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NOTE

From: Budget Committee

To: Permanent Representatives Committee/Council

Subject: Council recommendation on the discharge to be given to the Commission in respect of the implementation of the general budget of the European Union for the financial year 2024

- *Adoption*
 - *Approval of a letter*
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DRAFT COUNCIL RECOMMENDATION
on the discharge to be given to the Commission
in respect of the implementation of the general budget
of the European Union
for the financial year 2024

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 319 thereof,

Having carried out the examination provided for in Article 319(1) TFEU,

Whereas:

(1) According to the revenue and expenditure account for the financial year 2024:

- revenue amounted to EUR 250 609 479 558.38
- expenditure disbursed from appropriations amounted to..... EUR 244 308 637 135.90
- cancelled payment appropriations carried over from year *n-1*
amounted to EUR 334 138 602.61
- appropriations for payments carried over to year *n+1*
(including earmarked revenue) amounted to..... EUR 5 322 177 386.95
- EFTA payment appropriations carried over from year *n-1*
amounted to EUR 11 904 907.63
- the balance of exchange-rate differences amounted to EUR 43 634 408.04
- the positive budget balance amounted to EUR 1 344 533 138.55

- (2) EUR 2 122 194 947.23 (86.7 %) of the EUR 2 446 873 482.99 in appropriations for payments carried over to year 2024 have been used;
- (3) The observations in the report by the Court of Auditors for the financial year 2024 call for certain comments by the Council, which are ANNEXED hereto;
- (4) The Council attaches importance to its comments being followed up and assumes that the Commission will implement all of the recommendations in full, without delay;
- (5) The Council has approved conclusions concerning special reports drawn up by the Court in 2024 and 2025 in the context of the discharge procedure¹;
- (6) Following the examination referred to above, implementation by the Commission of the budget for the financial year 2024, taken as a whole, on the basis of the observations made by the Court of Auditors, is such as to allow a discharge to be given in respect of such implementation,

HEREBY RECOMMENDS, in the light of these considerations, that the European Parliament grant discharge to the Commission in respect of the implementation of the budget of the European Union for the financial year 2024.

Done at Brussels,

For the Council

The President

¹ Docs. 7537/25, 8762/25, 9395/25, 10222/25, 10226/25, 10238/25, 10617/25, 15763/25, 15792/25 and 16693/25.

INTRODUCTION

1. The Council welcomes the European Court of Auditors' annual report, the Statement of Assurance on the implementation of the EU budget, as well as the audit findings and conclusions provided. The Council attaches great importance to the independent audit work carried out by the Court, in line with the provisions of Article 287 TFEU, specifically to the primary task of providing a statement of assurance on the reliability of the accounts, and of examining the legality and regularity of revenue and expenditure.
2. The Council also welcomes the Court's clean opinion on the reliability of the 2024 accounts, which continue to express an accurate and fair view of the EU's financial position, as well as the clean opinion on the legality and regularity of revenue. However, the Council regrets the adverse opinion on legality and regularity of expenditure, and is concerned about the qualified opinion on the Recovery and Resilience Facility (RRF).
3. While welcoming the decrease of the overall error rate by two percentage points compared to the previous year, from 5.6 % in 2023 to 3.6 % in 2024, the Council regrets that the figure remains above the materiality threshold.
4. The Council appreciates the fact that the Court presented for the first time an error rate for the "Neighbourhood and the World" policy area, which addresses the repeated calls, justified by the political importance of the expenditure heading and the need to ensuring comparability between years within each policy area. Therefore, the Council continues to invite the Court to provide an error rate for all policy areas.

5. The Council calls on both the Court and the Commission to continue the assessment of the performance of the EU budget and invites the Commission, where applicable, to increase the focus on result-based performance indicators that can be directly linked to the EU actions, with the aim of simplification and reducing administrative burden.
 6. Finally, the Council supports the Court's findings and recommendations, and invites the Commission to take them, as well as the Council's recommendations, into account.
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CHAPTER 1

STATEMENT OF ASSURANCE AND SUPPORTING INFORMATION

- 1.1. The Council welcomes the clean opinion given by the Court on the reliability of the annual accounts of the European Union (hereinafter "the accounts") for the financial year 2024, and welcomes the Court's statement that the accounts present fairly, in all material respects the EU's financial position as of 31 December 2024, and the results of its operations, its cash flow and the changes in its net assets for the year then ended, in accordance with the Financial Regulation and with accounting rules based on internationally accepted accounting standards for the public sector.
- 1.2. Furthermore, the Council welcomes the fact that the revenue underlying the 2024 accounts is legal and regular in all material respects, as in previous years. On the other hand, the Council regrets that regarding the legality and regularity of expenditure, the opinion of the Court remains adverse.
- 1.3. The Council welcomes the decrease of the overall error rate from 5.6 % in 2023 to 3.6 %, even though the share of high-risk expenditure went up. Nonetheless, the Council regrets that the rate remains above the materiality threshold.

- 1.4. The Council takes note of the risk at payment and risk at closure estimated by the Commission for all MFF headings, apart from the “Natural resources and environment” policy area. For all policy areas for which risks were estimated, the rates remain below materiality level, except for “Cohesion, Resilience and Values”. The Council notes the Commission’s consideration that the indicator representing best all the actions taken by both the member states and the Commission’s services could be the risk at closure, which measures the remaining level of error once all controls and additional corrections have been made, in line with the Commission’s multi-annual strategy. Considering that the spending programmes and related control systems, as well as the management cycles cover multiple years, the financial corrections and recoveries applied by the Commission could result in bringing the level of error below materiality. In this regard, the Council takes note of the Court’s observation that there are limitations in the Commission’s *ex-post* checks and that the risk at payment and at closure reported by the Commission is underestimated. The Council welcomes, however, the fact that for 2024 the difference in error rates between the Court and the Commission has been bridged to a certain extent.
- 1.5. The Council welcomes the collaboration and work done so far by the Court and the Commission towards aligning some aspects of their respective methodologies and the harmonised grid to quantify procedural errors in public procurements, to be applied as from 2025. However, without prejudice to the fact that the Court and the Commission have different mandates and therefore different approaches in estimating errors, the Council remains concerned about the degree of differences between the two institutions in interpreting the same standards, legislation, facts and rules. Therefore, the Council invites the institutions to continue the dialogue.

- 1.6. While acknowledging the work carried out by audit bodies in detecting errors and mismanagement of EU funds, as well as the continuous efforts and actions undertaken by the Commission and the member states to implement the Court's recommendations, the Council recognises the shortcomings identified by the Court in the work of some audit authorities. Based on the findings of the Court, the Council calls on the Commission to continue engaging national audit authorities with a view to reinforcing their work, exchanging best practices and addressing the shortcomings.
- 1.7. The Council recalls that the Court's estimated level of error is not a measure of fraud, inefficiency, or waste of funds per se, but of payments which were not made in accordance with the applicable rules and regulations. The Council notes that in 2024, the Court reported 19 cases of suspected fraud to OLAF.
- 1.8. The Council stresses that, in order to achieve a reduction in error rates and ensure the effective and correct management of EU funds, simpler, more transparent and more predictable legislation including relevant implementing measures should remain a top priority. The Council, therefore, calls on the Commission and programme authorities, where relevant, to identify, assess and simplify unnecessarily complex rules and procedures, both for national authorities and beneficiaries, while preserving the essential standards and requirements needed for accountability, sound financial management and legality and regularity of spending. The Council notes that 68.9 % of the audit population was mainly made up of costs reimbursement transactions, assessed by the Court as high risk expenditure, which represents an increase from 64.4 % in 2023. This expenditure type was materially affected by error due to the complexity of rules, which resulted in an estimated error rate of 5.2 %, down from 7.9 % in 2023. The Council calls on the Commission, where applicable, to increase the focus on result-based performance indicators that can be directly linked to the EU actions, with a view to simplify and reduce administrative burden.
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CHAPTER 2
BUDGETARY AND FINANCIAL MANAGEMENT

- 2.1. The Council takes note of the almost full budget implementation of the available commitments and payments in 2024, of nearly finalised absorption of shared management funds of the 2014-2020 MFF, as well as of acceleration of NGEU top-up absorption.
- 2.2. The Council takes note of the decrease in outstanding commitments, below the estimates, and that without acceleration of implementation, in particular for cohesion funds, the decommitments amounts will rise.
- 2.3. Regarding the Recovery and Resilience Facility (RRF), the Council notes the risks of timely absorption and completion of measures, notably due to pending investments.
- 2.4. The Council also takes note of the assessment of the Court regarding the increased exposure of the EU budget, as a result of borrowing undertaken for additional needs in response to multiple crises. Therefore, the Council urges the Commission to closely monitor this risk, limit the issuance of bonds and bills to the legally mandated amounts and obtain the most advantageous financial conditions for the EU in the medium to long run, as well as keep member states closely and thoroughly informed about its estimations. Also, the Council invites the Commission to closely monitor and take into account the implementation of EU programmes when planning the repayment schedule of the NGEU non-repayable support.

CHAPTER 3
GETTING RESULTS FROM THE EU BUDGET

- 3.1. The Council takes note of the Court's key messages on performance, the results drawn from the 2024 special reports on performance, including related information from the Commission, the European Parliament and the Council, from analysing how the Commission reported on performance in its 2023 Annual management and performance reports (AMPR) for heading 1 (*Single market, innovation and digital*) of the EU budget, as well as from implementation of the recommendations made in the 2021 report on the performance of the EU budget.
- 3.2. The Council notes the Court's approach to examine how the Commission reported on performance in different MFF headings, on a yearly rotation basis.
- 3.3. With regard to heading 1 analysed in 2024, the Council takes note of the overall stable Commission framework, as well as of the gaps to be addressed concerning indicators, with regard to reliability, ease of interpretation, traceability of data, as well as relevance for the programme users, and calls on the Commission to remediate.
- 3.4. The Council welcomes the actions taken by the Commission in response to the Court's recommendations in its 2024 special reports, as well as the follow-up of previous recommendations for the report on performance, status at the end of 2021.

CHAPTER 4

REVENUE

- 4.1. The Council welcomes the fact that the revenue part of the budget was not affected by material error in 2024 and that the examined revenue-related systems were assessed as being generally effective.
- 4.2. However, the Council takes note that some elements of the internal control systems for the management of VAT reservations and traditional own resources (TOR) open points were assessed as being partially effective.
- 4.3. In addition, the Court continued to find weaknesses in certain member states' management and accounting for TOR and found that, in some cases, the reporting of data on the plastics-based own resource is not fully compliant with EU rules.
- 4.4. Despite the Commission closing the 2020-2024 GNI verification cycle as planned as well as an important decrease of the GNI reservations placed, the Council notes, for another year in a row, the Court's observation that the Commission's verification work on GNI is affected by delays on the part of member states.
- 4.5. The Council, in its role as co-legislator, will do its utmost to finalise the negotiations on the proposed customs reform as soon as possible. In this regard, and in order to reduce the amount of customs duties not declared by importers or declared incorrectly to the national customs authorities, leading to a shortfall in import duties collected, and mitigate the risk that TOR are incomplete, the Council strongly supports the Court's recommendation to the Commission to accelerate its preparations for the implementation of the proposed customs reform as regards the initial operation of the EU Customs Authority and the development, implementation and maintenance of the EU Customs Data Hub by the end of 2026.

4.6. The Council takes note of the Court's observation that the Commission's assessment of the simplified VAT-based own resource system did not include the impact on overall and individual member states' contributions, as well as of the fact that the Court included that assessment in its examination of the impact of the simplification of the VAT system.

CHAPTER 5
SINGLE MARKET, INNOVATION AND DIGITAL

- 5.1. The Council takes note of the estimated level of error reported by the Court for the "Single market, innovation and digital" policy area at 3.2 % in 2024, down from 3.3 % in 2023, and regrets that it remains above the materiality threshold. The Council also takes note of the Commission's estimated risk at payment for the heading, at 1.6 %.
- 5.2. The Council notes that research and innovation expenditure remains the most affected by errors related to personnel costs and regrets their persistence. The Commission's efforts towards simplification and guidance to beneficiaries and National Contact Points of Horizon Europe is acknowledged. However, for 2024 the impact remains limited.
- 5.3. The Council invites the Commission to continue its efforts towards simplification of implementation of personnel costs and their calculation, and to provide further support to beneficiaries in this regard. In doing so, the Commission is invited to draw lessons from past transactions, and build upon, in view of a broader application of lumps sums. At the same time, the Commission is invited to continue its assessment and checks on cost estimates provided upfront by beneficiaries for each cost category, to enhance reliance.
- 5.4. The Council regrets the issues flagged by the Court concerning implementation of EU funds by means of third-party support under research programmes, which represents an increasing type of funding. It is noted that beneficiaries are not required to demonstrate the effectiveness of their controls to ensure the regularity of EU spending by third parties.
- 5.5. The Council supports the Court's recommendation and calls upon the Commission to revise its controls, in order to improve checks on compliance with the maximum threshold for this type of funding, as well as on the existence of agreements between beneficiaries and third parties, with a view to guarantee obligations with regards to accountability of funding, audit trail and checks, as required under the EU grant.

CHAPTER 6
COHESION, RESILIENCE AND VALUES

- 6.1. The Council regrets that the error rate remains above the materiality threshold, and notes that improvements are still necessary to further reduce the level of error in the future. However, the Council welcomes the decrease of the error rate compared to the previous year, from 9.3 % in 2023 to 5.7 % in 2024. The Council takes note of the Commission's estimated risk at payment for the policy funds, which ranges between 2.3% and 3.2%.
- 6.2. The Council notes that the control and assurance framework for cohesion programmes have both an annual and a multiannual character. While the current rules are built around a system based on the Commission's acceptance of annual accounts, the programmes cover multiple years. As a result, the Commission, as manager of the EU budget, puts in place multiannual control strategies designed to prevent errors and, where this is not possible, to detect them and apply corrections before the closure of the programmes. In this respect, the Council invites the Commission to continue to carry out specific targeted audits, to ensure that member states have applied the necessary financial correction for errors detected in a given accounting year, which also affect expenditure in other accounting years. The Council notes the Commission's position that there is no regulatory deadline to continue protecting the EU budget and that corrections can still occur many years after the submission of annual accounts or the closure of a programme.

- 6.3. Several factors might have put pressure on member states' administrations during the period of the transactions audited, including COVID-19 related constraints and limited administrative resources due to the parallel implementation of the RRF. These might have increased the risk of spending not always being regular and fully in line with the principle of sound financial management. The Council recalls that the introduction of 100 % EU financing in cohesion policy priorities has allowed for a quick response to unforeseen circumstances. The Council paid particular attention to this type of transactions during the analysis of the 2023 annual report, and notes that, for 2024, the Court and the Commission see no evidence of the 100 % EU financing being more prone to errors, or with a higher impact on the overall error rate.
- 6.4. The Council takes note that the Court still observes shortcomings in the work of some audit authorities. The Council welcomes the fact that the proportion of expenditure covered by assurance packages audited with residual error rates of above 2 % has decreased to 44 % in 2024, and recognises the efforts made by the Commission and the audit authorities towards the improvements achieved so far, in particular the adoption in December 2024 of an action plan to improve the detection capacity of programme authorities based on all recommendations issued by the Court's and the Commission's audits. The Council supports the Court's recommendation and invites the Commission to continue helping audit authorities mitigate the risk of error, and work together in particular towards better planning and more representative sampling, supporting eligibility compliance with sufficient and reliable evidence, as well as towards ensuring appropriate and reliable evidence and audit trail.
- 6.5. While acknowledging the effort to simplify cohesion programmes through an increased use of simplified cost options and financing not linked to costs, the Council invites the Commission and programme authorities to continue addressing recurrent errors and disseminating good practices with a view to reducing the occurrence and impact of irregular spending. In particular, the Council supports the Court's recommendation for the Commission to check and ensure, together with the member states, that the flat rate correction mechanism is correctly used and should not prevent from the possibility to initiate individual recoveries as necessary.

CHAPTER 7
NATURAL RESOURCES AND ENVIRONMENT

- 7.1. The Council regrets that the estimated level of error reported by the Court for payments in the “Natural resources” policy area increased from 2.2 % in 2023 to 2.6 % in 2024, and therefore the error level remains above the materiality threshold. The Council notes that the Commission no longer provides an estimate of risk at payment for the heading, focusing instead on the proper functioning of the member states’ governance systems, and that most of the expenditure remains low risk, similar to previous years.
- 7.2. The Council welcomes the fact that direct payments, which account for 59.2 % under the MFF heading, remained free from material error, except for eco-schemes. The Council notes that the level of error for eco-schemes is essentially triggered by the complexity and by the high-risk profile of this new type of intervention, introduced under the 2023-2027 Common Agricultural Policy (CAP).
- 7.3. Therefore, the Council supports the Court’s recommendation and invites the Commission to continue supporting member states in designing their eco-schemes, with the focus on simplifying them, also by capitalising on the experience gained from the implementation of the first schemes.
- 7.4. The Council takes note of the Court’s observations on rural development and welcomes the fact that the number of quantifiable errors identified, mainly triggered by non-compliance with eligibility conditions, more complex than for direct payments, was limited.
- 7.5. The Council welcomes the fact that the corrective measures applied by the member states reduced the estimated level of error by 0.4 percentage points, while noting that the level of error for this chapter could have been 2.2 percentage points lower had the member state authorities made proper use of all available information. Thus, the Council encourages the Commission to continue its support to member states in view of taking all necessary actions to prevent, detect and correct errors.

CHAPTER 8

MIGRATION AND BORDER MANAGEMENT, SECURITY AND DEFENCE

- 8.1. The Council notes that, as regards headings 4 (*Migration and Border Management*) and 5 (*Security and Defence*), the Court's audit was again not representative of the expenditure under these two headings, despite the Council's previous recommendations. Consequently, the Court did not estimate error rates for these headings. In view of the increased political focus on these policy areas and their growing budget, the Council reiterates its request to the Court to include a representative sample in its audit scope and to provide an error rate for the headings in the next years.
- 8.2. The Council regrets the persisting difficulties encountered by the Court in getting access to documents from some international organisations, which consequently obstructed the Court's capability to carry out their audit. The Council recalls that according to the TFEU, the Court is entitled to receive complete, unlimited and timely access to the documents necessary for the performance of its task, and invites the Commission to continue addressing the matter, by revising the contractual arrangements with international organisations where necessary, with the view to clarifying and implementing the obligations related to EU funding, in full respect of the provisions set out in the Treaties and in the Financial Regulation.
- 8.3. The Council acknowledges the support provided by the Commission so far and agrees with the Court's recommendation for further guidance to member states' authorities responsible for implementing DG HOME funding via shared management, in particular to address shortcomings in calls for proposals and grant award procedures.

CHAPTER 9
NEIGHBOURHOOD AND THE WORLD

- 9.1. The Council welcomes the fact that the Court’s examination was representative of the spending under the “Neighbourhood and the world” policy area for the year 2024, and that the Court provided an estimated level of error for the chapter.
- 9.2. However, the Council regrets the high error rate of 4.9 % identified for the heading, which is above the materiality threshold, and is mainly caused by expenditure qualified as high risk.
- 9.3. The Council notes that, as in previous years, the main types of errors identified concerned “cascading” of costs, whereby indirect costs were reported as direct, ineligible staff costs, shortcomings in public procurement procedures and issues in clearing advance payments as incurred costs.
- 9.4. Regarding errors found in transactions related to contracts under indirect management with pillar-assessed organisations, which represent the largest proportion, the Council invites the Commission to enhance checks and controls on EU funding implementation and get more assurance on expenditure justified by self-declarations from beneficiaries.
- 9.5. The Council also supports the Court’s recommendations to the Commission to improve guidelines to beneficiaries, with more clear and consistent information, to reduce risks of errors, and to simplify and standardise currency conversion rules in grant agreements.

9.6. While acknowledging the progress made by the Commission following the Court's recommendation in its 2020 annual report, the Council regrets the persisting difficulties encountered by the Court in getting access to documents from some international organisations, which consequently obstructed the Court's capability to carry out their audit. The Council recalls that according to the TFEU, the Court is entitled to receive complete, unlimited and timely access to documents necessary for the performance of its task, and invites the Commission to continue addressing the matter, by revising the contractual arrangements with international organisations where necessary, with the view to clarifying and implementing the obligations related to EU funding, in full respect of the provisions set out in the Treaties and in the Financial Regulation.

CHAPTER 10
EUROPEAN PUBLIC ADMINISTRATION

- 10.1. The Council welcomes the fact that administrative related expenditure of the EU institutions remained, as in previous years, free from material error.
- 10.2. However, the Council regrets the recurrent errors identified by the Court in the management of appropriations of the European Parliament's political groups and the persisting non-compliance of its procurement procedures with the Financial Regulation.
- 10.3. The Council takes note of the non-quantifiable errors identified by the Court in Commission's payments and procurements, including the sale and usufruct of 23 buildings contracted in April 2024 and transactions related to salaries or pensions and calculation of entitlements. The Council, therefore, calls on the Commission to improve its procedures and controls before contracting services and to strengthen the independence of evaluation committees' members.
- 10.4. While welcoming the measures already taken in view of improving its budgetary management, the Council takes note of the Court's findings concerning weaknesses in the European External Action Service's procurement procedures and rental payments and also invites the institution to remedy the situation.
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CHAPTER 11
RECOVERY AND RESILIENCE FACILITY

- 11.1. The Council is concerned that the Court has issued a qualified opinion on RRF expenditure which, similar to previous years, was based on the assessment of fulfilment of the milestones and targets and eligibility conditions.
- 11.2. The Council takes note that the Court examined 395 out of a total of 744 milestones and targets and concluded on findings with financial impact for 12 milestones and targets under 6 payments. The Council also notes the assurance provided by the Commission, based on its assessment of all milestones and targets, whereby 6 milestones and targets under 5 grant payment requests were assessed as not being satisfactorily fulfilled.
- 11.3. The Council continues to be concerned by the differences in interpretation of legislation between the Commission and the Court on all reported quantitative findings and notes the disagreement between the two institutions. The Council recalls that the RRF is a performance-based instrument, built on the satisfactory fulfilment of milestones and targets rather than on reimbursement of eligible expenditure. The errors found, mainly linked to the interpretation of the term “satisfactory fulfilment”, double funding, in particular for the case of “zero costs measures”, reversal procedures and the start of the eligibility date, were the result of different criteria for assessment, due to the divergent interpretation of some unclear provisions in the legislation by the Court and the Commission. This may lead to different conclusions and potentially affect the coherence and predictability of the RRF governance.
- 11.4. Member states followed the Commission’ guidelines for the implementation of the RRF. The Council cautions on changes of interpretation of legislation in the course of implementation, which should not lead to new rules, contradictory requirements or more restrictive conditions imposed on member states *ex-post*. The Council points at the importance of institutional cooperation towards a common understanding of the legal framework to facilitate the rest of the RRF implementation and thereby support the achievement of the RRF objectives.

11.5. Also, and considering that the RRF is approaching its end, the Council calls on the Court and the Commission to draw upon lessons learned, allowing the Commission to establish guidelines and implementing rules which are coherent with EU regulations and in line with the principle of proportionality, based on commonly agreed interpretation of legal provisions, consistent throughout the programme, and communicated in advance of the start of implementation, with a view to avoiding uncertainty in implementation and administrative burden. In doing so, the Council encourages the Commission to foster other possible improvements as well, such as simplification and clarification of the regulations, in cooperation with member states, while maintaining flexibility and minimising administrative burden.

11.6. Finally, the Council reiterates that audits, controls and methodological approaches should remain proportionate to the performance-based design of the RRF and ensure that the focus on results is not undermined. Therefore, the Council calls on both institutions to take proportionality into account in the performance of audits and controls.

CHAPTER 12
FOLLOW-UP OF THE RECOMMENDATIONS MADE IN
SPECIAL REPORTS FROM 2021

- 12.1. The Council takes note of the new chapter of the report, which provides a streamlined overview of follow-up track keeping of implementation of the Court's recommendations for the past three years.
- 12.2. A positive trend is noted for the fully or partially accepted special reports recommendations, from 93 % in 2023 to 98 % in 2024, as well as for the proportion of recommendations implemented in full or in most respects, from 68 % in 2023 to 76 % in 2024. At the same time, the timely implementation is lagging, with leeway for significant improvement.
- 12.3. The Council calls on the Commission to continue implementing the recommendations and improve the completion rate of 77 %, and strive to comply with agreed deadlines.
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