could potentially have resulted in mandatory net financial corrections by the Commission.

**17** We have timed this audit to enable the key stakeholders to take its results into consideration for the upcoming closure of the operational programmes of the 2014-2020 period and in the implementation of the 2021-2027 period. We expect our report to contribute to the discussions on any future legislative improvements covering the design and application of financial corrections.

# Observations

## The complex legal framework makes it challenging for the Commission to apply financial corrections

**18** We verified whether the legislation sets out clear objectives for financial corrections, whether the procedure for applying them is straightforward, and whether the legislation strikes the right balance between being sufficiently prescriptive while allowing the Commission to be proportionate when applying financial corrections. Finally, we assessed whether the changes to the legal framework for the 2021-2027 period address any weaknesses in the previous provisions.

## The purpose of financial corrections goes beyond ensuring the legality and regularity of EU expenditure

**19** The application of financial corrections is set out in EU law. We assessed whether the related provisions establish clear objectives for their use. We found that EU law sets out different situations in which financial corrections are to be applied, as illustrated in [Figure 3](#).

Figure 3 – The types of financial corrections in Cohesion



Source: ECA, based on Regulation 1303/2013.

**20** The purpose of financial corrections is to exclude from EU financing any expenditure which is in breach of the applicable law<sup>15</sup>. Financial corrections by the Commission also serve “to safeguard the budget of the Union”<sup>16</sup>. We observe that financial corrections fulfil multiple objectives in addition to ensuring legality and regularity, namely to ensure that:

<sup>15</sup> Article 85(1) of CPR 1303/2013.

<sup>16</sup> Ibid., Recital (72).

- o member states manage EU funding soundly;
- o the EU funding is not put at risk by serious deficiencies in the effective functioning of member states' management and control systems;
- o if made by the Commission, financial corrections result in a definitive loss of EU funding for the member state in the sense that all or part of the EU funding for the operational programme is definitively reduced (see paragraphs [06-09](#)).

### **The financial correction procedure is not time-bound**

**21** To be effective and efficient, financial corrections should be implemented under a well-defined timeframe. The legal framework should therefore include time-bound provisions. We examined the legal provisions stipulating when the Commission should launch the financial correction procedure, and how long the procedure should take.

**22** We found that the CPR 1303/2013 does not specify how soon the Commission must launch the financial correction procedure after it becomes aware of irregularities and/or serious deficiencies. It launches the procedure by informing the member state of its provisional conclusions, and of its intention to apply financial corrections.

**23** In addition, there is no legal deadline for completing the entire procedure. Although some individual steps are time-bound (see steps in bold in [Annex I](#)), others are not, potentially extending the procedure without any time limit.

**24** The legal framework gives the Commission discretion both in terms of when to launch the financial correction procedure and how long it can take. There is no legal time limit or well-defined timeframe against which to compare the Commission's practice of applying financial corrections (see the actual length of the sampled cases in paragraph [40](#)).

### **The procedure for the Commission's mandatory net financial corrections is complex and subject to limitations**

**25** In order to be applied effectively and efficiently, legislation should be clear, precise, and straightforward. We found that the legal framework stipulates multiple conditions that must all be satisfied for the Commission to apply a mandatory net financial correction. The Commission also needs to consider the proportionality of the financial correction it wishes to propose, a process which involves three further conditions (see [Annex II](#)).

**26** To be effective, mandatory net financial corrections need to be applied in relevant situations. However, under EU law mandatory net financial corrections can only be applied when there are irregularities demonstrating a serious deficiency in the effective functioning of the management and control system. Irregularities can only result from an act or omission of an economic operator. Programme authorities, in this role, are not economic operators and therefore, according to EU law, cannot commit irregularities. As a result, in situations which put the most significant risk to the EU budget, when a programme authority fails to ensure that the management and control system functions effectively<sup>17</sup>, this cannot by itself lead to a mandatory net financial correction by the Commission.

### **The legal framework for 2021-2027 does not significantly improve compared to the previous period**

**27** The legislation for the 2021-2027 period should have built upon the previous period and address its weaknesses. We examined whether this has in fact been the case.

**28** One notable simplification in the new legal framework is that, even in the absence of a serious deficiency in the management and control system, irregular expenditure contained in accounts accepted by the Commission should lead to a mandatory net financial correction by the Commission. However, this new provision can be applied only when the irregularity “*was not detected and reported by the member state*”<sup>18</sup>. Consequently, if a member state detects and reports an irregularity but does not correct it, the Commission cannot make a mandatory net financial correction.

**29** We also note that in the 2014-2020 period serious deficiencies in the management and control system, demonstrated by irregularities, were subject to mandatory net financial corrections that definitively reduced EU funding to the member state for both the serious deficiency and the irregularities. In the 2021-2027 period, the same situation would result in a different outcome as only the detected irregularities would be subject to the mandatory net financial correction<sup>19</sup>.

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<sup>17</sup> Annex IV of [Commission Delegated Regulation 480/2014](#).

<sup>18</sup> Article 104(1)(b) of CPR 2021/1060.

<sup>19</sup> Article 104(4) of CPR 2021/1060.

**30** In terms of setting deadlines for launching the financial correction procedure, the situation has not changed since the previous period (see paragraphs 22-24). The new legal framework is not prescriptive on this point and there are still no defined deadlines for the several steps required for the Commission to apply financial corrections.

### **The Commission adopted only one financial corrections decision itself and proposed financial corrections to be made by member states**

**31** The Commission has a legal obligation to apply financial corrections where necessary. We examined whether the Commission applied the necessary financial corrections when its own audit findings, or those of our audits, identified irregularities. We also examined whether the Commission applied the mandatory net financial corrections for irregularities that demonstrate serious deficiencies in member states' management and control systems.

### **Member states made financial corrections based on Commission checks and ECA audit findings**

**32** The Commission is required to make financial corrections in order to exclude from EU funding any law-breaching expenditure<sup>20</sup>. By the end of April 2025, the Commission had launched 28 financial correction procedures out of which four for mandatory net financial corrections. Of these, 18 procedures were finalised and only one of them resulted in a Commission financial correction decision.

**33** Between the beginning of the 2014-2020 programming period and the closure of the 2024 annual accounts, the Commission's checks led to member states making over €1 billion of financial corrections. The Commission also proposed financial corrections to member states in response to the ECA's audit findings. This led member states to implement over €198 million of financial corrections from the beginning of the 2014-2020 period<sup>21</sup>.

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<sup>20</sup> Article 85(1) of CPR 1303/2013.

<sup>21</sup> Annexes to DG REGIO 2024 AAR, p. 120 and DG EMPL 2024 AAR, p. 119.

## Weaknesses in the Commission's assessment and application of financial corrections as a response to its audit findings

**34** The Commission is required to launch a financial correction procedure when its own audits identify irregularities and/or serious deficiencies in a management and control system. We reviewed whether the Commission made financial corrections in compliance with the applicable legislation and its own guidance. We also reviewed the timeliness of its actions, based on the sampled cases.

### The Commission incorrectly quantified proposed corrections in some cases

**35** Financial corrections can be applied only to expenditure already declared to the Commission, and the quantification based on the individual cases of identified irregularities. Where precise quantification is not possible, a flat-rate correction can be applied<sup>22</sup>. In that case, the member states' audit authorities must still verify the expenditure declared in the future<sup>23</sup>. Based on a sample of 16 Commission audits, we examined the nature of financial corrections proposed by the Commission.

**36** We found three cases where the Commission proposed systemic flat rate correction although it should have based the quantification on individually detected (quantifiable) errors. In one of these cases, it proposed preventive flat-rate reductions for expenditure to be declared in the future, which it incorrectly referred to as corrections. The Commission agreed in that case with the member state that the audit authority did not need to audit the contracts covered by the flat-rate reduction, which was not in line with EU law (see [Box 1](#)).

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<sup>22</sup> Articles 85 and 144(1) of CPR 1303/2013.

<sup>23</sup> *Ibid.*, Article 127(1).

**Box 1****The Commission proposed a reduced systemic flat-rate correction rather than higher individual corrections**

During a compliance audit in Slovakia, the Commission found that two contracts had been incorrectly awarded to economic operators that should have been excluded from participating due to a serious breach of professional duties. In line with its own guidance for financial corrections, the Commission proposed a 25 % financial correction on all expenditure under these contracts. During the subsequent financial correction procedure, 46 contracts were found to be potentially affected by the same irregularity. The Commission agreed to apply a 10 % flat rate correction to all these contracts, including the initially audited two. Since the Commission identified the irregularity in these particular contracts, the amount of irregular expenditure could be quantified, and the audited contracts should have been subject to an individual financial correction of 25 %. The remaining 46 contracts were not individually assessed by the Commission nor did it obtain an assessment from the member state. Instead, these contracts were subject to the 10 % flat-rate correction.

**The Commission requested reductions for undeclared expenditure and excluded the related contracts from future audits**

A Commission audit concluded that Hungary's management and control system for public procurement worked only partially and needed substantial improvements. The Commission asked the Hungarian authorities to make a 10 % flat-rate financial correction to all declared expenditure, resulting in a reported €157.2 million being deducted by the member state. Moreover, this flat rate reduction was also proposed on future expenditure for all affected contracts and was incorrectly called as correction. The Commission agreed with the audit authority that the latter should not audit the contracts subject to the flat-rate in the future (except for subsequent events).

*Source:* ECA, based on an examination of Commission documents.

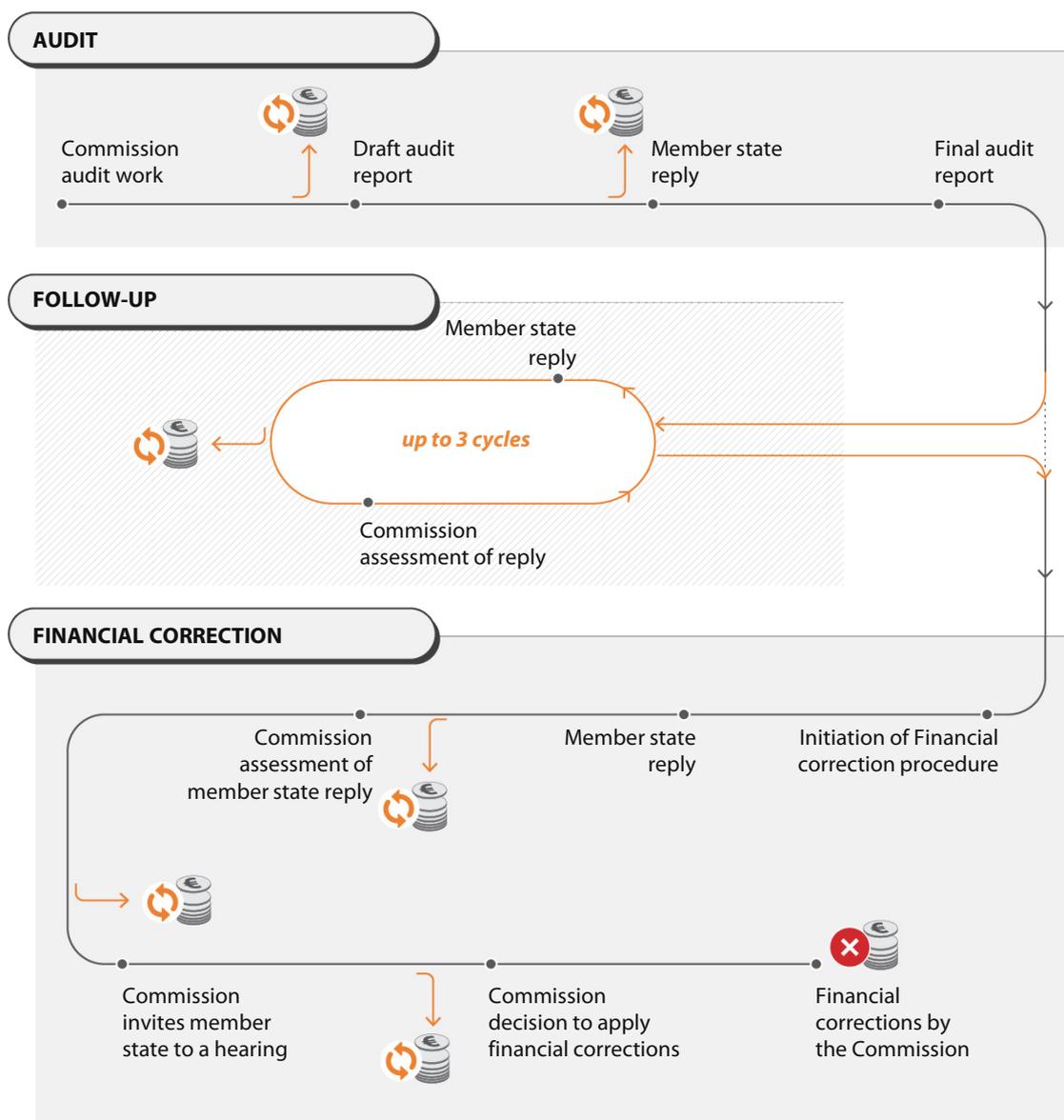
**The Commission was slow to launch financial correction procedures after final audit reports, if it launched them at all**

**37** EU legislation stipulates that a Commission financial correction procedure is launched by informing the member state concerned of its provisional conclusions. It does not stipulate exactly when the Commission should launch the procedure (see paragraphs 22-24). To prevent undue delays in the process, we consider the procedure could be launched promptly after the final audit report – which sets out the Commission auditors' final findings, conclusion and recommendations – has been completed.

**38** We found that the Commission did not launch financial correction procedures promptly after the final audit report has been approved. While the financial correction procedure is specified in the legislation, the Commission first carries out one or more rounds of follow-up, giving additional time to member states to present additional evidence (see [Annex I](#)). This procedure is not included in the legislation. For the 16 cases in our sample (concerning 10 different member states), an average of 588 days was necessary between the date of the Commission's final audit report and the closure of the follow-up phase described above. We found that this was largely due to the observations in the final audit reports not being sufficiently substantiated, and not always setting out a final position. In these circumstances, additional audit work was needed after the final audit report, to precisely quantify the financial corrections necessary.

**39** The duration also depends on the time needed to reach agreement, which is the preferred approach by the Commission as it avoids the possibility of subsequent and lengthy legal proceedings, including exchanges on the proportionality of the corrections (see paragraph [06](#)). In 14 out of our 16 sampled cases, an agreement between the Commission and the member state was reached during the follow-up phase. This may take place at any point of time, as illustrated in [Figure 4](#). In the remaining two cases, the Commission launched a financial correction procedure during which an agreement was also reached. These two procedures were therefore also closed without a definitive reduction in EU funding.

**Figure 4 – Process leading to financial corrections in response to Commission audits**



 **In case of agreement**, financial corrections by member state allow **reuse of EU funding**  **In case of disagreement**, financial correction by the Commission result in **definitive reduction in EU funding**

Source: ECA, based on CPR 1303/2013 and Commission practice.

**Once launched, the Commission's financial correction procedure takes more than two years**

**40** The time needed for the key steps of a financial correction procedure should be no longer than necessary, in order to ensure a timely protection of the EU's financial interest when excluding irregular expenditure that has been detected. In the two cases in our sample where the Commission launched a financial correction, the procedure lasted 812 and 893 days (2.2 and 2.5 years) respectively (see [Box 2](#)). Adding the time

spent on the follow-up phases, the Commission handled these two cases for a total of 1 220 and 1 331 days (3.3 and 3.7 years).

## Box 2

### Lengthy exchanges leading to a reduction in financial corrections

In one audit of a German operational programme, the Commission concluded that the contracting authority had incorrectly awarded a tender because the applicable EU rules had not been followed (obligation to publish in the event of a competitive tender procedure). Consequently, this should have been subject to a 100 % financial correction in accordance with the Commission's own guidelines, which are designed to ensure consistent application across member states.

Throughout the procedure, the national authorities considered that there was no violation of EU rules. Nevertheless, the member state expressed its willingness *"in order to complete the financial correction procedure in a timely manner [...] to accept a financial correction of 25 %, despite the different legal assessment"*. 812 days after the formal financial correction procedure had been launched, the Commission agreed to this proposed level of correction by invoking proportionality.

Source: ECA, based on an examination of Commission documents.

### Financial corrections initially proposed by the Commission subsequently reduced without sufficient justification

**41** Financial corrections should be based on the amounts identified in the Commission's final audit report, unless a different amount is subsequently justified and documented by Commission services. In two cases out of the 16 audits we examined (see [Box 3](#)), the amount of financial corrections proposed by the Commission, was lower than that in the final audit report without the reduction being sufficiently justified (including how the proportionality principle was applied).

## Box 3

### Unjustified reductions in the amount of financial corrections

In 2018, during a compliance audit of a Slovak operational programme (see the Slovak example in [Box 1](#)), the Commission found that a company that should have been excluded due to its participation in a cartel was nonetheless awarded a public procurement contract. In April 2019, the Commission's final audit report concluded that, based on applicable guidelines, a 25 % financial correction should be applied, and in July 2020 the Commission launched a

financial correction procedure requesting that all contracts affected by the issue should be identified and subject to the 25 % financial correction. Our audit work underlying our 2022 annual report<sup>24</sup> also concluded that the Commission should apply a 25 % financial correction to all 48 affected contracts, requiring an additional financial correction of €145 million.

However, the Commission ended the process with a closure letter in January 2023 indicating that Slovakia had agreed to apply a reduced 10 % financial correction to all 48 contracts affected by the error. In our opinion, this reduction was not sufficiently justified.

A similar situation occurred in Germany (see [Box 2](#)) where a financial correction of 25 % was applied instead of 100 % as prescribed by the Commission's guideline for this type of irregularity, without the justification beyond the application of proportionality being sufficiently documented.

*Source: ECA, based on an examination of Commission documents.*

## **The Commission did not make any financial corrections based on ECA audit findings, but asked member states to do so**

**42** The Commission is responsible for following up the results of the ECA's statement of assurance audit work and for making financial corrections where necessary<sup>25</sup>. The ECA formally submits its final analysis in the form of a closure letter, at which point the Commission should draw its own conclusions. We assessed the Commission's actions in this respect for a sample of 15 ECA audits with quantifiable errors identified during work arising between 2017 and 2021. This timeframe allowed for any follow-up action to have been completed.

### **Slow follow-up of ECA's findings and financial correction procedures not launched**

**43** Regarding the Commission's follow-up on ECA findings, we found similar issues as the one we identified in the follow-up of its own audits (see paragraphs [37-40](#)). In the regulatory framework, there are no explicit deadlines for the Commission to draw its conclusions and launch a financial correction procedure (paragraphs [22-24](#)). The Commission's internal procedures stipulate that a follow-up letter should usually be sent to the member state within three months after the ECA closure letter.

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<sup>24</sup> [2022 ECA annual report](#).

<sup>25</sup> Article 144(3) of CPR 1303/2013.

**44** In our sample of 15 ECA audits, the Commission took an average of more than one year to issue a follow-up letter. In one case, the Commission issued the first follow-up letter more than four years after receiving the ECA closure letter. In total the follow-up process for the 15 cases in our sample lasted on average for more than three years.

**45** According to the Commission's guideline, a financial correction procedure should be launched when the member state does not accept the financial corrections proposed in the follow-up letter. In the sample of 15 ECA audits we looked at, we found seven cases when this was not followed. The member states concerned did not accept the corrections and the Commission held lengthy exchanges with them without launching the procedure.

#### **Quantifiable findings identified by the ECA were dropped without sufficient justification**

**46** Where the Commission bases its position on ECA audit reports, it is required to draw its own conclusions on the financial consequences<sup>26</sup>. The Commission should document its justification for its final position. Our sample of 15 ECA audits contained a total of 44 individual errors. The Commission did not agree with our assessment of two errors, but committed to assess and follow up the remaining 42 observations, and make the necessary corrections where legally feasible<sup>27</sup>. In practice:

- two observations were still open at the time of this audit, as the member state did not accept the financial corrections the Commission had proposed;
- fourteen observations resulted in financial corrections by member states;
- six observations were ultimately closed without financial corrections, even though the Commission had initially proposed them. After further exchange of arguments with the member state the proposed corrections were dropped, sometimes without valid justification (see example in [Box 4](#));

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<sup>26</sup> Article 144(3) of CPR 1303/2013.

<sup>27</sup> Paragraph 5.14 of Commission replies to the [2020 ECA annual report](#).

**Box 4****Cancellation of proposed financial corrections without valid justification**

The ECA issued a closure letter identifying two errors in a European Regional Development Fund operational programme in Czechia. Almost a year later, the Commission proposed the corresponding financial corrections. The member state authorities accepted the correction for one of the transactions but did not agree with the other, and provided similar arguments as they had given in their reply to the ECA. After examining the member state's arguments, the Commission issued a second follow-up letter, confirming the financial correction it had originally proposed. The member state authorities replied that they did not accept it without providing any new arguments.

The Commission did not launch a financial correction procedure, but instead issued a closing letter in March 2025 accepting the member state's position without the national authorities providing any new facts in their final reply.

*Source:* ECA, based on an examination of Commission documents.

- twenty cases were closed following the Commission's assessment, but without any financial corrections being proposed. In some cases, there was insufficient justification as to why the Commission did not propose any corrections (see example in [Box 5](#)).

**Box 5****Ineligible expenditure identified, but no financial corrections requested**

During the follow-up of the ECA's observations about an operational programme in North Rhine-Westphalia (Germany), the Commission concluded that the member state authorities had systematically declared not only the costs actually incurred by the beneficiary, but also the expenditure incurred directly by the training participants. This was not in compliance with legal requirements<sup>28</sup>. Fifty per cent of the expenditure declared to the Commission was therefore ineligible for EU co-financing.

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<sup>28</sup> Articles 65(2) and 67(1)(a) of CPR 1303/2013.

Instead of applying financial corrections to exclude this ineligible expenditure, the Commission closed the finding without any financial correction. It concluded that *“any possible overcompensation would be of a temporary nature, as it would be offset by additional expenditure substantiated until the time of closure”*. The possibility of future offset was not provided in the legislation, consequently the Commission failed to apply the required financial corrections for irregular expenditure<sup>29</sup>.

Source: ECA, based on an examination of Commission documents.

### The 2014-2020 provisions for mandatory net financial corrections as applied by the Commission did not achieve the expected results

**47** In response to the increase in the error rate which the ECA reported in its [2012 annual report](#), the Commission published a communication<sup>30</sup> on mandatory net financial corrections (see paragraph **08**). These corrections were intended to protect the EU budget and have a higher deterrent effect as the member states concerned lose this part of their allocated EU funding and therefore cannot reuse the corrected and recovered amounts. These provisions are intended to incentivise member states to detect, report and correct errors themselves, and in doing so, improve management and control systems.

**48** The Commission’s communication stated that although such corrections had up to then been the exception, the system introduced for the 2014-2020 period leaves it no discretion in making a financial correction decision, and that such corrections in Cohesion would become the standard reaction in the event of serious deficiencies. Accordingly, it would follow its approach in agriculture, where such corrections were already the norm<sup>31</sup>.

**49** However, the Commission adopted its first decision imposing a mandatory net financial correction more than 10 years later, in September 2025. Three other procedures for mandatory net financial corrections were launched by the Commission during our audit. One other procedure was launched by the Commission in 2020, but stopped due to a lack of legal basis.

<sup>29</sup> Article 144(1)(c) of CPR 1303/2013.

<sup>30</sup> Commission Communication [COM\(2013\) 934 final](#).

<sup>31</sup> Ibid.

**50** The Commission takes the view that the mere existence of the legal provisions for mandatory net financial corrections has a deterrent effect, with the member states taking increased corrective action to avoid them<sup>32</sup>. However, there is no evidence to support this causal relationship, and the statement contradicts the 2013 communication's claim that mandatory net corrections would become the standard response. In addition, the consistently high error rates reported in our annual reports (see [Figure 1](#)) and the Commission's audit findings (see paragraph [33](#)) suggest that any deterrent effect is insufficient.

**51** We selected a sample of 14 Commission and two ECA audits which identified significant errors that could have resulted in mandatory net financial corrections by the Commission. We reviewed these cases to assess how the Commission set the criteria for mandatory net financial corrections, and whether it applied those criteria correctly and consistently. For cases where the criteria were fulfilled and the mandatory net financial corrections were required, we reviewed whether the Commission applied them at the correct rate and without undue delay.

**The Commission's guidance and criteria for mandatory net financial corrections are not clear enough, and are often applied inconsistently**

**52** The legal provisions<sup>33</sup> stipulate three conditions, that if fulfilled, should lead to the direct application of mandatory net financial corrections by the Commission:

- (1) the Commission or the ECA detects **irregularities**;
- (2) the irregularities detected demonstrate a **serious deficiency** in the effective functioning of the management and control system;
- (3) the serious deficiency:
  - (a) had **not been identified** in the assurance package or any other audit report of the audit authority submitted to the Commission, and appropriate measures had not been taken prior to the date of detection by the Commission or ECA;
  - (b) had not been subject to appropriate remedial measures by the member state prior to the date of detection by the Commission or ECA.

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<sup>32</sup> DG REGIO 2024 AAR, p. 40 and DG EMPL 2024 AAR, p. 55.

<sup>33</sup> Article 145(7) of CPR 1303/2013.

We reviewed how the Commission assessed the fulfilment of these cumulative conditions in our sample of 16 audits.

### ***Whether an irregularity is detected***

**53** Regarding the first condition that must be fulfilled, **irregularities** can only be committed by an economic operator, which is not a programme authority in its role. We noted that the Commission's guidance, and in particular its standard working paper for the decision on mandatory net financial corrections, does not assess whether the detected error fulfils the definition of an irregularity<sup>34</sup>. We identified two cases of serious deficiencies caused by programme authorities that the Commission assessed and drew different conclusions with regard to whether these deficiencies led to irregularities or not. In one case, the Commission concluded that the criteria for mandatory net financial correction were not fulfilled as the serious deficiency was caused by programme authorities, acting in their role (and no irregularities in individual cases were detected). In another case a serious deficiency and the related amounts unduly paid were caused by the programme authorities, acting in their role. The Commission considered the unduly paid amounts to be irregularities at the level of the economic operators and launched a procedure for a mandatory net financial correction.

### ***Whether these is a demonstration of a serious deficiency***

**54** The Commission's guidance to determine the existence of serious deficiency was only used for irregularities identified in its compliance audits. Irregularities identified in other types of audits - such as thematic or early preventive audits - or during the Commission's follow-up of ECA audits were not assessed as the basis for applying potential mandatory net financial corrections.

**55** Moreover, the criteria for determining the existence of the second condition, a **serious deficiency**, are not defined sufficiently clearly in the Commission's guidelines. An important quantitative criterion used is the error rate calculated for the operational programme in question. According to the Commission's guidelines, an error rate of above 5 % is a strong indication of a serious deficiency in the effective functioning of a management and control system of an operational programme.

**56** The Commission also defined a criterion related to the frequency of errors: if it finds errors in three or four out of a total of eight operations previously audited by the

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<sup>34</sup> Article 2(36) of CPR 1303/2013.

audit authority, then it considers that this indicates the existence of a serious deficiency. Its guidance also sets out six other criteria without further instructions for their assessment which leaves much room for interpretation, and results in inconsistent application.

**57** We found cases where the Commission concluded there had been a serious deficiency even though the total error rate was below 2 %. In other instances, the Commission audits resulted in a total error rate above 10 %, and a high frequency of errors. However, the Commission concluded that there was no serious deficiency in the management and control system (see examples in [Box 6](#)).

### Box 6

#### Inconsistent assessment of a management and control system

In one programme in France, the Commission found additional quantifiable errors in four out of eight operations, and the recalculated total error rate was 44 %. However, it concluded that there was no serious deficiency, as two fraudulent operations could not have been identified by the audit authority and the high error rate came mainly from one operation. We do not share this view, as it was based on a representative sample, which implies a broader systemic issue.

In another programme in Italy, in four out of eight operations that it audited, the Commission found errors that had not been identified by the audit authority. This resulted in a recalculated total error rate of 14 %. While the Commission's draft audit report assessed the management and control system as seriously deficient, its final report reversed this conclusion, stating that corrective actions taken in response to the audit findings resolved the issue. As the serious deficiency was demonstrated at the time of the audit, removing irregular amounts after the Commission had detected them cannot be considered as evidence of a substantial improvement in the management and control system.

In both cases, the Commission's own criteria strongly indicated the presence of serious deficiencies, but it concluded otherwise.

Source: ECA, based on an examination of Commission documents.

**58** To conclude on the existence of a serious deficiency in the management and control systems, the Commission also assesses 18 key requirements (such as "*adequate management verifications*") which, if assessed as working only partially ('substantial improvement needed') or not at all, are to be considered as a serious

deficiency<sup>35</sup>. In our sample of 16 audits, we identified five cases where the Commission concluded that there was no serious deficiency, even though the main key requirements were assessed as working only partially. This was not in line with the legal framework and had the effect that the cases were not further examined for possible mandatory net financial corrections.

***Whether the identified deficiency was already detected, reported and appropriately corrected by the member state***

**59** Regarding the third condition mentioned in paragraph 52, once a serious deficiency has been identified, the Commission determines whether that deficiency had already been detected, reported and appropriately corrected by the member state, before being detected by the Commission or the ECA.

**60** We found that the Commission's finalised working papers for assessing a serious deficiency do not indicate the date of detection, which is important for assessing whether a mandatory net financial correction should be applied. From the six cases in our sample where the Commission found a serious deficiency, it incorrectly concluded in one case (see **Box 7**) that the deficiency had already been identified and appropriately corrected by the member state.

**Box 7**

**Incorrect assessment of the moment a serious deficiency was detected and corrected**

In one programme in Poland, the Commission concluded that a substantial part of a serious deficiency had been detected, reported and corrected before the Commission's audit. In fact, the Commission identified additional quantifiable errors that had not been detected by the audit authority in six out of 11 operations it audited. Considering the high frequency of errors not detected, reported and appropriately corrected by the member state, a mandatory net financial correction should have been applied.

Source: ECA, based on an examination of Commission documents.

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<sup>35</sup> Article 30(2) of Regulation 480/2014.

### **The Commission did not make mandatory net financial corrections even when required by the legislation**

**61** Once the conditions for mandatory net financial corrections have been fulfilled (see paragraph 52), the Commission is required to launch the procedure and make financial corrections.

**62** We found that in 16 of the 32 cases (see points (a) and (c) in paragraph 16) we audited, the conditions were fulfilled and the procedure should have been launched (as highlighted in the example in Box 8). However, the Commission launched the procedure in only two of 16 cases by September 2025. None of these cases has yet resulted in the application of mandatory net financial corrections.

#### **Box 8**

##### **Despite a legal obligation, the Commission did not make mandatory net financial corrections**

In a system audit in Hungary covering six different operational programmes during the 2014-2020 period, the Commission's auditors identified irregularities in 25 out of 29 audited public procurement procedures, and concluded that Hungary's national system for public procurement worked only partially and required substantial improvement. This constitutes a serious deficiency in the management and control system. All the conditions for the application of a mandatory net financial correction were met.

However, the Commission did not launch the mandatory net financial correction procedure but proposed the Hungarian authorities to implement a 10 % flat-rate financial correction to all expenditure (already declared and future – see Box 1) for all contracts that were subject to ineffective management verifications. As a result, the amount of EU funding was not reduced, and the national authorities were able to reuse the funds.

*Source: ECA, based on an examination of Commission documents.*

### **The Commission took over three years to launch the procedure for mandatory net financial corrections, sometimes proposing amounts lower than required**

**63** When the conditions for the mandatory net financial corrections are met, the Commission is required to launch the correction procedure and take a formal decision cancelling the EU contribution. We consider that the financial correction procedure should be launched promptly after the final audit report is finalised (see paragraph 37).

However, there is no specific timeframe in the legislation when this should take place (see paragraphs 21-24).

**64** We examined the three cases in our sample where the Commission concluded that the conditions for mandatory net financial corrections had been fulfilled. For the three cases in question, the procedure was launched more than three years after the serious deficiency demonstrated by irregularities had been detected. Such a long period of time is not appropriate for ensuring a timely response and achieving sound financial management.

**65** Furthermore, according to the regulatory framework<sup>36</sup>, once the conditions have been fulfilled, the resulting mandatory net financial corrections should reduce EU funding for the operational programme. In all three sampled cases where the Commission launched the procedure, we consider that it incorrectly proposed that only part of the financial corrections should lead to a definitive reduction in EU funds and that the member states could reuse the other part.

### **The reporting on the implementation of financial corrections is not sufficiently reliable**

**66** To ensure reliable reporting in the AARs and the Annual Management and Performance Report (AMPR), the Commission should be able to rely on member states having a sound and structured monitoring and reporting system, and on information that distinguishes between financial corrections made by the Commission and by member states. We examined the existing Commission monitoring and reporting system, and reviewed the reliability of the underlying data.

### **The total amount of corrections is not disclosed and reported amounts are not sufficiently reliable**

**67** In their reporting for the 2014-2020 period, programme authorities have not been required by the regulatory framework to distinguish financial corrections from amounts which were subject to an ongoing assessment<sup>37</sup>. Consequently, the amounts reported as deducted from the accounts in the AARs of Directorate General for Regional and Urban Policy (DG REGIO) and Directorate General for Employment, Social

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<sup>36</sup> Article 145(7) of CPR 1303/2013.

<sup>37</sup> Ibid., Article 137(1).

Affairs and Inclusion (DG EMPL), which are based on the aggregated data (i.e. both corrections made and ongoing assessments) from the programme authorities' annual accounts, do not show the total amount of financial corrections that have actually taken place.

**68** For the 2014-2020 period, programme authorities in member states were only required to provide the total amount of financial corrections resulting from audit authorities' audits of operations<sup>38</sup>. There are no further requirements for member states to provide details about the origin of corrections, such as corrections following managing authorities' verifications, Commission checks, ECA audits, or OLAF investigations. DG REGIO and DG EMPL complete this information by using data manually registered in their IT tool and several underlying spreadsheets on their own follow-up to Commission checks, ECA audits, and OLAF investigations. *Table 1* presents an overview of the financial corrections for the entire programming period as a result of the different types of verifications and audits.

**Table 1 – Financial corrections reported for the 2014-2020 period  
(million euros)**

	DG REGIO	DG EMPL
Commission checks	773.8	300.1
ECA audits	60.7	137.7
OLAF investigations	75.0	16.7
<b>Total</b>	<b>909.5</b>	<b>454.5</b>

Source: ECA based on Annexes 7K of DG REGIO and DG EMPL 2024 AARs.

**69** For the cases selected in our sample, we checked the accuracy of these reported figures by reconciling the corrections reported in the AARs with the corrections agreed by the member states. We identified differences for 11 of the 47 cases examined. These differences concern amounts that were under- or over-reported, and in many cases totalled several million euros. Two examples are presented in *Box 9*.

<sup>38</sup> Article 7 of [Commission Implementing Regulation 1011/2014](#).

**Box 9****Error resulting in significant overreporting of corrections in the 2023 DG EMPL Annual Activity Report**

Following an ECA audit of an operational programme in Poland, DG EMPL proposed a financial correction of €474 000, which the member state made. However, due to an incorrect manual entry, it was mistakenly reported that €474 **million** were corrected instead of €474 **thousand**. This amount alone represented over 60 % of the corrections reported by DG EMPL in its AAR in June 2024 in response to EC and ECA audits, and OLAF investigations. After we reported our findings, DG EMPL replaced its published AAR with a new version containing updated amounts.

**Corrections following an ECA audit that were not considered in DG REGIO's 2023 Annual Activity Report**

In our 2019 annual report (paragraph 5.27), we refer to corrections of €113 million made by programme authorities following a request from the Commission after an ECA audit in the previous year. However, these amounts were not reported in the cumulative corrections made for the 2014-2020 period in DG REGIO's 2023 AAR.

*Source:* ECA, based on an examination of Commission documents.

**70** In order to address some of the weaknesses identified above, for the 2021-2027 period the Commission issued a methodological note to clarify that corrections resulting from audit authority findings should be disclosed separately from those resulting from Commission checks, ECA audits and OLAF investigations. Expenditure subject to ongoing assessment (see paragraph **67**) should also be reported separately from financial corrections. However, it remains to be seen how this will be applied in practice.

**Member states did not always report correctly on financial corrections resulting from audit authorities' checks**

**71** DG REGIO and DG EMPL report in their AARs the total amount of corrections resulting from audit authorities' audits of operations, based on what is reported by member states authorities in their programme accounts. In line with the Commission's

guidance, these reported amounts should be consistent with those reported in the audit authorities' annual control reports<sup>39</sup>.

**72** We compared the reported amounts for all operational programmes with Cohesion expenditure included in the accounts and noted considerable differences. They result in inaccurate amounts being reported in the accounts and consequently also in the AARs. We provide an overview of the differences we identified for the 2022-2023 accounting year in **Box 10**.

### **Box 10**

#### **Inconsistencies in reporting on financial corrections resulting from audit authorities' work led to inaccurate amounts in the Annual Activity Reports**

For the 2022-2023 accounting year, we identified differences of over €1 million between the financial corrections resulting from audit authorities' audits of operations reported in the annual control reports and in the accounts for 13 assurance packages. In 10 cases, the amounts in the accounts were misstated, and led to inaccurate reporting of the audit authorities' corrections in the AARs.

For example, for one operational programme, the audit authority's annual control report covering the 2022-2023 accounts reported €26 million of corrections, while the amount reflected in the appendix to the accounts was only €4 million. The difference concerned an extrapolated correction of €22 million, bringing the error rate down to 2 %, not reported as a result of audits of operations in the accounts. As a result, the corrections resulting from audit authorities' audits of operations in the AAR were underestimated by €22 million.

*Source:* ECA, based on an examination of Commission documents.

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<sup>39</sup> Guidance on Preparation, Examination and Acceptance of Accounts [EGESIF\\_15\\_0018-04](#), and Guidance on the Annual Control Reports (ACR) and Audit Opinion (AO) [EGESIF\\_15-0002-04](#).

## Estimated future corrections do not reflect the Commission's capacity to identify and correct errors in Cohesion spending

**73** The two DGs responsible for Cohesion spending are required to provide sufficient assurance on the risk at closure. This is a forward-looking estimate of the error rate that will remain in the accounts, once the Commission has applied the necessary financial corrections to bring the total error rates down to 2 % for all programmes. More precisely the risk at closure is the difference between its estimate of irregular payments made during a year (the risk at payment) and the amounts to be corrected in order to reduce the residual total error rate to at least 2 % for each single programme (estimated future corrections<sup>40</sup>). The amounts of estimated future corrections are therefore based on the difference between the annual risk at payment and the targeted risk at closure. We assessed the Commission's methodology to establish the risk at closure.

**74** In its 2024 AARs, both DG REGIO and DG EMPL estimated that future corrections for the 2014-2020 programmes would reduce the estimated risk at closure to 2.0 %<sup>41</sup>. In total, the risk at payment for 2014-2020 Cohesion expenditure was in the range of 2.4 % to 3.4 %, and the estimated future corrections would lead to a risk at closure of 2.0 %.

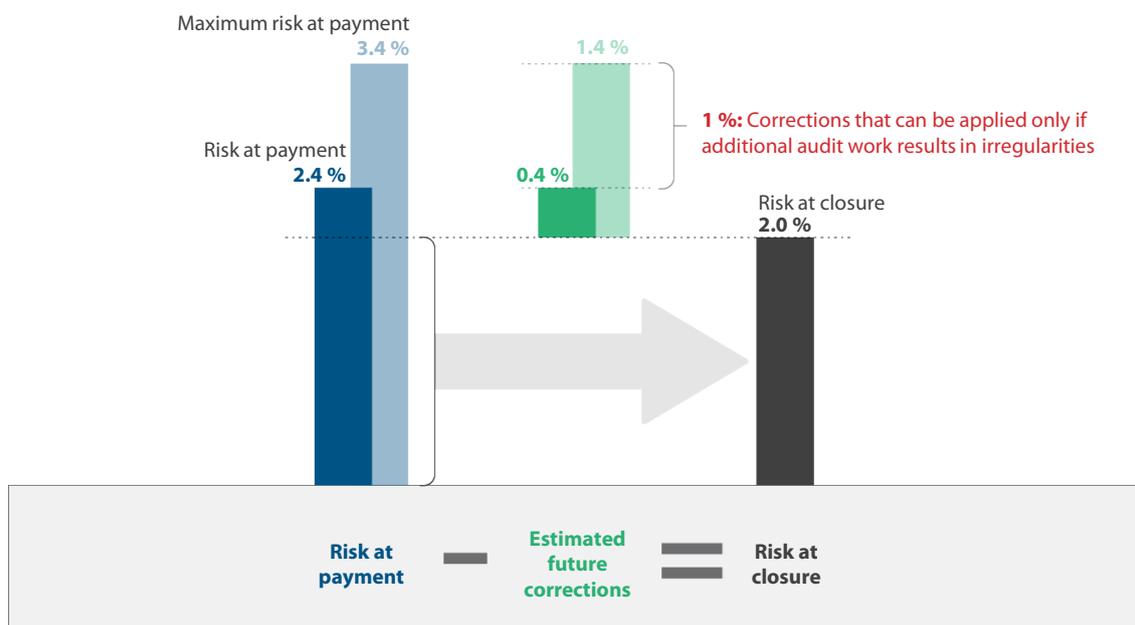
**75** However, the reported risk at closure is likely to be underestimated as the estimates of future corrections are not only based on irregularities detected from the Commission's audits, but also on top-ups and flat rates applied to reflect additional risks for unaudited programmes as reflected in the maximum risk at payment (see [Figure 5](#)). As no actual financial corrections will be applied for such top-ups if no further audit work is carried out on these programmes, the estimated future corrections are likely to be higher than the ones actually realised.

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<sup>40</sup> DG REGIO and DG EMPL 2024 AARs, Glossary of terms.

<sup>41</sup> Ibid., Annex 9.

**Figure 5 – Over-estimated future corrections reported**



Source: ECA based on 2024 Annual Activity Reports of DG REGIO and DG EMPL.

**76** The DGs did not compare the initially estimated future corrections with the actual corrections in the AARs. In addition, the Commission did not provide such information in its AMPR for Cohesion expenditure. The absence of such a comparison limits transparency for the users of the AARs and the AMPR as they do not provide information whether actual corrections can ensure that the estimated error at closure is below 2 %.

**77** We compared the financial corrections that were actually made with the future financial corrections estimated by the Commission for the operational programmes with a reported total residual error rate above 2 %. We found that, overall, the actual financial corrections were still well below the initially estimated corrections at the time of issuing the 2024 AARs (see [Annex III](#)). However, the DGs do not provide sufficient clarity on the underlying reasons for the reduced level of corrections compared to their initial estimates and its impact on the reported risk at closure.

## Conclusions and recommendations

**78** Financial corrections are an important tool for protecting the EU budget, and for ensuring not only that it is spent on legal and regular operations but also that financial management of the budget is sound. We conclude that there are a number of weaknesses in the design of the financial corrections mechanism for both programming periods, and that the application of corrections is only partially effective for safeguarding the EU budget. In September 2025, the Commission adopted its first financial correction decision, despite persistently high error rates found during checks by the Commission and by us during the 2014-2020 period. Nevertheless, the Commission's checks have led to significant financial corrections applied by member states which allowed them to reuse the funds corrected.

**79** The legal framework for financial corrections is complex and makes it challenging for the Commission to apply financial corrections (see paragraphs [18-20](#)). In particular, the procedure for applying financial corrections is not strictly time-bound. The Commission has discretion on when to launch the procedure and how long it can take with the consequence that there is no time limit against which to establish whether the Commission applied financial corrections in good time (see paragraphs [21-24](#)).

**80** Moreover, multiple legal conditions need to be fulfilled for the Commission to apply a mandatory net financial correction which characterises its complexity. The framework also significantly limits the scope of application of the Commission's mandatory net financial corrections as it cannot be applied to member states' programme authorities, in this role, tasked with implementing the EU budget, even though they are the most likely to make the most significant errors (see paragraphs [25-26](#)). We also found that the legal framework for 2021-2027 does not significantly improve the previous provisions (see paragraphs [27-30](#)).

**81** On 17 July 2025 the Commission made its [proposal for the European Fund Regulation](#), which includes the rules for financial corrections for the post-2027 period, which are currently under discussion. This will give the opportunity to address the issues raised in the two previous paragraphs, in particular that:

- member state authorities, acting in their role, are included in the scope of application of mandatory net financial corrections by the Commission;
- all irregularities in the submitted accounts are subject to mandatory net financial corrections by the Commission;

- o serious deficiencies in management and control systems are subject to mandatory net financial corrections by the Commission.

**82** The ECA will provide an opinion on the Commission's proposal on the European Fund that will also cover the provisions related to financial corrections.

**83** While the Commission has adopted one financial correction decision, its work on following up both its own and the ECA's audits had led to member states applying significant financial corrections. However, in three cases of our sample the Commission incorrectly quantified the proposed corrections and in one case it departed from the provisions of EU legislation by limiting the scope of future audits by national authorities (see paragraphs [31-36](#)).

## **Recommendation 1 – Apply financial corrections as provided for in the legal framework**

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The Commission should:

- base financial corrections on individually verified irregularities, and only when this is not possible to propose a systemic flat-rate correction;
- ensure that flat rate reductions do not prevent expenditure declared in the future to be subject to regular verifications and audits.

**Target implementation date: 2026.**

**84** The Commission is slow in launching a financial correction procedure after its audit reports are finalised. It first starts a follow-up process with the member states that is not provided for in the legislation. This is time-consuming due to the need of additional audit work and the Commission's aims to reach an agreement on the amount of financial corrections to be applied by the member state (see paragraphs [37-39](#)). When eventually launched, the Commission's financial correction procedure takes a long time to be completed and sometimes results in an agreement on reduced amounts of financial corrections implemented by the member state (see paragraph [40](#)).

**85** Like for the follow-up of the Commission's audits, the Commission is also slow to act on the ECA's findings. Moreover, contrary to its own guidelines, it sometimes did not launch the procedure when a member state disagreed with financial corrections proposed by it following ECA findings (see paragraphs [42-45](#)).

**86** A number of financial corrections proposed by the Commission to the member states were reduced compared to the amounts identified in its audit reports without sufficient justification (see paragraph 41). Similarly, a number of quantifiable findings that the ECA had identified were dropped by the Commission without sufficient justification (see paragraph 46).

## Recommendation 2 – Ensure timely implementation of financial corrections

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The Commission should:

- (a) set and apply reasonable deadlines for all steps in the financial correction procedure;
- (b) ensure that final audit reports can more readily be used to apply financial corrections, minimising as far as possible the need to perform additional audit work, thus leading to shorter follow-up and fewer exchanges with member states;
- (c) launch the financial correction procedure in every case a member state disagrees with a financial correction proposed by the Commission;
- (d) sufficiently justify and document changes to proposed amounts of financial corrections and avoid modifications without new evidence.

**Target implementation date: 2026.**

**87** In response to an increasing error rate reported by ECA, the Commission had declared in 2013, that the new provisions for mandatory net financial corrections would leave no discretion to the Commission in making them and that they would become the standard reaction in the event of serious deficiencies (as in the case of corrections for expenditure on agriculture). However, more than ten years later, the Commission had adopted a single financial correction decision in Cohesion policy. The Commission's guidance and criteria for such mandatory net corrections are not defined clearly and are often applied inconsistently. In particular, it did not define with sufficient clarity the criteria for assessing serious deficiencies and categories of key requirements to ensure an objective assessment.

**88** The Commission did not always launch the mandatory net financial correction procedure when the legal criteria were fulfilled, and when it did, the procedure was launched more than three years after the detection of serious deficiency and with

lower amounts of financial correction than required. Instead of Commission's corrections, the member states made financial corrections without any effect on the allocation of the EU funding to the member states and therefore without any deterrent effect which would result in improvements of management and control systems (see paragraphs [47-65](#)).

### **Recommendation 3 – Ensure consistency when assessing management and control systems and evaluating serious deficiencies**

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The Commission should ensure the consistency in the assessment of key requirements and when evaluating serious deficiencies, including by improving the clarity of the related guidance as necessary.

**Target implementation date: 2026.**

**89** The total amount of financial corrections is not disclosed in the Annual Activity Reports and the Annual Management Performance Report for Cohesion policy. Although the Commission took action to address the lack of information about corrections and their origin in member states' accounts, the figures disclosed are not sufficiently reliable. In addition, member states did not always correctly report on financial corrections made in response to audit authorities' audits. Finally, estimated future corrections do not reflect the Commission's capacity to identify and correct errors in Cohesion expenditure, therefore, the reported risk at closure is likely to be underestimated (see paragraphs [66-77](#)).

## **Recommendation 4 – Improve the way corrections are reported in the Annual Activity Reports and in the Annual Management and Performance Report for Cohesion policy**

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The Commission should strengthen its reporting by:

- (a) providing data on the total amount of corrections, and ensuring that the data it publishes, including on the origin of corrections, is accurate;
- (b) estimating future corrections based on the Commission's capacity to identify and correct errors;
- (c) improving transparency by providing a comparison between the initially estimated future corrections and the financial corrections that were actually made and disclosing the effect on the risk at closure.

**Target implementation date: 2026.**

This report was adopted by Chamber II, headed by Mrs Annemie Turtelboom, Member of the Court of Auditors, in Luxembourg at its meeting of 15 October 2025.

*For the Court of Auditors*



Tony Murphy  
*President*

## Annexes

### Annex I – Timeline of the process leading to a financial correction by the Commission as per the CPR 1303/2013

Step	Time limit
<b>Audit phase</b>	
(1) Notification of the audit by the Commission to the member state	Article 75(2) allows at least 12 working days in advance of the audit, except in urgent cases.
(2) Draft audit report	Article 75(2a)(a): within three months of the on-the-spot audit or check.
(3) Member state reply to draft report	Not defined by legislation.
(4) Final audit report (Commission's auditors)	Article 75(2a)(b): within three months of receiving the completed reply from the member state to the draft audit report.
<i>Follow-up phase</i>	
(5) Follow-up by Commission and member state	Not mentioned in the CPR and not subject to any time-limit.
<b>Financial correction procedure phase</b>	
(6) Formal launch of Article 145 procedure by the Commission informing the member state of its provisional conclusions	Not defined by legislation.
(7) Member state reply to launch Article 145 procedure, for precisely identified irregularities only	Article 145(1) allows <u>two months</u> for the member state to reply.
(8) Member state reply to launch Article 145 procedure, <u>if</u> flat-rate and/or extrapolated correction	Article 145(2) allows <u>an additional two months</u> for the member state to reply.

Step	Time limit
(9) Member state reply to launch Article 145 procedure, <u>if</u> flat-rate and/or extrapolated correction <u>and</u> time extension duly justified	Article 145(2) stipulates no time limit for “duly justified circumstances”.
(10) Commission’s assessment of member state’s reply	Not defined by legislation.
(11) Commission informs the member state of its conclusion and sets a hearing date in the event of disagreement	Not defined by legislation.
(12) Date of hearing	Not defined by legislation.
(13) Commission decision within six months after the hearing or (14)	Article 145(6) stipulates six months, unless additional evidence is sought and/or provided.
(14) Commission decision within six months of receiving additional evidence provided after the hearing	The legislation does not stipulate how much time after the hearing the Commission may grant the member state to provide additional evidence.
(15) Commission decision <u>if</u> no hearing takes place	If a hearing invitation is sent but no hearing takes place, then Article 145(6) requires a Commission decision within eight months, starting from the date of the letter of invitation.

Source: ECA, based on Regulation 1303/2013.

## Annex II – Legal requirements for applying mandatory net financial corrections for serious deficiencies in management and control systems

Article 145(7)	Article 2(39) "serious deficiency"	Article 2(36) "irregularity"	Article 2(37) "economic operator"	Article 85
detection by the Commission and/or ECA of irregularities...	for the purposes of implementing the EU funds	breach of EU or national law...	natural or legal person or other entity taking part in the implementation of assistance from ESI funds...	expenditure in breach of applicable law
demonstrating a serious deficiency...	substantial improvements in the system are required...	through act or omission by an economic operator...	with the exception of a Member State exercising its prerogatives as a public authority.	expenditure declared to the Commission
which was not disclosed and	expose the EU funds to a significant risk of irregularities incompatible with an unqualified audit opinion	which has or would have the effect of prejudicing the EU budget by charging an unjustified item of expenditure to the EU budget		either the breach has affected the selection of an operation or substantiated risk it has had such an effect or the breach affected the amount declared for reimbursement or a substantiated risk it has had such an effect.
no appropriate measures taken prior to detection or which was not subject to appropriate remedial measures prior to detection.				
<b>Article 85(3) Principle of proportionality</b>				
least onerous measure		capable of achieving	the legitimate aim being pursued	

Source: ECA, based on Regulation 1303/2013 and EU case-law.

### Annex III – Comparison of estimated future corrections and actual financial corrections for operational programmes with residual error rate above 2 %

We compared the reported financial corrections that had been made by the time the 2024 AARs were issued, with the future financial corrections that were initially estimated by the DGs for operational programmes with a residual total error rate above 2 %.

Our analysis did not include the 2021-2022 and 2022-2023 accounting year, as the DGs reached a conclusion only on the part covering the legality and regularity of the expenditure for that year in the 2023 and 2024 AARs.

While exchanges between the Commission and member states are ongoing and further audit works is being carried out, the two tables below indicate that the financial corrections that were made by the time the 2024 AARs were issued were still well below the initially estimated corrections:

**Table 1 – DG REGIO**

Accounting year	Estimated future corrections <sup>1</sup> (rounded figures, in million euros)	Implemented corrections (rounded figures, in million euros)
2015-2016	None	0.1
2016-2017	70	60
2017-2018	451	200
2018-2019	309-562	120
2019-2020	195-372	118
2020-2021	319-561	26
<b>Total</b>	<b>1 343-2 015</b>	<b>524</b>

<sup>1</sup> Since the 2018-2019 accounting year, the DGs have presented estimated future corrections as a range corresponding to the corrections needed to bring the residual risk below 2 % from the risk at payment and from reported maximum risk at operational programme level. The DGs report on corrections implemented on accounting year expenditure (July N – June N+1) and on estimated future corrections for calendar year expenditure in the AARs. For comparison reasons, we have used the initially estimated future corrections in relation to the accounting year expenditure. Therefore, the amounts of estimated future corrections for the accounting year do not match the amounts reported for the calendar year in the AARs.

Table 2 – DG EMPL

Accounting year	Estimated future corrections <sup>1</sup> <i>(rounded figures, in million euros)</i>	Implemented corrections <i>(rounded figures, in million euros)</i>
2015-2016	None	None
2016-2017	31	18
2017-2018	66	47
2018-2019	33-41	20
2019-2020	98-194	143
2020-2021	219-303	57
<b>Total</b>	<b>447-635</b>	<b>285</b>

<sup>1</sup> Since the 2018-2019 accounting year, the DGs have presented estimated future corrections as a range corresponding to the corrections needed to bring the residual risk below 2 % from the risk at payment and from reported maximum risk at operational programme level. The DGs report on corrections implemented on accounting year expenditure (July N – June N+1) and on estimated future corrections for calendar year expenditure in the AARs. For comparison reasons, we have used the initially estimated future corrections in relation to the accounting year expenditure. Therefore, the amounts of estimated future corrections for the accounting year do not match the amounts reported for the calendar year in the AARs.

Source: ECA, based on data from DG EMPL.

# Abbreviations

**AAR:** Annual Activity Report

**AMPR:** Annual Management and Performance Report

**CPR:** Common Provisions Regulation

**DG EMPL:** Directorate-General for Employment, Social Affairs and Inclusion

**DG REGIO:** Directorate-General for Regional and Urban Policy

**OLAF:** European Anti-Fraud Office

# Glossary

**Assurance package:** Set of documents which each member state submits to the Commission yearly in respect of the Cohesion funds, comprising the annual accounts, a summary, a control report, a management declaration and an audit opinion.

**Audit authority:** Independent national entity responsible for auditing the systems and operations of an EU spending programme.

**Cohesion Fund:** EU fund for reducing economic and social disparities in the EU by funding investments in member states where the gross national income per inhabitant is less than 90 % of the EU average.

**Cohesion funds:** EU funds supporting economic, social and territorial cohesion across the EU. For the 2014-2020 period: the European Regional Development Fund, the European Social Fund, the Cohesion Fund, and the Fund for European Aid to the Most Deprived. For the 2021-2027 period: the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the Just Transition Fund.

**Cohesion policy:** EU policy which aims to reduce economic and social disparities between regions and member states by promoting job creation, business competitiveness, economic growth, sustainable development, and cross-border and interregional cooperation.

**Co-legislators:** Council of the EU and the European Parliament, which work together on an equal footing to adopt EU legislation.

**Common Provisions Regulation:** Regulation setting out the rules that apply to eight EU funds, including the four Cohesion policy funds. The current regulation covers the 2021-2027 period.

**Economic operator:** Any natural or legal person or other entity taking part in the implementation of assistance from the Cohesion funds, with the exception of a member state exercising its prerogatives as a public authority.

**Estimated future corrections:** These are the amounts to be corrected to reduce the confirmed error rate without the impact of financial instruments advances to at least 2 % for each single programme.

**European Fund Regulation:** Proposed successor to the Common Provisions Regulation for the 2028-2034 period, setting out common rules for many EU funds involving national allocations from the EU budget, including the four Cohesion policy funds.

**Financial correction:** Measure to protect the budget from irregular or fraudulent expenditure by withdrawing or recovering funds to compensate for payments made in error to EU-backed projects or programmes.

**Key requirement:** 18 criteria for assessing the functioning of a management and control system and for determining serious deficiencies. The criteria are defined in Annex IV of Commission Delegated Regulation 480/2014.

**Management and control system:** Structure within which control activities take place for EU spending programmes.

**Managing authority:** National, regional or local authority (public or private) designated by a member state to manage an EU-funded programme.

**Operational programme:** Framework for implementing EU-funded projects in a set period, reflecting the priorities and objectives laid down in partnership agreements between the Commission and individual member states.

**Public procurement:** Purchase by a public body or other authority of goods, works or services, through an open and competitive procedure, in order to achieve quality and value for money.

**Serious deficiency:** A deficiency for which substantial improvements in the system are required, which exposes the Funds to a significant risk of irregularities, and the existence of which is incompatible with an unqualified audit opinion on the functioning of the management and control system.

**Shared management:** Method of spending the EU budget in which, in contrast to direct management, the Commission delegates to the member state while retaining ultimate responsibility.

**Sound financial management:** Management of resources in accordance with the principles of economy, efficiency and effectiveness.

## Replies of the Commission

<https://www.eca.europa.eu/en/publications/SR-2025-22>

## Timeline

<https://www.eca.europa.eu/en/publications/SR-2025-22>

## Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber II – Investment for cohesion, growth and inclusion, headed by ECA Member Annemie Turtelboom. The audit was led by ECA Member François-Roger Cazala, supported by Dirk Pauwels, Head of Private Office and Stéphanie Girard, Private Office Attaché; Maria Eulàlia Reverté i Casas, Principal Manager; Jiří Beneš, Head of Task; Aleksandar Latinov, Deputy Head of Task; Kevin Deceuninck and Christophe Grosnickel, Senior Auditors; Maja Stavreska, Trainee. Alexandra Mazilu provided graphical support.



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Financial corrections by the Commission that definitively reduce EU funding to member states are one of the tools to protect the EU budget from irregular expenditure in Cohesion policy. They were expected to become the standard reaction to serious deficiencies. It took over 10 years for the Commission to adopt the first such correction (September 2025), despite each year of the 2014-2020 period being materially affected by error. We found that the legal framework was complex, and not significantly improved for the 2021-2027 period. There were also shortcomings in its application by the Commission. Moreover, the reporting was insufficiently reliable, including on estimated future corrections that overstate Commission's capacity to identify and correct errors. We recommend that the Commission applies corrections in line with the legal framework, ensures timely implementation, and improves transparency and accuracy of reporting.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



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