



Council of the
European Union

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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
To:	Delegations
Subject:	Special report No 07/2023 by the European Court of Auditors: "Design of the Commission's control system for the RRF – Assurance and accountability gap remains at EU level in the new delivery model, despite extensive work being planned" - Council conclusions (16 May 2023)

Delegations will find in the annex the Council conclusions on the European Court of Auditors' special report No 07/2023 "Design of the Commission's control system for the RRF – Assurance and accountability gap remains at EU level in the new delivery model, despite extensive work being planned", approved at the 3948th Council (ECOFIN) meeting held on 16 May 2023.

Council conclusions

on the European Court of Auditors' special report No 07/2023

"Design of the Commission's control system for the RRF

**– Assurance and accountability gap remains at EU level in
the new delivery model, despite extensive work being planned"**

THE COUNCIL OF THE EUROPEAN UNION:

1. TAKES NOTE of the special report No. 07/2023 by the European Court of Auditors (hereafter referred to as "the Court") and the Commission's reply to the findings and recommendations of the Court.
2. RECALLS that the examination of the accounts of all revenue and expenditure of the Union is conferred on the Court by the Treaties. WELCOMES that the Court is conducting thorough audits of relevant elements of the Recovery and Resilience Facility (RRF). UNDERLINES that assurance of correct implementation of RRF funds is of utmost importance.
3. STRESSES that the RRF is a centrepiece of the Union's response to tackle the impact of the COVID-19 pandemic and make European economies and societies more sustainable, resilient, and better prepared for the challenges and opportunities of the green and digital transitions. RECALLS that the specific objective of the RRF is to provide Member States with financial support with a view to achieving milestones and targets of reforms and investments as set out in their Recovery and Resilience Plans.

4. NOTES that the Courts' audit examined the design of the Commission's control system for the RRF with regard to ensuring that payments to Member States are made for having satisfactorily fulfilled the predefined milestones and/or targets, and that the financial interests of the Union are protected.
5. TAKES NOTE of the observations of the special report, in particular the view of the Court that
- the Commission has designed an extensive process for verifying the fulfilment of milestones and targets;
 - the Commission controls could support its assessment of Member States' systems, but procedures for reporting on fraud and correcting weaknesses have limitations;
 - there is an assurance and accountability gap at EU level in protecting the financial interests of the Union.
6. NOTES that the RRF is a performance-based instrument, implemented by the Commission in direct management. RECALLS that, pursuant to the RRF Regulation, the Member States, as beneficiaries or borrowers of funds under the RRF, ensure that the use of funds in relation to measures supported by the RRF complies with the applicable Union and national law, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests. AFFIRMS that the purpose of the control systems and other relevant measures set out under the RRF Regulation is to provide for the necessary assurances and accountability in protecting the financial interests of the Union.

7. APPRECIATES the Commission's replies to the findings and recommendations included in the Court's report. ENCOURAGES the Commission to
- develop guidance and procedures that address the reversal of a measure related to a previously fulfilled milestone or target;
 - continue to undertake audits and obtain reasonable assurance on the systems which the Member States implement to ensure compliance with EU and national rules, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests;
 - continue to inform the Member States of the possibility to make use of the Irregularity Management System (IMS) also for RRF funds;
 - ensure a transparent and proportionate application of the flat rate corrections laid down in the financing agreements and in full respect of the principle of equal treatment.
8. RECALLS that the RRF Regulation provides for the possibility for the Commission to suspend payments partially or fully. WELCOMES, in this respect, that the Commission has published a methodology for determining the amount to be suspended if a milestone or target is not satisfactorily fulfilled. CALLS on the Commission to carry out any payment suspension procedure in full respect of the principles of transparency, equal treatment and proportionality and in close consultation with the Member State concerned.
9. REAFFIRMS the importance of effective control systems to protect the financial interests of the Union while taking into account, in particular, the costs of controls, the need to minimise the administrative burden, and the expected risk of non-compliance. UNDERLINES the importance of transparency, proportionality and equal treatment in the Commission's assessment and control procedures.
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