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'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

No. prev. doc.: 15635/25

Subject: Draft Council conclusions on ECA's Special Report No 22/2025 entitled "Financial corrections in Cohesion policy: A complex framework and only one decision adopted by the Commission so far" - Approval

1. On 20 November 2025, the General Secretariat of the Council received the Special Report No 22/2025 "Financial corrections in Cohesion policy: A complex framework and only one decision adopted by the Commission so far".
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors¹, the Permanent Representatives Committee, at its meeting on 26 November 2025, instructed the Working Party on Structural Measures and Outermost Regions to examine this report according to the rules laid down in the above-mentioned conclusions.

¹ Doc. 7515/00 FIN 127 + COR 1.

3. The Court of Auditors presented the report at the meeting of the Working Party on Structural Measures and Outermost Regions of 2 December 2025. The Working Party on Structural Measures and Outermost Regions examined draft Council conclusions proposed by the Presidency in its meetings of 11 December 2025² and 20 January 2026³.
 4. On 4 March 2026, the Working Party on Structural Measures and Outermost Regions reached an agreement on the draft Council conclusions annexed⁴ hereto, based on a third proposal presented by the Presidency.
 5. The Permanent Representatives Committee is therefore invited to recommend to the Council to approve, as an "A" item at a forthcoming meeting, the Council conclusions as set out in the Annex to this note.
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² WK 16840/2025 INIT.

³ WK 16840/2025 REV 1.

⁴ WK 16840/2025 REV 2.

DRAFT COUNCIL CONCLUSIONS

**on the Special Report No 22/2025 by the European Court of Auditors:
“Financial corrections in Cohesion policy - A complex framework and only one decision
adopted by the Commission so far”**

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the Special Report No 22/2025 by the European Court of Auditors (“the Court”) and the replies of the European Commission (“the Commission”) to the Report;
2. HIGHLIGHTS the importance of sound financial management in the implementation of EU funds and consequently applying financial corrections when necessary to protect the EU budget against irregularities;
3. NOTES that under shared management, Member States and the European Commission are together responsible for protecting the Union budget, and that financial corrections are provided for by the Common Provisions Regulations 1303/2013 and 2021/1060, applicable respectively to the 2014-2020 period and to the 2021-2027 period, with the purpose to exclude irregular expenditure from EU financing;
4. NOTES that the Court’s audit assessed the adequacy of the regulatory framework for the previous and the current Multiannual Financial Frameworks (MFF) (2014-2020 and 2021-2027), the appropriate use of the regulatory framework by the Commission to apply financial corrections, as well as the system put in place by the Commission for reporting on the implementation of financial corrections;

5. TAKES NOTE of the findings of the Report, in particular that:

- The legal framework gives the Commission discretion both in terms of when to launch the financial correction procedure and of how long it can take;
- There are cases where the Commission proposed systemic flat rate corrections that included individually detected errors that should have been quantified separately;
- The Commission did not always launch financial correction procedures promptly after the final audit report had been approved, due to the observations in the final audit reports not being sufficiently substantiated, and not always setting out a final position;
- Some financial corrections initially proposed by the Commission were subsequently reduced without sufficient justification being provided;
- The Commission's guidance and criteria for the assessment of key requirements and for evaluating the existence of serious deficiencies, are not clear enough, and are often applied inconsistently;
- Estimated future corrections do not reflect the Commission's capacity to identify and correct errors in Cohesion expenditure, the total amount of corrections is not disclosed by the Commission and reported amounts are not sufficiently reliable;
- Member States have made substantive financial corrections following their own audits, Commission and the Court's audits and OLAF investigations.

6. TAKES NOTE of the Commission's opinion in its replies to the comments, the observations and the recommendation included in the Court's Report, in particular that:
- The aim of applying financial corrections is to protect the Union budget by excluding irregular expenditure and not to impose a sanction on Member States, policy implementation and programmes when system weaknesses or irregularities are detected, but instead to work closely together under shared management to improve systems and restore a situation where the Union budget is protected;
 - The mere existence in the regulatory framework of the possibility to implement mandatory net financial corrections resulting in a loss of allocations has had a significant deterrent effect and has contributed to the strengthening of the detection and correction capacity in the Member States compared to previous periods;
 - Improvements in the management and control systems are not mainly enforced or implemented through financial corrections procedures but under other legal tools, primarily, immediate interruptions of payment deadlines with required remedial actions, and payment suspensions as soon as a serious deficiency or irregularity is detected;
 - The budget of the Union is protected regardless of whether the financial corrections are implemented by the Commission or by the Member States, or whether they result in the reduction or not of the EU contribution, as the irregular expenditure is excluded from the EU payments and therefore from the Union budget;
7. ACKNOWLEDGES the Court's assessment that there are a number of weaknesses in the design of the financial corrections mechanism for both programming periods that need to be addressed, and that the application of corrections is only partially effective for safeguarding the Union budget;
8. INVITES the Commission to follow-up on the Court's recommendation and ensure timely and proportional implementation of financial corrections, in accordance with the applicable law, with consistency in the assessment of key requirements, and with respect of the right of Member States and beneficiaries to defend themselves and to provide the necessary evidence at every stage of the procedure;

9. INVITES the Commission to improve the way corrections are reported in the Annual Activity Reports and in the Annual Management and Performance Report for Cohesion policy, as recommended by the Court, while respecting the legal framework defined by the co-legislators relative to the reporting obligations of Member States;
 10. RECOGNISES the need to establish an effective, transparent, proportionate and predictable correction mechanism for the post-2027 programming period, aiming both at ensuring legal certainty and protection of the Union budget, and at achieving the policy priorities, with improved clarity on definitions of irregularities and applicable law.
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