



# Annual Activity Report 2024

DG BUDGET

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## Foreword



Dear Reader,

In 2024, against the backdrop of Russia's war of aggression against Ukraine and increased global uncertainty, humanitarian crises, natural disasters and economic turmoil, the EU budget remained a source of stability, resilience, and strategic investments to the benefit of all EU citizens, farmers, researchers,

businesses and regions across Europe and beyond.

2024 marked the first-ever mid-term revision of the Multiannual Financial Framework (MFF)'s ceilings. This agreement was an absolute necessity for the EU to be able to address new pressing challenges, starting with Russia's war of aggression against Ukraine. I'm particularly proud of the EU's commitment to supporting Ukraine through the Ukraine Facility - a vital lifeline for a country facing unimaginable hardship. The mid-term revision also led to the setting-up of the strategic technologies for Europe platform (STEP) to strengthen Europe's competitiveness in key critical sectors. DG BUDG, with its dedicated STEP task force, is at the heart of this effort. The introduction of the EURI cascade mechanism was also a crucial milestone for DG BUDG and the EU as a whole, enabling us to cover the costs to fund NextGenerationEU.

Throughout the year, DG BUDG remained focused on its core mission. From negotiating the annual budget to protecting the EU's financial interests, providing expert legal advice, borrowing on the financial markets and managing risk arising from our financial operations, our team has worked tirelessly to keep the EU's financial engine working. Through the issuance of EUR 138.1 bn of EU bonds, out of which EUR 19.3 bn of green bonds, in 2024, DG BUDG consolidated the EU's position as a leader in sustainable finance. The adoption of the revised Financial Regulation in September 2024 modernised our financial management rules, making the budget more robust and transparent.

Looking ahead, the European Commission will present a proposal for the next long-term budget in July 2025, with the objective of reaching an ambitious agreement on a modern and reinforced EU budget. I'm confident that the EU budget will continue to play a vital role in supporting the EU's priorities and in responding to crises.

I invite you to explore this report, which outlines the significant achievements and progress made by DG BUDG in 2024, highlighting our commitment to transparency, accountability, and sound financial management.

Stéphanie Riso, Director-General for Budget

# THE DIRECTORATE-GENERAL FOR BUDGET IN BRIEF

The Commission's Directorate-General for Budget (DG BUDG) is the horizontal Commission service in charge of budgetary matters, making sure the EU has the resources to deliver on its political priorities. In this role, DG BUDG is central to the policy-making process and interacts daily with all Commission services and with the wider financial community. Its main responsibilities include negotiating and implementing the **Multiannual Financial Framework** (MFF) and the **annual budgets**, managing the annual budget cycle, overseeing the revenue and expenditure side of the budget, **borrowing funds** on the capital markets to support various EU programmes, executing all payments and ensuring that all funds are spent in line with the rules and to the benefit of the Union and its people.

DG BUDG also plays a pivotal role in shaping the design and implementation of financial support programmes to Member States and third countries. In the course of the current MFF, it has been a **core part of the setting up of the NextGenerationEU** (NGEU) recovery instrument as well as of the **macro-financial assistance to Ukraine** in response to Russia's war of aggression.

On 16 December 2024, DG BUDG went through a large-scale **reorganisation**. The main highlights are:

- **Setting-up a new pole for “Financial Rules, Controls and Reporting” (BUDG.C, BUDG.D and BUDG.E)**, reflecting the strong and increasing interlinkages between treasury, accounting, accountability, transparency, sound financial management, fight against fraud, avoidance of conflicts of interests and the various work streams to protect the EU budget including the Conditionality Regulation for protecting the Rule of Law.
- This pole of 3 directorates will be overseen by the Deputy Director-General (**DDG - “Financial Rules, Controls and Reporting”**) who will also deputise the Director-General.
- The creation of a **new Directorate D, composed of 4 existing units**, with a view to strengthening and consolidating all issues related to accountability, transparency and the protection of the Union's financial interests in one directorate.
- Establishing a second line of defence risk management function at the Commission for all Union's financial operations, by enhancing the independence of the **Chief Risk Officer (CRO)**, enlarging its scope and reinforcing the CRO's team via a newly created "Risk Management" unit. Together with the internal re-organisation, DG BUDG initiated amendments to the EU financial risk management framework, with the Commission Decision (EU, Euratom) 2025/369 adopted in February 2025. With these changes, the oversight of the CRO has been extended to all of the Union's financial operations, which in addition to borrowing and lending now include budgetary guarantees and assets under management. With the adoption of this framework model and the establishment of an independent CRO, the Commission has fully implemented all recommendations of the European Court of Auditors' special report

16/2023 <sup>(1)</sup> on EU debt management. This strengthening of the risk management of the EU financial operations is in line with President von der Leyen's mission letter to the Commissioner for Budget, Anti-fraud and Public Administration.

- The **new Principal Advisor function** in charge of the future financing of the EU public administration.
- The Director of Directorate C is now also the **Accounting Officer** of the Commission. Directorate C “Accounting Officer, Treasury, Accounting, Financial control and Recoveries” is responsible for the accounting framework, the management of the central treasury, and the preparation of the annual accounts of the EU, the Commission and several other EU bodies. These annual accounts are certified by the ECA and have received a clean opinion for the last 17 years. The Accounting Officer is also responsible for the recovery of funds, including fines.

With the reorganisation, the total number of directorates in DG BUDG increased from 6 to 7, while the number of units remains at 31 with a total of 553 colleagues assigned in Brussels and Luxembourg.

DG BUDG's operational activities in 2024 were organised around 3 (out of the 6) general objectives of the von der Leyen Commission: (i) an economy that works for people; (ii) promoting our European way of life; and (iii) a modern, high-performing, sustainable Commission. This report gives a detailed account of our achievements in the past year.

Although DG BUDG oversees the EU's entire budget, its own spending is limited. Its expenditure is mostly used to maintain and improve the Commission's corporate financial system. DG BUDG is the domain leader for financial management and has implemented the Commission's new financial and accounting system, **SUMMA**, which was deployed in November 2024 and is being used by the Commission and the executive agencies for all financial operations since January 2025. It replaces the previous ABAC system (see more details in part 1 of this report, under specific objective 7.1).

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<sup>(1)</sup> Special report 16/2023: NGEU debt management at the Commission – An encouraging start, but further alignment with best practice needed

## EXECUTIVE SUMMARY

This annual activity report is the management report of DG BUDG to the College of Commissioners. Annual activity reports are the main instrument of management accountability within the Commission and are the basis on which the College takes political responsibility for the decisions it takes, as well as for the coordination, executive and management functions it exercises, as laid down in the Treaties <sup>(2)</sup>.

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<sup>(2)</sup> Article 17(1) of the Treaty on European Union

## A. Key results and progress towards achieving the Commission's general objectives and DG BUDG's specific objectives

The EU budget is a strong EU asset to deliver on the EU's political priorities and investing in projects that no Member State can implement as efficiently and effectively on its own.

2024 began with a historic milestone, the agreement on the first-ever **mid-term revision** of the Multiannual Financial Framework (MFF)'s ceilings. The mid-term revision reinforced the EU budget for the period 2024-2027, thus making it possible for the EU to address urgent and emerging challenges, starting with the support to Ukraine in the face of Russia's aggression, while continuing to deliver on its long-term objectives. The main components from the mid-term revision are as follows:

- **Ukraine Facility:** A EUR 50 bn package (2024-2027), including EUR 17 bn in grants and EUR 33 bn in loans, offering stable and predictable support to Ukraine. The Ukraine Facility is structured around three pillars: (i) a Ukraine Plan that supports the country's reconstruction and modernisation, while financing the urgent needs of Ukraine's administration to deliver uninterrupted public services (schools, hospitals, social benefits, etc.), (ii) a Ukraine Investment Framework supporting investments from the private sector (de-risking), (iii) assistance programmes to support Ukraine's administrative capacity building and its civil society.
- **Migration and External Action:** EUR 9.6 bn allocated to reinforce migration management and support partners in the Western Balkans and Southern Neighbourhood.
- **Crisis Response Capacity:** Strengthened financial tools, including a EUR 2 bn increase for the Flexibility Instrument and a EUR 1.5 bn boost to the Solidarity and Emergency Aid Reserve, to enhance the EU's ability to assist Member States affected by natural disasters and humanitarian crises.
- **STEP:** The launch of the Strategic Technologies for Europe Platform (STEP), which aims to invest in critical technologies such as digital, deep tech, biotech, and clean tech.
- **EURI Cascade Mechanism:** A mechanism to cover additional costs to fund **NextGenerationEU**, arising from higher interest rates.

DG BUDG took rapid action to implement the new components from the mid-term revision.

- DG BUDG contributed to the implementation of the **Ukraine Facility, which enabled to mobilise EUR 19.6 bn** to the benefit of Ukraine across the three pillars of the Facility in 2024. Out of this, EUR 16.1 bn have been disbursed (in the form of loans and non-repayable support) as exceptional bridge financing and macro-financial stability support under the Ukraine Plan, which foresees reforms and investments leading the country closer to its EU path.
- In 2024, DG BUDG led the work in setting up STEP to boost investments through 11 Union programmes in critical technologies for EU competitiveness. Until December 2024, EUR 14.5 bn were mobilised towards STEP under Union programmes directly managed by the Commission, as well as in shared managed with Member States,

under the coordination of DG BUDG. Furthermore, the first 140 projects were awarded the **STEP Seal**, the new Commission's quality label, aimed at enhancing the visibility and facilitating funding opportunities for strategic projects for the EU. These projects include a first-of-a-kind technology to produce chemicals and building block materials from biomass waste in Slovakia, hydrogen-powered sea freight in the Netherlands, CO<sub>2</sub> capture technologies in Denmark as well as cutting-edge space technologies and biotechnologies jointly developed across multiple Member States.

DG BUDG continued with the disbursement of funds under the **Recovery and Resilience Facility (RRF)**. In 2024, DG BUDG paid EUR 85.3 bn to Member States which brought the total disbursements to EUR 306.1 bn since the inception of the Facility.

DG BUDG supported the European Parliament and the Council in reaching an agreement on the **annual budget for 2025**, the first to fully reflect the changes introduced by the mid-term revision of the MFF. The agreement ensures that the EU can continue delivering on its political priorities while addressing urgent crises, including climate action, security, border management, global engagement, and support for Ukraine.









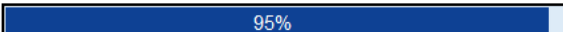
In 2024, DG BUDG raised a total of **EUR 138.1 bn** through the issuance of **EU-Bonds**, taking total EU-debt outstanding to EUR 578.2 bn, of which EUR 430.4 bn was issued under the EU's diversified funding strategy. Out of the EU-Bonds raised in 2024, **EUR 19.3 bn** were NGEU **green bonds**, making the EU the 5<sup>th</sup> largest issuer globally of green bonds, with a total of EUR 68.2 bn of NGEU green bonds outstanding by end-2024.

DG BUDG continued ensuring the EU budget is spent in line with the rules. It did so notably by applying the general regime of conditionality for the protection of the EU budget – also known as a "**conditionality regulation**". On 2 December 2024, Hungary requested that one of the measures adopted under the Conditionality Regulation by the Council in 2022 should be adapted or lifted. Following work led by DG BUDG, on 16 December 2024 the Commission adopted a decision, concluding that the Council measure should remain in place. The entry into force of a revised Financial Regulation further strengthened the protection of the budget, e.g. by extending the scope of the early detection and exclusion system (EDES) to shared management funds, and by expanding the range of persons and entities that can be excluded from receiving EU funding (e.g. affiliates and beneficial owners of unreliable operators).

In 2024, DG BUDG's activities were audited by the internal and the external auditors (IAS and ECA). The ECA confirmed the reliability and transparency of the EU's financial accounts for the 17th consecutive year and, as in previous years, it found the collection of revenue for the EU budget to be legal and regular in all material respects.

This Annual Activity Report provides a comprehensive overview of the work done in 2024 and outlines the challenges ahead, which will be identified in the Management Plan 2025.

## B. Key performance indicators

Indicator	Baseline	Target 2024 <sup>(3)</sup>	Milestones achieved in 2024	
<b>New Own Resources package completed.</b> <b>Multinational Financial Framework (MFF) 2021-2027:</b> implementation, revisions and mid-term review.	Amended Own Resources Decision proposed in 2021. Proposals for Making Available Regulation (MAR) and Implementing Regulation Conclusion of negotiations in the working party of Own Resources in 2022. MFF 2021-2027 adopted in 2020.	Revive discussion on new own resources Package as presented in 2023. Implementation of the mid-term revision of the MFF.	Discussion on the new own resources package with Member States took place under the Belgian Presidency (1 January-30 June 2024). The political agreement on the mid-term revision of the 2021-2027 MFF was reached in the European Council of 1 February and with the European Parliament on 6 February 2024. The agreement was followed by the adoption of the revised MFF Regulation on 29 February 2024.	
Facilitate <b>adoption and implementation of annual budget</b> within deadlines set in the Treaty <sup>(4)</sup> .	Budget 2020 adopted on 27 November 2019.	Adoption of annual budget in December at the latest 100% implementation.		<b>Budget 2025 adopted on time</b> (27 November 2024)
				Almost full implementation 99.41% for commitment and 99.98% for payment appropriations, taking into account carry-overs) of the voted budget, including all transfers and 5 amending budgets.
Develop a <b>performance culture in the Commission (EC)</b> .	Performance information presented in Annual Management and Performance Report (AMPR) 2020, programme statements and Programmes' Performance Overview accompanying the draft budget 2020.	Presentation of performance information embedded in the annual draft budget and performance reporting cycle. Implementation of residual error methodology. Reinforcing performance framework for evaluation, reporting, budgeting and programming.	<b>Integrated Financial and Accountability Report:</b> published, including a short and political AMPR with a new structure of annexes. <b>Single report on EU budget performance 'Programme Performance Statements'</b> published in the form of a <b>website only</b> accompanying both the AMPR and the draft budget. <b>Training</b> provided to DGs to ensure proper focus on performance.	
Confirmation by ECA of the <b>reliability of the annual accounts and discharge resolution</b> by European Parliament with no postponement or reservations. Confirmation by ECA of the <b>effectiveness of the EC's own resources control systems</b> .	<b>Result per discharge year</b>		<b>2016-2022</b>	<b>2023 (last known result)</b>
	ECA's clean opinion on the accounts		 each year	
	ECA's clean opinion on own resources		 each year	
Discharge granted		 each year	2023 Discharge to be voted in Plenary in May 2025	
Degree of implementation of the new corporate financial platform ( <b>SUMMA</b> ).	Phase I and II successfully finished. Gaps and specific needs being identified. 2022: Pilot agencies rollout 2024-2025: Commission rollout 2027: All entities onboarded	Successful implementation of SUMMA for all Commission services.		
			<b>Jan. 2023:</b> SUMMA is used by 4 pilot agencies. Integration with eGrants.	<b>Nov. 2023-Jan. 2024:</b> Roll-out of enriched version to 4 pilot agencies, and of 2 SUMMA modules for the Commission: Budget Planning and Financial Asset and Debt Management, including NGEU.
DG BUDG Antifraud Strategy		All actions planned for 2021-2024 implemented	% of anti-fraud actions planned for 2021-2024, implemented by end of 2024 	

<sup>(3)</sup> The 2025 targets will be defined in DG BUDG's management plan covering the next strategic planning period. This table therefore includes the 2024 targets – the last targets under the strategic planning period 2020-2024.

<sup>(4)</sup> The budget adoption, implementation and discharge procedures are laid down in Articles 313-319 (Chapters 3 and 4) of the Treaty on the Functioning of the EU.

## **C. Key conclusions on internal control and financial management**

DG BUDG has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the internal and external auditor (IAS and ECA). These elements have been assessed to determine their impact on management's assurance about the achievement of the control objectives. Please refer to Section 2 for further details.

During 2024, DG BUDG made progress in implementing open recommendations from previous audits. In addition, it has systematically examined the available control results and indicators, as well as the observations and recommendations issued by the internal auditor and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance regarding the achievement of the control objectives. Please refer to Section 2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated. Improvements are necessary concerning principles 3 (structure and responsibilities), 4 (attract, develop, and retain competent individuals in alignment with objectives: learning and development), 5 (accountability, appraisal and promotion: career guidance), 6 (communication on objectives) and 11 (control over IT). The Director-General, in her capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

Please refer to Section 2.3 and Annex 8 for further details.

## **D. Provision of information to the Commissioner**

In the context of the regular meetings during the year between the Director-General and the Commissioner on management matters, the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Johannes Hahn, responsible for Budget and Administration (until 30 November 2024) and Commissioner Piotr Serafin, responsible for Budget, Anti-Fraud and Public Administration (as of 1 December 2024).

The Chief Risk Officer has provided monthly risk reports to the Commissioner, highlighting compliance with risk policies and risk limits with regards to the borrowing, debt management and liquidity management operations.

# 1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF DG BUDG

## General Objective 3: AN ECONOMY THAT WORKS FOR PEOPLE

3.1. Design, negotiate and manage the EU budget expenditure and revenue that delivers efficiently on Union priorities and provides added value through the financing of EU public goods

### Continue to secure funds for EU's priorities

The political agreement on the **mid-term revision of the 2021-2027 MFF** was reached in the European Council on 1 February and with the European Parliament on 6 February 2024. The agreement was followed by the adoption of the revised MFF Regulation on 29 February. The mid-term revision reinforced the EU budget for the period 2024-2027 by EUR 64.6 bn, of which EUR 33 bn in loans. The most significant component of the revision is the creation of the Ukraine Facility, a EUR 50 bn package offering stable and predictable support to the country's recovery and modernisation as it progresses on its path towards EU integration. The mid-term revision also led to the setting-up of the strategic technologies for Europe platform (STEP), the creation of the mechanism to cover additional costs to fund the Next Generation EU recovery instrument, arising from higher interest rates, as well as the additional funding for migration management and international partnerships such as the Western Balkan Facility (that will provide EUR 6 bn to the EU's six Western Balkan partners over the 2024-2027 period), and the reinforcement of some special instruments. To integrate the 2024 impact of the mid-term revision into the EU budget, the Amending Budget 1/2024 was adopted swiftly.

In line with the commitment of implementing EU borrowing operations in an efficient and effective manner, DG BUDG completed its pre-announced funding programme for 2024 by raising EUR 138.1 bn over the course of the year through the **issuance of EU-Bonds**. 2024 issuances brought the total outstanding amount of EU-Bonds to EUR 578.2 bn, with EUR 68.2 bn in the form of NGEU Green Bonds.

The Commission's borrowing activities enable it to continue to respond promptly and effectively to new EU policy priorities, with EUR 105.8 bn disbursed in the course of 2024 under the NextGenerationEU programme, with **disbursements to Member States** being made within 6 working days of receipt of the payment request. In addition, a total of EUR 13.1 bn was disbursed to Ukraine under the Ukraine Facility and a further EUR 1.1 bn was channelled to support EU neighbouring countries via macro-financial assistance programmes.

## Enhance the transformative role of the EU budget

The EU budget makes a crucial contribution to the achievement of the **Union's climate goals** as outlined in the European Green Deal. In particular, the EU budget, including NextGenerationEU (NGEU) is on track to ensure that 30% of the entire EU budget contributes to the fight against climate change. Estimates for the 2021-2027 period, included in the Draft Budget 2025, projected a EUR 658 bn contribution to climate initiatives, representing 34.3% of the total budget envelope.

In 2024, DG BUDG continued with the implementation of the NGEU programme in line with the requirements of the **NGEU Green Bond Framework**. The publication of the 2024 edition of the annual [NextGenerationEU Green Bonds Allocation and Impact Report](#) provided updated information on the allocation of proceeds from the issuance of NGEU Green Bonds and showed that full roll-out of investments financed by NGEU Green Bonds can reduce the EU's greenhouse gas emissions by 55 million tonnes per year, equivalent to 1.5% of all of the EU's greenhouse gas emissions in 2022.

Following the adoption of the **STEP** regulation, through the STEP Task Force, DG BUDG has overseen the implementation of STEP by coordinating a network of 14 Commission services. By leveraging existing funds and through an increase in budgetary allocation of EUR 1.5 bn for the European Defence Fund, STEP has proven successful at steering resources towards critical technologies in the clean-tech, bio-tech, and deep/digital tech areas in support of the competitiveness and the strategic autonomy of the EU. Some 35 calls under directly managed programmes and 38 amendments of cohesion programmes (across 10 Member States) have made available, respectively, some EUR 8.7 bn and EUR 6.4 bn for STEP-relevant projects. STEP implementation is also providing important lessons for the design of the next MFF, when it comes to the need to increase efficiency, facilitate synergies and combination of funding across programmes, and simplify the overall funding landscape while enhancing project promoters' access to relevant information.

The EU budget plays a pivotal role in driving the **digital transition**. Following the first stocktaking exercise in 2023, the [2023 Annual Management and Performance Report](#) (AMPR) showed that the EU budget, including NGEU, allocated EUR 79.4 bn to support the digital transition in 2023, and a total of EUR 205.5 bn between 2021 and 2023. This represents nearly 17.5% of the total EU budget for this period.

In 2024, The Commission continued to **report on the performance of the EU budget programmes** and the progress towards achieving their objectives. To present this information in a more user-friendly and accessible format, DG BUDG published the 'Programme Performance Statements' in the form of a [website](#), providing a comprehensive overview of the performance of all the EU budget programmes. This report accompanied both the Draft Budget 2025 and the 2023 Annual Management and Performance Report – consolidating the previous 'Programme Statements' and 'Programme Performance Overview' into a single source.

## **Translate the long-term budget into annual budgets**

The technical adjustment of the 2021-2027 Multiannual Financial Framework (MFF) for 2024 adopted in June 2023 was adopted on 29 February 2024 following the adoption of the **MFF mid-term revision**. An amending budget of the 2024 budget taking into account the mid-term revision was adopted on 24 April 2024. The 2024 budget was amended in total five times during the year and was fully implemented.

In June 2024, the technical adjustment of the 2021-2027 MFF for 2025 was adopted. The Communication on the technical adjustment included the calculation of top-ups for priority programmes based on the revenue from competition fines to the EU from the preceding year. For the first time, it included the calculation of the value of de-commitments available for the EURI Instrument for the year 2025.

At the end of June 2024, DG BUDG issued the updated **annual report on the long-term forecast of revenues and expenditure** of the EU budget, in line with the requirements of Article 253 of the Financial Regulation. The report encompassed the inflows and outflows in relation to NextGenerationEU. The analysis focused on long-term trends in spending patterns of EU policies, the evolution of outstanding obligations, and key drivers. The report demonstrated the compatibility of the expected EU payment needs with the ceilings of the MFF, assessed the risk of shortfalls and suggested mitigating measures where appropriate.

The **2025 budget** was adopted on 27 November 2024. It provides funding for the Union's political priorities, including the changes agreed in the mid-term revision of the MFF: driving Europe's ongoing economic recovery and create jobs, providing strong and predictable support for Ukraine, reinforcing the financial support for the European competitiveness through the Strategic Technologies for Europe Platform (STEP), fostering the green and digital transformations for a secure and more resilient Europe, and addressing the most urgent consequences of the continued crisis in the Middle East and migratory pressures, both in Europe and its neighbourhood. The EURI instrument was mobilised for the first time.

## **Manage the budgetary and legal aspects of the new relations with the United Kingdom (UK)**

DG BUDG has contributed extensively to the implementation of the **EU-UK Withdrawal Agreement**. The Commission issued two invoices to the UK for the 2024 UK contribution to the EU budget. All UK payments were received on time.

A major step in 2024 was the completion of the United Kingdom's association to Horizon Europe and Copernicus based on the Trade and Cooperation Agreement (TCA), strengthening opportunities for cooperation notably in science, research and innovation. DG BUDG, with its EU co-chair of the Specialised Committee for UK's participation in Union programmes (SCPUP), led the negotiations.

3.2. Develop policy-relevant knowledge, performance and financial intelligence to optimise the use of resources, influence policy design and ensure efficient and effective implementation of the spending programmes

### **Lead the way in financial management, internal control and knowledge management**

DG BUDG provided advice on the budgetary impact of any new Commission proposal, and contributed with legal analysis to important **legislative initiatives**. These included advice on the protection of the financial interests of the Union e.g. for Regulation (EU) 2024/792 establishing the Ukraine Facility and Regulation (EU) 2024/1449 establishing the Reform and Growth Facility for the Western Balkans.

DG BUDG played a crucial role in negotiating and implementing **association agreements** with third countries for Union programmes, including those with the UK, Switzerland, Canada, and South Korea. It also supported the creation of simplified funding forms and promoted harmonised rules and synergies across Union spending programmes. Additionally, DG BUDG drove the **modernisation, digitalisation, standardisation, and simplification** of the Commission's budget implementation. This was achieved by providing guidance and promoting the use of integrated corporate tools and solutions for financial and operational management across the Commission and other EU institutions (eGrants, eProcurement, Pillar Assessment Automated Workflow for Indirect management, SEDIA, etc.). The Central Financial Service Helpdesk has supported financial correspondents throughout the year including other institutions and EU agencies and bodies, with a particular focus in the second half of the year on the Financial Regulation recast (see also section 7).

3.3. Enhance the agility of the budget by strategic planning and foresight, harmonised asset management as well as efficient use of financial instruments, budgetary guarantees and the budgetary headroom.

### **Optimal use of resources – performance**

In February 2024, the technical preparatory work on the **next MFF** has started with the launch of the spending review of the EU spending programmes across the Commission. The preparation of the impact assessments for the next MFF has started in the second half of 2024. As underlined in the President von der Leyen's Political Guidelines for the 2024-2029 Commission and in the Mission Letters, the objective will be to deliver a simpler, more focused and responsive long-term budget that reflects and effectively supports EU strategic priorities.

### **Efficient asset and risk management of the EU budget guarantees debt issuance and loan administration**

#### *Sustainability of the Union contingent liabilities*

To reach its policy objectives, the EU budget has over the years made increasing use of repayable support in the form of **financial instruments and budgetary guarantees**.

Thanks to these tools, the EU budget can leverage investments serving a European policy interest on a scale that is a multiple of the initial EU budgetary support.

DG BUDG monitors closely whether the partial **provisioning of budgetary guarantees** remains adequate compared to the financial risks resulting from the supported investments. The results of 2024's monitoring process and adequacy assessment were presented in the **Article 41(5) report**, which is one of the Staff Working Documents attached to the Draft Budget. In addition, DG BUDG continued to chair and fulfil the Secretary Tasks of the **Steering Committee on Contingent Liabilities**, where horizontal issues related to budgetary guarantees are discussed with the Directorates-General for Economic and Financial Affairs (ECFIN), Neighbourhood and Enlargement Negotiations (NEAR), and International Partnerships (INTPA).

As part of its responsibility for monitoring and reporting on the evolution of the contingent liabilities borne by the budget because of budgetary guarantees and loans to EU and third countries, DG BUDG published the **Article 256 report** <sup>(5)</sup> in October 2024. It assessed the sustainability of the Union contingent liabilities provisioned and those covered by the headroom under several scenarios, which amounted to EUR 363 bn (EUR 108 bn arising from budgetary guarantees and EUR 255 bn arising from loans to EU and third countries) borne by the EU budget at the end of 2023.

Finally, DG BUDG maintained its regular six-monthly planning of borrowing operations relating to disbursement needs. It also continued its close oversight of the EU recovery instrument (EURI), ensuring the EU budget's ability to meet repayment commitments arising from the use of borrowing to finance non-repayable support under the NextGenerationEU programme.

#### *Management of the assets of the Common Provisioning Fund (CPF)*

The Common Provisioning Fund (CPF) serves as a crucial capital buffer in the EU budgetary system. It represents the provisioning bedrock for the internal and external guarantees implemented by the EU. This Fund is the Commission's largest directly managed portfolio, with a market value of EUR 23 bn at the end of 2024. It is estimated to grow to EUR 25 bn by end-2027.

As per its asset management guidelines, the Fund maintains a liquid diversified portfolio. It registered a positive return of +3.6% in 2024, keeping its cumulative performance since inception in line with its strategic benchmark.

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<sup>(5)</sup> [Report to the European Parliament and Council on contingent liabilities arising from budgetary guarantees and financial assistance and the sustainability of those contingent liabilities Situation at 31 December 2023](#) (COM(2024)0507).

## General Objective 5: PROMOTING OUR EUROPEAN WAY OF LIFE

5.1. Secure that the amounts allocated from the EU budget are invested for the intended purpose, and ensure strict compliance with the financial rules to minimise errors, prevent fraud, enhance transparency, and pave the way to the discharge.

In 2024, via its **Central Financial Service**, DG BUDG continued to support Commission services, promoting adequate oversight of the Commission's control systems, to ensure that EU funds are spent according to the rules, by avoiding double funding and preventing errors and, in the case of errors, detecting and correcting them during a programme's lifecycle.

As regards the **discharge procedure**, the European Parliament, based on a recommendation from the Council, granted discharge to the Commission for the 2022 financial year. DG BUDG coordinated the Commission's input to the discharge procedure and raised stakeholders' awareness of the Integrated Financial and Accountability Reporting package through regular outreach activities and presentations. The 2022 discharge procedure covered the RRF for the second time. DG BUDG closely cooperated with the respective Commission services and the discharge authority, in particular Members of the European Parliament, to ensure that their concerns related to the management of both the MFF and the RRF were adequately addressed.

DG BUDG also is responsible for the Commission's **relations with the ECA**. DG BUDG continue providing support to Commission services audited by the ECA, notably by helping them prepare replies to the ECA's reports.

5.2. Strengthen the protection of the EU budget from financial risks, and from the generalised deficiencies as regards the rule of law in the Member States by greater transparency, knowledge sharing, and accountability, achieved by regular dialogue between all concerned stakeholders.

### Financial risk management

Financial risk management has gained further importance in view of the challenges brought first by the pandemic and more recently by Russia's war of aggression against Ukraine, the increase in energy prices and the ensuing inflation.

#### A centralised risk register steered by DG BUDG

In 2024, the Central Register of Internal Control Systems (**CENTRICS**) was further enhanced to improve the user experience with new functionalities developed in collaboration with the users' community. In line with the Commission's digital strategy, CENTRICS allows the secure and standardised handling and sharing of five compulsory sections related to internal control (risks, reservations, non-compliance events, exception events, and internal control monitoring criteria) with the central services, enabling direct corporate oversight. In 2024, five EU bodies have been onboarded for using the tool.

## **Enhancing the use of Arachne and EDES and providing information on beneficiaries and recipients of EU funds via FTS**

The development of a corporate data mining and risk scoring tool as provided for by the 2024 Financial Regulation, became a key task for DG BUDG, the importance of which will further increase with the transfer of ownership of the current “**Arachne**” tool from DG EMPL/REGIO/DAC to DG BUDG in mid-2025. An Expert Group with Member States was established to assist in developing the tool in view of the assessment of its readiness to be submitted by the Commission by the end of 2027.

The 2024 Financial Regulation further strengthened the scope of the Early Detection and Exclusion System (**EDES**) by improving procedures and adding various exclusion grounds like conflict of interest and incitement to hatred, or the possibility to exclude the beneficial owners of the excluded entity. Furthermore, EDES will also cover funds disbursed under shared management and direct management with Member States as of 1 January 2028.

## **Protecting the EU budget through the general regime of conditionality and monitoring conflict of interests**

DG BUDG leads the enforcement of Regulation 2020/2092 on the **general regime of conditionality** to protect the Union budget (the “Conditionality Regulation”). In 2024, DG BUDG continued to screen the situation in all Member States. On 2 December 2024, Hungary requested that one of the measures adopted under the Conditionality Regulation by the Council in 2022 should be adapted or lifted. Following work led by DG BUDG, on 16 December 2024 the Commission adopted a decision, concluding that the Council measure on public asset management foundations (“public interest trusts”) and entities maintained by them should remain in place. The Commission clearly outlined adaptations of Hungarian law needed to remedy the situation.

In addition, DG BUDG continued to contribute to the work led by the Directorate-General for Justice and Consumers (DG JUST) and by the Secretariat-General (SG) on the **Annual Rule of Law Report**.

As in past years, DG BUDG paid particular attention to the application of Article 61 of the Financial Regulation on **conflict of interests**, e.g. supporting shared management Directorates-General with assessing concrete situations or risks of conflict of interests. Pursuant to Action 16 of the Commission’s Anti-Fraud Strategy (CAFS) Action Plan, DG BUDG compiled Member States’ best practices on managing conflict of interests into a single document. Article 61 was amended as part of the revision of the Financial Regulation to specify that in cases involving staff of a national authority, the applicable law that must be respected also comprises national law relating to conflict of interests.

## **Managing risk for borrowing and lending operations**

The Chief Risk Officer is responsible for the risk oversight of the borrowing and related lending operations and developing the relevant risk framework. DG BUDG continued to develop a state-of-the-art **borrowing and debt management capacity** fully informed by

the High-Level Risk and Compliance Policy (HLRCP) and the Market Funding and Liquidity Risk Policy, prepared by the Chief Risk Officer and approved by the Commissioner. These policies are regularly reviewed to ensure adequate management of identified risk and in line with the new developments on the debt and liquidity management.

Further progress was made in **strengthening the architecture underpinning EU issuances** through the **EU Issuance Service (EIS)** in January 2024. This transferred the settlement of new EU debt securities to a system, based on central bank money settlement and public service providers, aligning the settlement process for EU debt securities with that of large sovereign issuers in the EU. In October 2024, the Commission also launched a **repurchase agreement (repo) facility for EU-Bonds**, offering EU Primary Dealers the possibility to source specific EU-Bonds on a temporary basis, in line with many other large issuers who offer this service.

New liquidity management processes were established in 2024 to allow the optimal placement of excess cash balances pending disbursement. These processes were framed by an **interim liquidity management strategy** adopted in June 2024, which opened the door to placing substantial amounts of excess liquidity with risk free counterparties (Central Bank institutions or Member States' debt management offices) in the form of term deposits. The interim strategy was replaced by a definitive liquidity management strategy, adopted in December 2024, which expanded the range of placements available to DG BUDG depending on the duration of the cash holding. All strategies and processes were vetted by the CRO as being compliant with HLRCP prior to adoption and implementation.

### 5.3. Promote strong enforcement culture to protect the EU budget on the revenue side

When a Member State does not comply with its obligation to make available the **Traditional Own Resources (TOR)** fully and on time, the Commission can launch an infringement procedure by sending a letter of formal notice, followed by a reasoned opinion in case of no agreement with the Member State. The last step is the referral to the Court of Justice. In 2024, the Commission closed 2 cases as the principal amount and interest had been paid. For the 5 infringement procedures remaining open, the discussions between DG BUDG and the respective Member State are ongoing, in view of solving the matters before referring them to the Court of Justice.

As regards controls, 20 inspections were carried out under the 2024 **TOR inspection programme**. The desk audits initiated in 2021 and 2022 were mostly finalised in 2024. All TOR write-off reports were assessed within the regulatory time limits and in cooperation with the Directorate-General on Taxation and Customs Union (DG TAXUD), the European Anti-Fraud Office (OLAF), and the Legal Service (LS).

The 2024 inspection plan on the control of the **VAT-based Own Resource** included 12 Member States to be inspected. All 12 inspections were carried out as planned and helped to ensure the proper functioning of the own resources collection.

DG BUDG continued to cooperate closely with Eurostat on verification activities concerning GNI-based resources, also as regards the setup and implementation of controls of the new own resource based on non-recycled plastic. Member States submitted the statements for

the non-recycled plastic own resource for the second consecutive year in 2024. The Commission, under the lead of Eurostat, inspected 9 Member States.

## General Objective 7: A MODERN, HIGH PERFORMING, SUSTAINABLE COMMISSION

7.1. Act as a centre of excellence and trusted partner for Commission services, other institutions, agencies and bodies, Member States and beneficiaries regarding:

- **high performing financial governance**, single (simplified) rulebook, transparency, smart reporting and derived intelligence, single audit approach, compliance and accountability
- modern, sound and efficient management of **accounts, treasury, financial risks and corporate financial and contract management IT systems**
- stronger central oversight and **management of debt, asset, and contingent liabilities** in view of ensuring sustainability of the EU budget
- **performance optimisation** through developing, implementing, monitoring and evaluating policies in an evidence-based, transparent and collaborative way with stakeholders and experts
- **robust internal control** that helps the Commission to achieve its objectives and sustain operational and financial performance.

### Domain leadership

As domain leader for budget, finance and internal control, DG BUDG continued to foster **knowledge-sharing** on financial and budgetary matters, risk management and internal control, including through the corporate knowledge management platform for budget and finance, [BUDGpedia](#), the quarterly Internal Control Correspondents' network, the monthly network 'Réseau des Unités Financières' (RUF) and via dedicated corporate training in 2024. In parallel, the Helpdesk of the Central Financial Service continued to reply to often complex questions on budget and finance matters.

DG BUDG's Central Financial Service further improved **training** for the financial community by blending physical and online courses and new training formats such as video capsules on specific topics of interest. Following the changes introduced by the 2024 Financial Regulation, the Central Financial Service trained over 2000 colleagues across the Commission and other EU institutions and agencies. It also contributed to the publication of recommended learning packages per staff profile.

### Centralised reporting

DG BUDG central reporting unit provides legal reporting on monthly and annual budget implementation and fuels the **Financial Transparency System** and an extended portfolio of **financial dashboards** with harmonised and simplified financial information also to non-specialists. These dashboards offer single-version-of-the-truth information reconciled with the central accounting system, fostering coherence and accountability. DG BUDG also sent "financial flash" providing a general overview from those dashboards to each Directorate-General every month to assess their financial performance. DG BUDG receives a lot of positive feedback about the flash.

DG BUDG also provides interactive tools to allow the encoding of semi-financial information into centralised tools, like forecasts, planning data and qualitative MFF-program indicators.

A key challenge in 2024 was to transpose reports and dashboards available in ABAC into SUMMA, in time for its 'go-live', and to assist services with their data quality to ensure a smooth migration from ABAC to SUMMA. The most important financial reports for DGs were replaced by four core dashboards, which were developed in 2024 and published on 3 January 2025.

## Accounting and treasury

As a centre of expertise on **accounting**, DG BUDG provided guidance and support to other EU institutions and bodies and produced annual accounts following the International Public Sector Accounting Standards (IPSAS). The EU's annual accounts received a clean opinion from the European Court of Auditors.

The accounts pay particular attention to providing high quality reporting on the EU's liabilities and contingent liabilities arising from financial instruments, thus creating a link between accounting and the Commission's risk management framework.

In the area of the accounting framework, DG BUDG continued to work closely with the **IPSAS** Board monitoring the development of new standards. In September 2024, DG BUDG successfully hosted the third meeting of the year of the IPSAS Board in Brussels, welcoming its members from across the globe.

In 2024, DG BUDG reinforced operational excellence of its **treasury** function with a successful implementation of the new ISO 20022 banking industry standard applicable to bank messaging solutions. DG BUDG also enabled the collection of Social Climate Fund (SCF) revenues by becoming the SCF auctioneer. In 2024, 99% (in value) of the funds to be collected or recovered were fully cashed on time. In February 2024, the corporate strategy for the management of the Commission's debtors was adopted to further **enhance the recoveries from overdue debtors**, focusing on the follow-up of OLAF financial recommendations, the close follow-up of overdue debts and the reduction of the DGs' backlogs of pending requests for stance and/or for waivers.

## Recast of the Financial Regulation



The **new Financial Regulation** was adopted by the Council and the Parliament on 23 September 2024 and applied as from 30 September 2024. The targeted adjustments to the EU financial rules make the EU budget simpler, more agile, more transparent and better protected. The Internal Rules were adjusted to take account of the revision of the Financial Regulation. Likewise, guidance notes and templates related to EDES and to grants and contracting of experts, BUDGpedia pages and AAR instructions in relation to donations were aligned with the Financial

Regulation revision.

## Corporate financial IT systems

DG BUDG, in its role as leading service in the financial domain, continued to implement and deploy the new IT corporate financial platform, **SUMMA**, which will replace the current ABAC for all the entities using it by 2027.

SUMMA is a modern financial system, designed in close cooperation with the business owners, based on best industry standards, and fully integrated within the Commission's corporate IT landscape. After the successful deployment of SUMMA in the **pilot entities**, the system was further developed to address the specific needs of the Commission and the executive agencies. The **integration** with main corporate and local systems during 2024 increased the overall level of automation of the Commission's operations. The SUMMA program has a strong governance and uses a thorough quality assurance system, based on regular tests on SUMMA processes and integrations. Following a comprehensive assessment, which confirmed the readiness of SUMMA and the integrated systems, as well as the organisational **readiness to go live**, the SUMMA Supervisory Board agreed to deploy SUMMA in November 2024 for the operations on the anticipated budget of 2025. The Director-General of DG BUDG and the Accounting Officer officially decided to open the system on 21 November 2024. Since January 2025, SUMMA is being used for all financial operations from the Commission and the executive agencies.

## Strategic communication

In line with the long-term communication strategy of DG BUDG, the communication team continued to support all key policy initiatives and ensured greater outreach towards our target audiences (citizens, specialised and general media, financial market participants, members of the EU primary dealer network and the other issuers, etc.).

### External communication

In 2024, DG BUDG continued its path to becoming significantly more active in communicating the EU's achievements towards stakeholders and citizens.

The European Commission published a record number of press releases linked to the EU budget, led by DG BUDG. This notably included the promotion of the [first ever revision of the EU long-term budget's ceilings and the launch of the Strategic Technologies for Europe Platform](#), communication around [the Annual Budget procedure](#), and the [promotion of the EU's Borrowing and Lending activities](#).

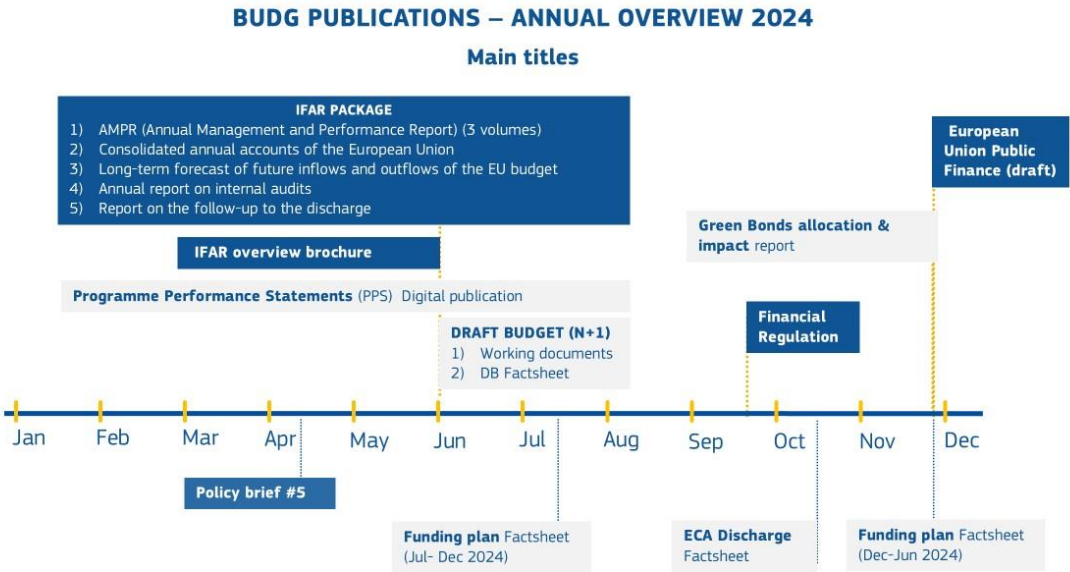
DG BUDG organised the [Annual EU Budget Conference](#) (ABC), which drew a record number of in-person and online participants. The ABC received unprecedented media coverage. DG BUDG also organised and took part in several other major events, for example the 6<sup>th</sup> edition of the Capital Markets Seminar in Luxembourg, co-hosted with the European Investment Bank and the European Stability Mechanism.

DG BUDG continued to invest in social media outreach in 2024. The year was an especially volatile year for social media which led to intensifying efforts on LinkedIn through two dedicated pages (EU Economy & Finance and EU Funds) as well as the launch of a [Bluesky presence for the Director-General](#).

In 2024, DG BUDG continued to engage actively with financial market participants, i.e. providing regular updates and communication on each syndicated transaction and each auction of EU-Bonds or Bills. Communication outreach and investor relations, exchange of information with peer issuers and a structured dialogue with the Member States remained central to DG BUDG activities, providing transparency, and building the market’s recognition of the EU as an issuer.

**Publications**

DG BUDG fully implemented its 2024 annual publication plan. The list of released titles includes reports required by EU law, publications intended for specialised public (e.g. the book with the Financial Regulation recast), others for a broader audience as well as a variety of communication materials disseminated through the DG’s website, social media platforms, newsletters (e.g. newsletter to investors in EU Bonds), and other communication channels. DG BUDG publications in 2024 that are included in the Publications Office catalogue can be found on the [BUDG publications webpage](#).



## 2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Management monitors the functioning of the internal control systems on a continuous basis and carries out an objective assessment of their efficiency and effectiveness. In annex 7, there is a list and details of the reports that have been considered. The results of the above assessment are documented and reported to the Director-General.

### 2.1. Control results

Management uses control results to support its assurance and reach a conclusion about the cost-effectiveness of those controls, meaning whether the right balance between the following elements is achieved:

- **Effectiveness** - The level of error found, based on the controls carried out.
- **Efficiency** - The average time taken to inform or pay.
- **Economy** - The proportionality between the costs of controls and the funds managed.

#### 2.1.1. Overview of the budget and relevant control systems

DG BUDG's assurance building and materiality criteria are outlined in Annex 5. Annex 6 outlines the main risks together with the control processes to mitigate them and the indicators used to measure the performance of the relevant control systems.

Table 1. The scope of assurance with materiality criteria

Activity	Value	Materiality
Own resources revenue	EUR 142 bn	Ratio of concerned amount <sup>(6)</sup> to total relevant segment <1%
Expenditure	EUR 2.6 bn	Residual error rate <2%
Off-budget corporate activities (accounting)	Positive conclusion on accounting (production of annual accounts, treasury, recoveries), on ABAC and transition to SUMMA.	
Off-budget activities (financial assets and loans)	Positive conclusion on management of financial assets (54 bn): direct: 30 bn, indirect (via EIB) 24 bn, and loans (120 bn).	
Internal control objectives	Legality and regularity = OK, sound financial management = OK, antifraud strategy = OK, safeguarding of assets = OK, reliability of reporting = OK	
Availability of information from auditors (IAS,ECA) and OLAF	6 recommendations partially implemented (ECA) 2 very important recommendation open (HR needs), 3 under review (SUMMA and risk at payment) (IAS) No financial recommendation open (OLAF)	
Reservations	None	

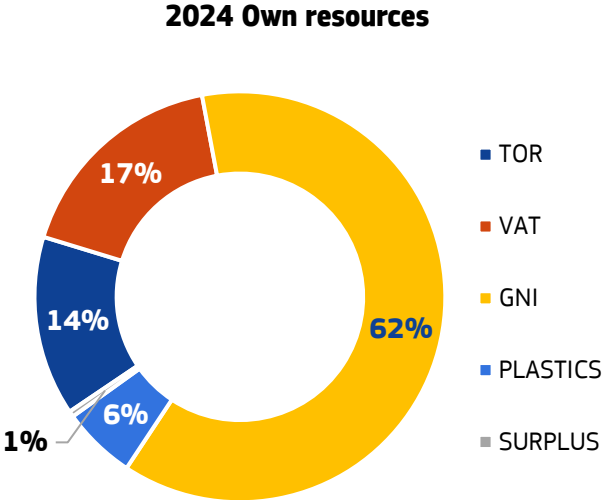
<sup>(6)</sup> The concerned amount is the non-extrapolated error found during risk-based controls.

DG BUDG’s control systems fall into three main categories: own resources revenue, expenditure (direct management), and off-budget management. Off-budget management covers other non-expenditure items (financial assets in direct and indirect management), off-balance sheet items (guarantees offered), and borrowing and lending operations. The financial assets are defined broadly here, as including contingent assets (and liabilities) as well as financial income (and costs) linked to the respective assets.

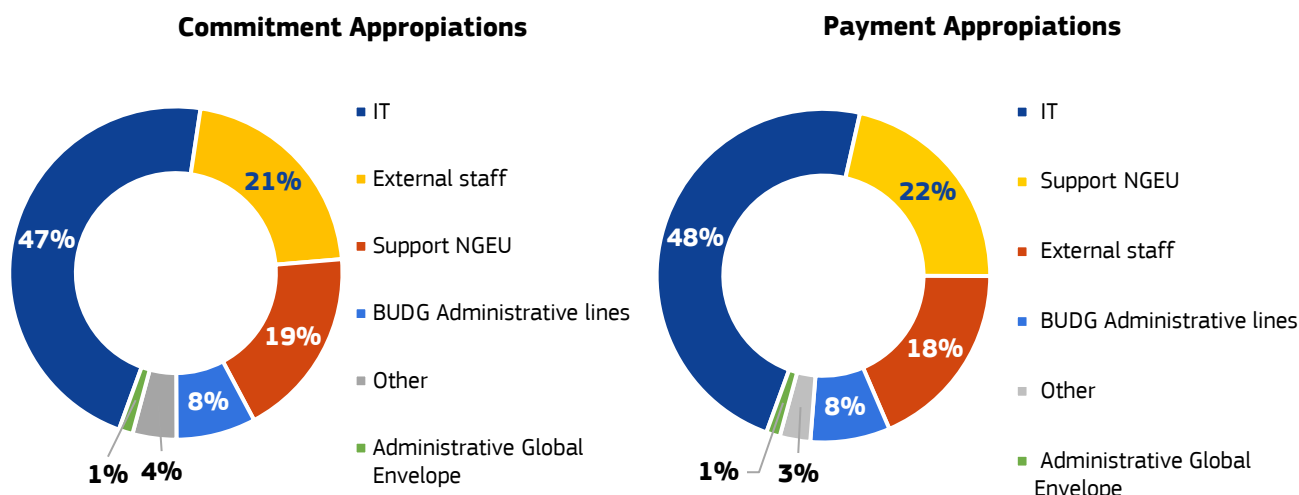
DG BUDG also receives income, collected from both external European agencies and bodies, and other Commission departments, related to charge-back for the costs of the financial IT system, of treasury and accounting services. In 2024, the total value of charge-back (EUR 6.2 m) represented a small fraction of DG BUDG’s activities, covering less than 5% of expenditure. Therefore, this control system is not presented as a separate section in this report.

### Revenue

Four main streams of EU revenue are known as own resources. They are: (1) Traditional Own Resources (TOR; primarily customs duties); (2) the VAT-based own resource; (3) the own resource based on non-recycled plastic packaging waste and (4) the GNI-based own resource. In 2024, own resources revenue amounted to EUR 142 bn.



## Expenditure



In terms of commitment appropriations, in 2024 DG BUDG managed a budget of EUR 4.01 bn, of which:

- 98% (EUR 3.95 bn) related to **operational expenditure**, under two lines the European Union Recovery Instrument (EURI) and Ukraine Macro-Financial Assistance (MFA+) interest rate subsidy.
- 2% (EUR 0.06 bn) related to **administrative/support expenditure**.

In terms of payments made (according to annex 3 table 2), **2024 DG BUDG's expenditure amounted to EUR 2.6 bn**, of which:

- 98% (EUR 2.54 bn) related to **operational expenditure** under two lines the European Union Recovery Instrument (EURI) and Ukraine MFA+ interest rate subsidy.
- 2% (EUR 0.06 bn) related to administrative/support expenditure. The **administrative expenditure** budget lines were used mainly to pay for external service providers, IT licences, external staff, operating tools related to borrowing and lending, financial databases, bank services and studies.

## Off-budget activities

In addition to the management of its own appropriations, DG BUDG also performs off-budget management: horizontal financial activities such as treasury, asset management, borrowing and lending operations, and guarantees such as those related to competition fines and VAT reimbursement.

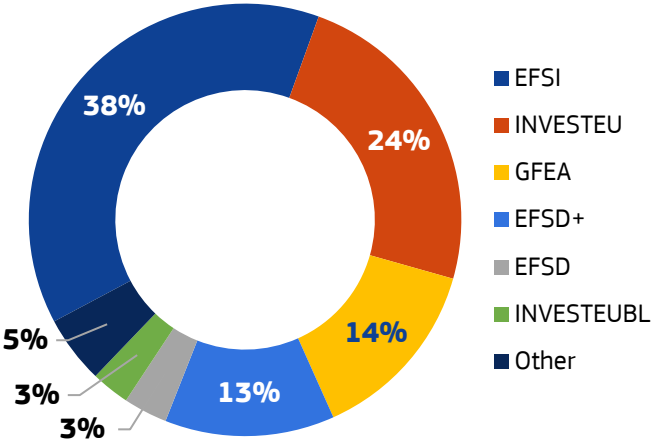
## Financial assets

On 31 December 2024, DG BUDG managed EUR 54.0 bn of assets (mainly fixed income bonds), directly (EUR 30 bn) or indirectly (EUR 24 bn) through the European Investment Bank (EIB).

DG BUDG manages directly around EUR 30 bn in 7 portfolios: European Coal Steel and Coal Community in liquidation Fund (ECSC), Competition Fines Fund (BUFI), Mutual Insurance Mechanism Fund (MIM), Common Provisioning Fund (CPF), Joint Sickness Insurance Scheme (JSIS-RCAM), Provident Fund for Local Agents in Delegations and the Complementary Sickness Insurance Scheme for Local Agents managed under joint portfolio (POPL), and the “Fonds d’allocation de chômage aux anciens agents temporaires” (CHOM).

The largest portfolio, CPF, contains the provisions from the European Commission budgetary guarantees and financial assistance. The assets under management in the Common Provisioning Fund are controlled under the usual risk framework in place for all in-house asset management activities. The main controls relate to monitoring of (i) the limit framework, (ii) the eligible investment universe and (iii) the investment objective.

**2024 CPF Compartments**  
(total size 23 bln EUR)

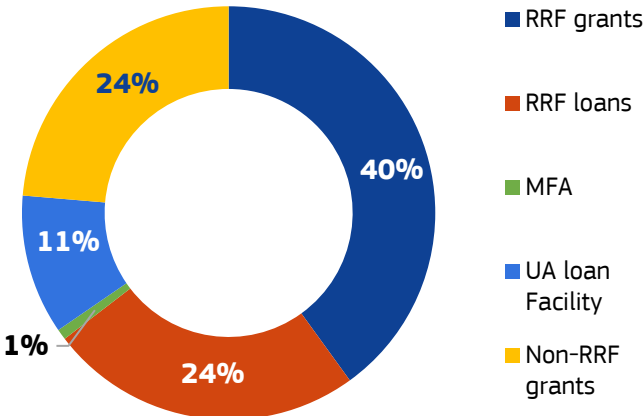


Borrowing and lending

In 2024, the Commission has borrowed on the financial market to finance several programmes, i.e. NextGenerationEU, the Ukraine Facility, and macro-financial assistance (MFA). In 2024, total disbursements (payments) under these programmes amounted to EUR 120 bn. The Commission deployed a **unified funding approach (UFA)** to carry out the necessary borrowing, in the necessary volumes and under optimal market conditions.

The largest spending programme of all NGEU programmes is the Recovery and Resilience Facility (RRF), which provided EUR 48 bn in grants and EUR 29.4 bn in loans to beneficiary Member States, see annex 3, table 17, “RRF Loans Implementation - Cumulative View (All Years)”. The remaining part (EUR 28.3 bn in 2024) was provided through other (non-RRF) spending programmes, in the form of grants and as provisioning to the InvestEU budgetary guarantee.

**2024 disbursements financed from borrowing**



In addition, the Commission disbursed under the MFA programme EUR 1 bn to Egypt and EUR 13 bn to Ukraine under the Ukraine Facility.

## Accounting activities

The **Accounting Officer** is responsible, as foreseen in Article 77 of the Financial Regulation for: (i) properly implementing payments, collecting revenue and recovering amounts established as being receivable; (ii) preparing and presenting the **consolidated annual accounts of the EU**, for the Commission and many other entities; (iii) keeping the accounts; (iv) laying down the accounting rules, procedures and charts of accounts; (v) laying down and validating the accounting systems and (vi) treasury management. The Accounting Officer signs the annual accounts declaring that they present fairly, in all material aspects, the financial position, the results of the operations and the cash flows of the Union. The annual accounts are adopted by the College of Commissioners. The Accounting Officer is an independent function and bears a major responsibility as regards financial reporting in the Commission, her work contributes also to the control objective of safeguarding of assets.

Robust procedures and processes and results of controls applied in these areas in 2024 gave a reasonable assurance to the Accounting Officer. The Accounting Officer, having considered the maturity and stability of the accounting control environment in ABAC and the need to reorient resources to support SUMMA implementation, decided to limit controls related to the validation of local systems to cases where new material risks arose or to address very important open recommendations.

Every year, the accounts are audited by the European Court of Auditors, applying the materiality threshold applicable to the EU financial statements (2% of the total amount of the liabilities; for misstatements of balance sheet items, EUR 50 m) <sup>(7)</sup>. The accounts have received a clean opinion for the last 17 years.

To support the corporate accounting and financial management objectives in the EU institutions, DG BUDG develops IT financial applications (which are recognised as intangible assets in DG BUDG's balance sheet). In 2024, **DG BUDG's intangible assets** amounted to EUR 113.7 m (as per annex 3, table 4). This relates to the value of SUMMA (EUR 110 m) and Arachne Corporate, which is under construction (EUR 3.7 m).

**SUMMA** is the Commission's new corporate financial and accounting IT tool, which went live for the Commission and executive agencies in January 2025. SUMMA is a modernised finance system based on off-the-shelf software, notably SAP S/4HANA. By leveraging the built-in public sector standards and best practices, the solution enables the streamlining of budgetary and financial processes across Commission services.

The Accounting Officer services' reviews on the development and testing activities for the key SUMMA business domains (expenditure, income, business partners, inventory, treasury and accounting), combined with the attestations provided by each SUMMA project manager have not identified **any material issue** that would indicate SUMMA is not designed to supply or justify accounting information in compliance with the Financial Regulation and IPSAS. In addition, no weaknesses have been identified in the design or implementation of the local systems which would indicate that the control environment does not comply with the

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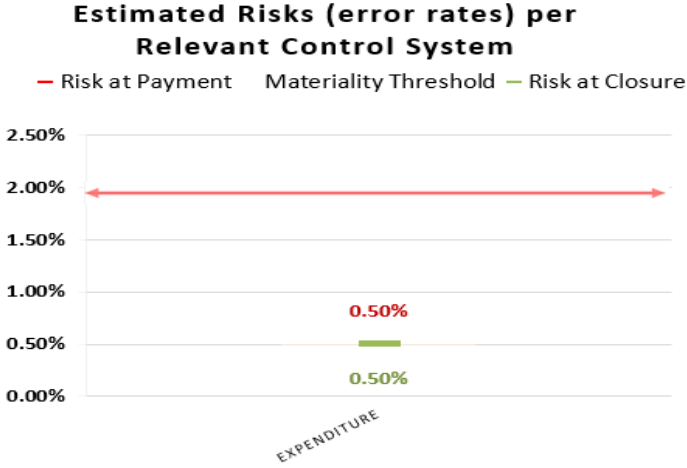
(7) [Materiality methodology of the Court of Auditors](#).

validation criteria laid down by the Accounting Officer of the Commission. The development of Arachne Corporate, an IT tool for strengthening the risk analysis-based approach to detect irregularities and fraud, started in 2024. More information on the overall IT governance and data assets in DG BUDG is included in Part 3, section on Digital transformation.

**2.1.2. Effectiveness of controls**

**a) Assessment of control results per Relevant Control System for expenditure**

As part of its assurance building process, DG BUDG estimates the error rate for the control system managing expenditure. For the control systems governing own resources revenue and off-budget management no error rates are estimated. The Authorising Officer by Delegation (AOD) may decide to carry out ex-post controls to verify the quality of its ex-ante controls <sup>(8)</sup>. The expenditure managed by DG

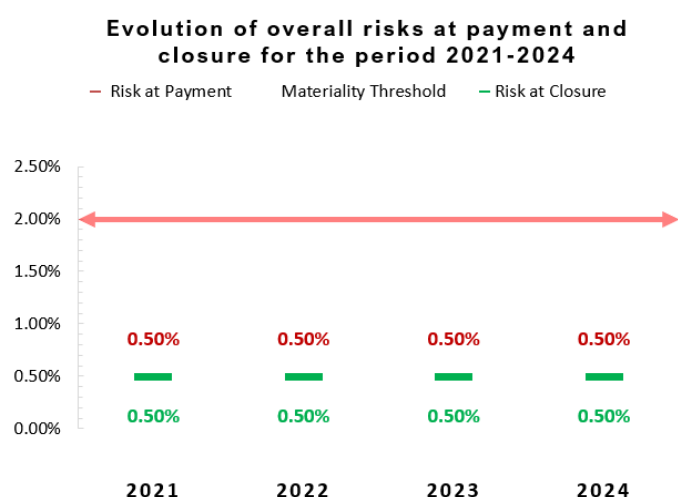


BUDG is of an administrative nature and of low risk (it concerns mainly the external service providers, IT licences, databases and bank services), and DG BUDG does not sample the transactions ex post to estimate the errors. Instead, horizontal accounting controls are performed in the context of accounting quality. The AOD decided to use the flat rate of 0.5% as a conservative estimate for the risk at payment.

<sup>(8)</sup> Art. 74 FR: “The authorising officer by delegation may put in place ex post controls to detect and correct errors and irregularities of operations after they have been authorised. Such controls may be organised on a sample basis according to risk and shall take account of the results of prior controls as well as cost-effectiveness and performance considerations.”

## b) Estimation of the overall risk at payment and risk at closure

In general, the estimated overall risk at payment for 2024 expenditure is the AOD's best conservative estimate of the amount of relevant expenditure during the year, not in conformity with the contractual and regulatory provisions applicable at the time the payment was made. In high-spending Commission departments this expenditure will subsequently be subject to ex-post controls and a proportion of the underlying errors will be detected and corrected in subsequent years, corresponding to the conservatively estimated future corrections for 2024 expenditure. The difference between those two results is the estimated overall risk at closure <sup>(9)</sup>.



Since DG BUDG carries out only ex ante controls, due to the administrative nature and low risk type of expenditure (see previous section), there are no ex-post controls and corrections. Consequently, DG BUDG is using the Commissions' flat rate of 0,5% as a conservative estimate for both the risk at payment and the risk at closure. As the graph illustrates, this has been the case for several years.

The overview of the Commission's estimated overall risk at payment, estimated future corrections and risk at closure is available in the Annual Management and Performance Report (AMPR).

## c) Quantitative benefits of controls: Preventive and corrective measures

DG BUDG has an effective mechanism in place for detecting and correcting errors, through ex-ante controls covering 100% of procedures and transactions, being a preventive measure. There were no ex-post controls carried out in 2024, and no recoveries were made. The horizontal accounting quality checks were done in line with the annual accounting quality programme. This is similar to the situation in 2023.

The financial controls on the expenditure in DG BUDG are centralised in DG BUDG's **Procurement Sector and Financial Cell**. In 2024, the Sector coordinated the launch of 5 procurements above the threshold of EUR 140 000. Together with the Financial Cell, the Procurement Sector has processed and managed 673 contracts. Annex 6 demonstrates how the control systems in place address the related risks.

<sup>(9)</sup> This is the AOD's best, conservative estimation of the expenditure authorised during the year that would remain not in conformity of applicable regulatory and contractual provisions by the end of implementation of a multi-annual programme.

In 2024, the horizontal accounting controls resulted in one corrective booking, related to 5 invoices (value of EUR 0.4 m, not material).

#### ***d) Assessment of control results for non-expenditure items***

##### *Own resources revenue*

The indicators of control performance for own resources are described in the corresponding part of annex 6. Control results in terms of legality and regularity have allowed to obtain assurance and are described in annex 7.1. Annual programmes of traditional own resources (TOR) target specific areas with potential financial risk on the EU budget while VAT-based own resources inspections cover 100% of statements for all Member States during a 3-year cycle. In 2024, the inspection plans for TOR and VAT-based own resources were both 100% completed.

The main objective of the inspections related to the VAT-based own resources is to arrive at the correct VAT-base for calculation of the VAT-based own resources to ensure equal treatment of Member States.

For TOR, Member States are autonomously responsible for making available the correct amount of own resources due. Beyond the annual inspection programme, DG BUDG monitors all TOR amounts linked to irregularities and fraud above EUR 10 000 via the reporting database OWNRES, and all unrecoverable amounts via the reporting tool WOMIS. Furthermore, DG BUDG verifies the consistency of Member States' monthly A account statements (regular TOR payments) and quarterly B account statements (separate account for outstanding amounts). In addition, DG BUDG ensures the financial follow-up of the European Court of Auditors' findings and recommendations to Member States and carries out ad hoc inspections or desk audits, where required. For all the errors detected by DG BUDG, the recovery orders are issued to correct them and Member States pay the additional amounts due, effectively reducing the residual value of errors close to 0%. In 2024, recovery orders amounting to EUR 98 million were issued in relation to TOR cases, corresponding to 0.49% of total TOR collected (EUR 20.1 bn). In addition, DG BUDG supports the continuous improvement of Member States' internal control systems for TOR collection during inspections, but also via the biannual Advisory Committee Own Resources – TOR and targeted guidance documents shared with all Member States.

The control results for the TOR and VAT-based own resource are described in more detail in Annex 7.1.

The inspections related to the GNI-based own resources and the own resources based on non-recycled plastic packaging waste are carried out by DG ESTAT. They can request Member States to adapt their statistics and align with the legal requirements by placing reservations to be resolved within specific deadlines. DG BUDG ensures the financial follow-up to the controls by DG ESTAT, collecting underpaid own resources and related interest, where applicable.

## Off-budget activities

Off-budget activities cover horizontal financial activities such as treasury, financial assets (in direct and indirect management), borrowing and lending operations, and guarantees. The financial assets are defined broadly here, as including contingent assets (and liabilities) as well as financial income (and costs) linked to the respective assets. These activities are of a corporate nature with strong horizontal accounting controls (including monthly closure), oversight and external audit. All audit opinions received in 2023 were unqualified, confirming the accuracy of our financial reporting and efficiency of internal controls. The error rate is not calculated in this context.

### Financial assets

The control of the various risks related to the **financial asset management** operations is based on dedicated governance and working procedures, adopted following benchmarking with the highest standards adopted by peer international institutions. These procedures, which were subject to various internal and external audits, ensure sound asset management.

The asset management governance assures appropriate: i) delegation of decision-making and lines of accountability, ii) segregation of duties between Front Office, Risk and Back Office, iii) roles, procedures, and processes, and iv) checks and balances at all levels (including compliance oversight). The internal compliance procedures complement the institutional framework for managing potential personal conflicts of interest and implement rules to appropriately manage risks of insider trading.

The Asset Management Guidelines and internal investment restrictions provide a solid internal control framework. Assets in the form of securities are kept with our custodian in accordance with market best practices, while cash and deposits are placed at highly rated financial institutions. DG BUDG continuously monitors whether the control framework is being respected. An exhaustive set of performance and risk metrics for the assets under management is reported periodically to the relevant stakeholders.

In 2024, asset management transactions and positions did not lead to any active breaches of risk limits, which were not material and were promptly solved. There were 33 passive breaches, related to price movements of securities. All active and passive breaches <sup>(10)</sup> were immaterial and were quickly resolved.

In 2024, the accounting and back-office unit followed procedures and controls as defined in the accounting manual. The duties are segregated between the team responsible for initiation of securities deals and a back-office team responsible for their settlement and bank reconciliation. The holdings of assets in the portfolio were reconciled to the statement received from the depository of securities, and all the movements in the portfolio of directly managed assets were reconciled monthly by the accounting team. Any settlement

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<sup>(10)</sup> Active breaches occur due to direct actions or transactions initiated by asset management, causing risk limits to be exceeded. Passive breaches arise from external market factors, primarily price movements of financial assets, without direct management action.

discrepancies and late payments caused by counterparties was followed-up by the bank reconciliation and back-office team on a daily basis.

The valuation of the portfolio was cross-checked by the middle-office as required. Year-end financial statements of the main asset portfolio instruments (CPF, MIM, BUFI and ECSC) are subject to a statutory annual audit performed by an external audit firm, supervised by the Court of Auditors.

In 2024, the reconciliation team identified 110 incidents that concerned late settlement and overdraft of the accounts that generated EUR 54 158 in overdraft charges. EUR 25 016 was recovered from the counterparties (according to internal guidelines, all charges above EUR 200 must be recovered). The remaining value (EUR 29 142) mainly consists of outstanding claims in process. No other issues with safeguarding of financial assets were identified during the monthly closure reconciliation.

The management of budgetary guarantees is supervised by the Steering Committee for Contingent Liabilities that meets on a regular basis at senior management level. The strong reporting framework on financial instruments and budgetary guarantees, ensured that all related reports listed in the Financial Regulation were issued in 2024. The credit risk model used to generate the risk metrics for the budgetary guarantees underwent an external review. The feedback was overall positive, with some recommended points for improvement.

The controls in place as regards financial assets have been working as intended and provided DG BUDG with sufficient assurance on the effective functioning of the internal control systems.

### Borrowing and lending

The spending programmes under NextGenerationEU are implemented under the responsibility of Authorising Officers by Delegation (AODs), as indicated in Decision C(2018)5120, while forecasting, liquidity and disbursement processes are managed by DG BUDG. The CRO's risk management policies imply both ex-ante and ex-post oversight of borrowing and lending operations. While ex-ante oversight focuses on assessing potential risks and threats to the operations, ex-post oversight focuses on risk-mitigating measures, post-execution assessment where needed, and reviewing the adequacy of existing control points.

Borrowing and lending operations were accounted for in line with the IPSAS and disclosed in the EU annual accounts as well as reports to the European Parliament and the Council. Year-end financial statements of all lending and borrowing instruments are subject to a statutory annual audit performed by an external audit firm, supervised by the ECA.

The controls in place for the borrowing and lending operations have been working as intended and provided DG BUDG with sufficient assurance on the effective functioning of the internal control systems.

### ***e) Fraud: prevention, detection, and correction***

DG BUDG has developed and implemented its own anti-fraud strategy since 2013, based on the methodology provided by OLAF. It is updated every 3 years and was last updated in 2021, following a fraud risk assessment. Its implementation is being monitored and reported to the management annually. Around 95% of the actions in BUDG's Action Plan have been implemented by the end of 2024. The remaining actions should be completed by 2027 due their complexity, most of the actions being recurrent. Given the overall stability of identified fraud risks, the recurring nature of the related actions, and an internal reorganisation that took place in 2024, the Anti-fraud Strategy is now expected to be revised in 2025. This revision will also align with the European Commission Anti-Fraud Strategy, in which DG BUDG is responsible for several leading or co-leading actions.

As (co-)lead service for actions 2, 3, 16, 30 and 40 of the Commission Anti-Fraud Strategy Action Plan of July 2023, DG BUDG has:

- started developing the IT system mandated by the 2024 Financial Regulation ("Corporate Arachne") for data mining and risk scoring;
- enhanced the level of guidance on the Early Detection and Exclusion System (EDES);
- provided guidance and best practices of individual Member States on managing conflict of interests into a single document;  
contributed to the Commission-EPPO Agreement, on aspects of guidance, training and a possible helpdesk for Commission departments; and
- contributed to reinforcing of the ethics and anti-fraud culture by anti-fraud training for all staff, adding ethics and anti-fraud elements to financial training courses, and development of a video capsule on conflict of interests when managing the EU budget.

DG BUDG received and accepted 2 OLAF financial recommendations during the period 2020-2024, which have been fully implemented during 2024. Furthermore, DG BUDG monitors OLAF's financial recommendations to Member States on revenue (TOR) and their effective follow-up by Member States.

Other results achieved during the year concerned participation of DG BUDG's OLAF Correspondent for Fraud Prevention in OLAF's meetings and in OLAF working groups. DG BUDG also assists OLAF in multi- or bilateral meetings with other DGs to ensure that OLAF recommendations are followed up on. It is also involved in the review of the local Anti-fraud Strategies of the different Commission's services.

Based on the available information, DG BUDG has reasonable assurance that the anti-fraud measures in place are overall effective.

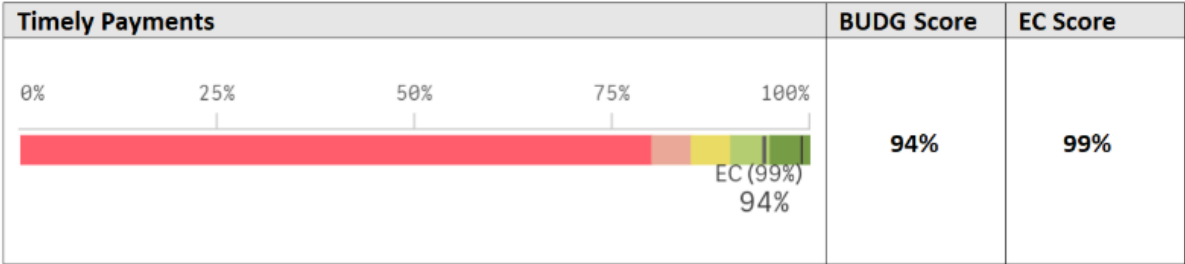
### 2.1.3. Efficiency of controls

Own resources revenue

BUDG ensured timely own resources payments by Member States. The inspection programmes for traditional and VAT-based own resources including reporting as well as the assessment of Member States’ write-off reports for irrecoverable amounts of TOR were completed in full and within the regulatory time limits. Where DG BUDG identified imports for which national authorities did not collect and make available the adequate amount of TOR to the EU budget, the amounts were recovered from the Member States concerned, including late payment interest where applicable.

Expenditure

The indicators time-to-inform and time-to-grant (Art 197.2 FR) are not applicable in the case of DG BUDG. In 2024, the average net payment time for the 1193 payments was 19 days except those 80 delayed with 37 days on average. Timely payments covered 94% of the total value of payments, which is lower than the average for the Commission (99%). Transition to the new financial systems slightly slowed down the processing of invoices in DG BUDG. In terms of number of payments, 96% of all the payments were made on time, which means a slight decline in comparison to 2023 (99.5%).



Off-budget activities

An exhaustive set of performance and risk metrics for the assets under management is reported periodically to the relevant stakeholders (in 2024, all 12 reports were issued on time).

The operations that concern portfolio asset management must be executed in a timely manner to assure correct settlement of all security deals. Daily reconciliation of security deals and the subsequent bank reconciliation is an essential part of the established control process. The monthly accounting closure process must respect deadlines agreed with the involved DGs that are recipients of the respective reporting, which includes in the case of the CPF the monthly shareholder report and the net asset value of the portfolio.

Lending and borrowing operations must be recorded on time to generate contractual payments. This is particularly important for payments to investors where a breach of payment could have a negative impact on the EU’s reputation. All payments in 2024 were executed on time. For incoming payments, the back-office is monitoring the daily collection of expected payments from loan beneficiaries and initiates corrective actions if necessary. In

2024 all interest revenues were received on time.

Under the NextGenerationEU programme, disbursements to Member States were made within 6 working days of receipt of the payment request.

#### Accounting activities

Payments arriving at central accounting treasury level are, as a general rule, paid within three working days.

### 2.1.4. Economy of controls

The estimation of the cost of controls follows the bottom-up principle: the units performing the controls provided the estimated number of related full-time equivalents (FTE).

As regards revenue, DG BUDG calculated the cost of widely understood ex-post controls (verifications, monitoring, and TOR and VAT inspections: cost of FTEs and missions) and the cost of horizontal accounting controls. Ex-ante controls are done by the Member States, and DG BUDG does not receive any related information on the cost. In 2024, the cost of ex post control amounted to EUR 4.3m (0.01% of total TOR and VAT amount) and was similar to the cost in 2023.

For expenditure, the number of FTEs was estimated in line with the financial circuits (covering both operational and financial controls). The cost of the ex-ante and horizontal accounting controls has been estimated at EUR 1.6 m (0.06% of BUDG's expenditure). While the overall cost is the same as last year, the ratio is much smaller (0.22% in 2023) due to the increase in the amount of the payments made. Details of the estimated cost related to shared/pooled control activities carried out by DG REA and hosted by DG RTD (Common Implementation Centre including Common Audit Service) for the Research and Innovation family are reported in the annual activity reports of DG REA and DG RTD.

The management of financial assets and borrowing and lending involves the presence of controlling officer functions (4 eyes principle) in the execution of key transactions (e.g., auctions, syndications) or process related tasks (cost calculation, invoicing). As these controls are an integral part of all business processes, it is difficult to precisely quantify the amount of time consumed by these functions. On average, it is estimated that each staff-member invests at least 1/5 of available time operating in a control capacity. The estimated cost of controls related to financial asset management and activities related to disbursements and associated borrowing operations has been estimated at EUR 3.4 m (0.002%). The financial assets are defined broadly here, as including contingent assets (and liabilities) as well as financial income (and costs) linked to the respective assets. These activities are of a corporate nature with strong horizontal accounting controls (including monthly closure), oversight and external audit.

Since the accounting controls are performed throughout the Commission and by many other institutions and bodies, it is practically impossible to estimate the cost of controls and therefore to conclude on their economy.

### 2.1.5. Conclusion on the cost-effectiveness of controls

In 2024, there were no major changes in the control environment of DG BUDG. We assess that the applied control strategy is best suited to fulfilling the control objectives, ensuring an adequate balance between low error rates, timely transactions and low cost of controls.

Based on the most relevant key indicators and control results reported above, DG BUDG has assessed the effectiveness, efficiency and economy of its control system and reached a positive conclusion on the cost-effectiveness of the controls for which it is responsible.





## 2.2. Audit observations and recommendations




This section sets out briefly the state of play for all audit observations and recommendations reported by auditors related to internal control and financial management – including the limited conclusion of the Internal Auditor on the state of internal control. Further details for IAS and ECA audits can be found in Annex 8.

Where an audit has detected weaknesses affecting any internal control principle or the assurance, a detailed analysis is provided further below in section 2.3 and 2.4, accordingly.

### Internal Audit Service

In its contribution to the 2024 Annual Activity Report process, the IAS concluded that the internal control systems in place for the audited processes are effective, except for the observations giving rise to 2 'very important' recommendations from the 2024 audit on the assessment of HR needs in the Commission at corporate level. The status of the IAS audit recommendations affecting assurance in 2024 is presented in the table below:

Reported	Audit Title	Accepted Recommendations (Very Important)	State of play in 2024	Impact on the assurance for 2024
2024	Assessment of HR needs in the Commission at corporate level	Support to the assessment of HR needs by the corporate services at local level. Due: Q3 2025.		<input checked="" type="checkbox"/>
		Quality checks of the Commission's HR needs by the corporate services. Due in 2026.		<input checked="" type="checkbox"/>
2024	Limited review of SUMMA in preparation for 'going live'	Integration of local IT systems: implemented, under the IAS review.		<input checked="" type="checkbox"/>
2024		IT security, implemented, under the IAS review.		<input checked="" type="checkbox"/>
2024		Monitoring of the readiness of the SUMMA solution, closed by the IAS.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

- Action plan implemented and closed by IAS or ECA / No impact on the assurance
-  Action plan implementation is ongoing or awaiting review from IAS or ECA
-  Preparation of the action plan
-  Impact on the assurance

The details on two open recommendations from the audit on HR needs are in annex 8.

### European Court of Auditors (ECA)

The table below presents the ECA audits related to DG BUDG's own financial management and internal control system. The full list of ECA audit recommendations, for which DG BUDG is on lead due to its corporate role (and which represent much broader scope than strictly DG BUDG' activities), and the details related to the table below, are included in annex 8.

Reported	Audit Title	Accepted Recommendations	State of play in 2024	Impact on assurance for 2024
2021	<a href="#">Annual Report on Compliance concerning the financial year 2021</a>	Ensure that Italy solves its long-outstanding weaknesses in TOR accounting.	✓	✓
2021		Management of VAT reservations: to set stricter deadlines for national authorities.	⌚	✓
2022	<a href="#">Annual reports: on the implementation of the EU budget for the 2022 financial year: on the activities funded by the 8th, 9th, 10th and 11th EDF for the 2022 financial year.</a>	Cases of non-application of the VAT Directive that could impact the EU budget.: assess if non-conformity is cross-cutting and cross-cutting reservations.	⌚	✓
2022		Assess the impact on the EU budget of high inflation and identify tools to mitigate the risks.	✓	✓
2022		Reassess the Member States' disagreements with the Commission's initial assessment of TOR write-off cases	✓	✓
2023	<a href="#">SPECIAL REPORT No 05 2023 - The EU's financial landscape - A patchwork construction requiring further simplification and accountability.</a>	Publish information on all instruments of the EU.	✓	✓
2023	<a href="#">SPECIAL REPORT No 16 2023 - NGEU debt management at the Commission - An encouraging start, but further alignment with best practice needed.</a>	Establishing a separate middle-office function and reinforce the role of the CRO (CRO charter and backups).	✓	✓
2024	<a href="#">SPECIAL REPORT No 03 2024 - The rule of law in the EU - An improved framework to protect the EU's financial interests, but risks remain.</a>	Assess the HR necessary to effectively apply the Conditionality Regulation across all Member States.	⌚	✓
2024		Finish developing the IT case-management system.	⌚	✓
2024		Review the guidelines and clarify the issues identified during this ECA audit.	⌚	✓
2024		Assess if the issues constitute breaches of the rule of law and their financial impact.	⌚	✓

✓ Action plan implemented and closed by IAS or ECA / No impact on the assurance

⌚ Action plan implementation is ongoing or awaiting review from IAS or ECA

📅 Preparation of the action plan

🚩 Impact on the assurance

The ECA in its Annual Report 2023 concluded that the 2023 EU annual accounts were reliable for the 17th consecutive year and were not affected by material misstatement. It also concluded that the revenue of the EU continued to be free from material error.

## 2.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on the highest international standards <sup>(11)</sup>. DG BUDG has adapted the Internal Control Framework to its specific characteristics and organisational structure. The internal control systems are suited to achieving its policy and internal control objectives in line with the internal control principles, having due regard to the risks associated with the environment in which it operates.

The functioning of the internal control principles is regularly monitored and assessed annually. In DG BUDG, the risks and control activities are discussed at the senior management meetings and at the Internal Control and Risk Management Network's meetings, chaired by the Director in charge of Risk Management and Internal Control.

The internal control assessment relies on the state of the indicators from various sources, in line with the corporate guidance. In 2024, the following evidence from the following sources was analysed:

- the state of the internal control monitoring criteria linked to the 2024 Management Plan,
- the assessment of formerly and newly identified deficiencies,
- the register of exceptions and non-compliance events,
- the audit recommendations of the IAS and the ECA and the state of implementation of the related action plans,
- the results of the risk assessments, carried out in DG BUDG,
- the information on incidents (risk events, breaches) and reputational events,
- the results of the corporate indicators reported in the annual activity report annex 4,
- the results from the 2023 Staff Survey of DG HR and of the 2024 Internal Control Survey of DG BUDG, organised in December 2024.

The assessment is based on the analysis of the strengths and weaknesses. In 2024, there was no major deficiency, formerly or newly detected, in the functioning of control systems.

The **2024 register of deviations from rules and procedures** (exceptions and non-compliance cases) included 5 cases, all related to DG BUDG's expenditure. First case concerned an external IT service provider who unexpectedly had to replace another service provider shortly after the end of year holidays, without a signed amendment of the contract. The second case concerned an exceptional extension of the validity of the interinstitutional framework contract for training on the financial IT systems for 1 year, needed because of the 1-year delayed go-live of SUMMA. In the third case, an agreement (legal commitment) with a bank for the provision of Central Security Depository services was not preceded by a respective budgetary commitment, which led to establishing it a posteriori. The fourth case concerned establishing the budgetary commitment a posteriori due to the late submission of

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<sup>(11)</sup> The Committee of Sponsoring Organizations of the Treadway Commission Internal Control Integrated Framework, the golden standard for internal control systems.

the invoice by the contractor, after expiration of a commitment created in 2022. The fifth case was related to the exceptional inclusion in the interinstitutional framework contract for training on the financial IT systems, before its signature, of three additional contracting authorities that were not included in the notice published in the Official Journal.

The main underlying cause of these cases was insufficient awareness of procedures in operational units or a human error in a situation of high time-pressure, and a lack of proactive consulting of the financial cell. These cases did not imply any financial or reputational loss. To avoid them in the future, DG BUDG will ensure that operational units will regularly meet with financial colleagues to discuss and review existing and upcoming procurement procedures. None of the 5 exceptions/non-compliance events which occurred 2024 are sufficiently material to raise doubts on the effectiveness of the DG's internal control framework.

DG BUDG has assessed its internal control system during the reporting year and has concluded that it is effective and the components and principles are present and functioning well overall, but some improvements are needed as minor deficiencies were identified related to principles 3 (structure and responsibilities), 4 (attract, develop, and retain competent individuals in alignment with objectives / learning and development), 5 (accountability, appraisal and promotion / career guidance), 6 (communication on objectives) and 11 (control over IT). For most of these areas, DG BUDG has already taken actions, such as the adoption of a comprehensive and forward-looking Learning & Development strategy in November 2024, the reorganisation of DG BUDG in December 2024 and a major IT change (go-live of SUMMA) in January 2025. The effects of these actions will be seen during the year 2025.

## **2.4. Conclusions on the assurance**

This section presents the conclusion on the assurance of the assessments made in sections 2.1, 2.2 and 2.3 and whether, consequently, the declaration of assurance needs to be qualified or not with reservations. The information provided in the earlier parts of this report covers the budget delegated to the AOD of DG BUDG as well as the Union's own resources.

The information reported is comprehensive, complete and reliable, as confirmed by the statement of the Director in charge of Risk Management and Internal Control, in annex 1.

In the area of Own Resources, the key indicators presented in section 2.1. Own Resources support the reasonable assurance drawn, that Member States comply with the relevant regulations for own resources.

In conclusion, based on the elements reported above, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director-General, in her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

## 2.5. Declaration of Assurance

I, the undersigned,

Director-General of DG Budget,

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view <sup>(12)</sup>.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 28 March 2025

(e-signed)

Stéphanie Riso

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<sup>(12)</sup> True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

## 3. MODERNISING THE ADMINISTRATION

### 3.1. Human resource management

#### *Main HR achievements*

The results of the European Commission's 2021 Staff Survey led to the adoption of the HR Strategy (2021-2024) and Action Plan to address areas identified for improvement. The strategy focuses on **5 key areas**: recruitment, learning and development, mobility, communication and collaboration, and fostering an equal and inclusive workplace and working environment.

To support its implementation, a permanent **DG BUDG HR Implementation Working Group** ("the group") was established in December 2023, bringing together representatives from both staff and middle management.

As part of its efforts, the group published **DG-specific recruitment guidelines** and a **welcome guide for all newcomers** joining DG BUDG. It also updated the existing internal **job-shadowing guidelines**. Additionally, the group prepared a **comprehensive Learning and Development Strategy** to help colleagues grow professionally through hands-on experience, collaborative learning, and structured training programmes.

In 2024, **DG BUDG launched a pilot internal mobility scheme for administrators**. Other actions included mapping **DG BUDG's access to databases**, newspaper **subscriptions**, and **IT licenses**, publishing this information on BUDGpedia to enhance transparency and usability.

Overall, DG BUDG made substantial progress in 2024, delivering on 80% of its commitments under the HR Strategy. By consolidating relevant HR information and materials into a single, easily **accessible internet page**, the group has significantly improved communication on HR matters within the DG and its overall functioning. Of the new **24 identified actions**, 19 are implemented, thanks to the dedication and collaboration of more than 40 colleagues across the DG. With only 5 actions remaining, the group remains steadfast in its **commitment to improving the workplace**. The status of the actions, together with the **evolving challenges and priorities**, was presented in the 2024 all staff BUDG meeting.

#### *Staff engagement*

DG BUDG boasts a highly engaged workforce, with a **staff engagement index of 76%**. This level of dedication reflects the staff's unwavering commitment to excellence, even in the face of significant challenges such as the Russian aggression against Ukraine, inflation, natural disasters in Europe and its neighbourhood, and the conflict in the Middle East.

To strengthen staff involvement and maintain high levels of engagement measured by Staff Survey organised periodically by DG HR, DG BUDG established the HR Working Implementation Group ("the group"), mentioned earlier in section 3.1. During its **monthly meetings throughout 2024**, the group discussed and **proposed concrete measures** to

the hierarchy, to improve the weakest areas identified by the survey and to ensure the implementation of pending actions from DG BUDG local HR Strategy and Action Plan.

Guided by a **bottom-up approach**, the group's mandate extended to exploring initiatives that enhance working conditions and streamline procedures. This approach was successful as **in 2024 almost all actions were implemented** and DG BUDG internal survey showed improved results compared to those of the previous corporate one.

### *Equal opportunities*

Having an **equal and inclusive environment** is very important for DG BUDG. By end of 2024, women represented 50% of senior management and 43.3% of middle management. In 2024, DG BUDG appointed 3 females as middle managers. Women were encouraged to take part in the corporate **Female Talent Development Programme (FTDP)** and in the BUDG Talent Management Programme, open to all staff members, irrespective of grade and gender. This unique programme tailored for DG BUDG's colleagues, offered the opportunity for all staff to explore their career path by receiving trainings and coaching.

The dedicated **BUDG Task force on Equality and Inclusion** was incorporated in the BUDG HR Working Group and proposed and organised several actions in 2024 such as an **information session on the Commission's new anti-harassment policy** presented by DG HR.F4, where around 300 DG BUDG colleagues participated. The Task force prepared articles, campaigns (Pride month) and communication material for the promotion of trainings regarding **LGBTQIA+, disabilities and prevention of harassment**. The group also proposed and worked on the update of the **DG BUDG Equality, Diversity and Inclusion Charter** and the **10 DO's for people management charter** (all in one poster).

### *Well-being*

Well-being of staff plays a very **important** role for DG BUDG. In 2024, with the support of DG HR (Be Well@work), DG BUDG organised several actions such as physical activities, well-being information sessions for staff, induction sessions for newcomers, "kids at work" event, art exhibitions, Christmas and summer **events that supported team cohesion and staff integration**.

The dedicated BUDG sub-group focusing on working environment had **regular meetings** and proposed specific initiatives to improve well-being. The group organised and created a common garden in the premises of DG BUDG in Brussels and proposed the organisation of a well-being week in 2025. It also organised events and internal communication on the topic.

### *Internal communication*

In 2024, the Directorate General continued to build on best practices of internal communication and developed some new projects. The **internal newsletter BUDG Times** retained a stable readership and remained one of the key tools to flash internal news for the 6th year in a row. A series of **info sessions** were organised for staff, keeping them up to date with policy developments and offering a "behind the scenes" of colleagues' work. Staff expressed continuous interest for these events, with around 350 colleagues registering and participating on average. A **DG BUDG Reflection Day** was organised in June, attended by

the whole of DG BUDG, and a first one of sorts – a high-level all-staff event with external speakers, helping colleagues rethink ways of working ahead of the new Multiannual Financial Framework proposal. A first ever “**Bring your kids to work**” event was organised, welcoming around 80 kids with their parents, supporting the wellbeing of staff, helping colleagues create bonds and connect, all while having a chance to present the work to their kids in an attractive and accessible way. More than 30 various actions were promoted via the flat screens. DG BUDG also successfully finished the migration of the local intranet to the new SharePoint online and was one of the first DGs in the Commission to do so. DG BUDG contributed to the corporate internal communication platform MyIntracomm (e.g. Commission en Direct) on a regular basis, which enhanced the visibility of DG BUDG’s work for the entire Commission. In parallel, support for corporate internal communication activities was ensured by regularly promoting several HR initiatives.

## 3.2. Digital transformation and information management

### *Implementation of the corporate Digital Strategy in DG BUDG*

DG BUDG made an important progress in the implementation of all five strategic objective of the corporate Digital Strategy.

BUDG **“Digital Culture”** has improved thanks to the introduction of new collaborative methods and to awareness raising actions as regards cybersecurity. BUDG intranet and collaboration have been transferred to the cloud using Microsoft 365 SharePoint Online. More effective methods of document management, such as the usage of metadata have been introduced. BUDG staff was trained and started to use corporate AI-based tools.

BUDG significantly contributed to introducing **“Digital-ready Policymaking”** across the Commission. The newly introduced Legislative Financial and Digital Statements will enable to evaluate digital impact of policy decision and draft legislation. Its introduction is particularly important for the preparation of the new Multiannual Financial Framework.

Important developments have been noted in **“Business-driven digital transformation”** with the go-live of the new financial and accounting system (SUMMA) in its centre. The introduction of PACIOLI, a Virtual Assistant (a chatbot solution to help SUMMA users based on the usage of AI) or an Access Permission Tool (an inventive usage of Power Apps) to control access to a collaboration site used by many BUDG units being just two examples.

Following the goals to modernise while maintaining a **“Seamless digital environment”** it is to be noted that all new BUDG projects initiated have been planned to use reusable corporate solutions, enabling thus a significant reduction of costs.

### *Data governance for DG BUDG key data assets in datawarehouse*

For the development of SUMMA, DG BUDG has conducted an important **data rationalisation** exercise. This exercise allowed reducing redundant data and storing key information into single fields and with a coherent naming convention. The challenge is now to maintain this rationalisation and avoid unexpected changes, which could jeopardize business processes and central reporting. To this end, DG BUDG will put in place a data governance structure and monitoring. It will, on one hand, give a clear definition of all master data, name data owners and stewards. On the other hand, it will show the access rights to modify master data and monitor the use. These two parts can guarantee that master data are well understood, and their changes agreed and well framed.

### *IT business continuity and security*

Business continuity (availability, reliability & security) of the BUDG corporate IT systems (ABAC, BadgeBud, EDES) and all BUDG local applications continued to be assured.

IT compliance management involves regular reviews of risks and controls. IT security plans ensure that IT systems or modules align with the Commission's security policies and the legal

framework. IT System Owners (Directors-General or delegated managers) are responsible for ensuring compliance. DG DIGIT evaluates whether each IT System reaches 100% compliance with security priority controls. Each DG should have at least 95% of IT security plans of systems or modules it “owns” up to date by the end of 2024.

DG BUDG is responsible for **25 IT systems**. **21** corporate systems are subject to the detailed review through the Governance Risk and Compliance (**GRC**) tool and attestations are available; for 2 out of the remaining 4 the review is being done (STEP and Arachne Corporate), while the remaining two systems or modules are exempted. GRC compliance score is **98.3%** for departmental controls and **86.8%** for IT priority controls at present.

Overall, **91% of the IT security plans** are up to date. For the IT systems including Sensitive Non-classified (SNC) information, this indicator is **100%**. 2 security plans need to be created (STEP and Arachne Corporate).

### *Knowledge management and collaborative tools in DG BUDG*

2024 saw intensive work to rebuild the BUDGpedia corporate site on a new platform based on SharePoint Online. The existing content was significantly reorganised, and a comprehensive maintenance programme was implemented, to simplify and improve the user experience. The new site was rolled out in March 2025. In parallel work continued to update Financial Regulation Annotations available via BUDGpedia, to reflect the changes introduced by the 2024 Financial Regulation recast. Knowledge sharing, efficient data management, dissemination and exchange of information are key pillars of a supportive, stimulating and challenging working environment at DG BUDG. Detailed information on corporate knowledge sharing via **BUDGpedia**, the financial helpdesk and training, and monthly financial flash reporting, which serves also DG BUDG members, can be found in part 1 under objective 7. DG BUDG actively used its intranet to share internally up to date information about its mission and organigram, document templates, unit procedures and minutes.

### *Document management and data protection*

**Document management** widely supports DG BUDG’s mission, as accounting, financial and legal activities must be accompanied by solid evidence. The 2024 Action Plan has been fully implemented in DG BUDG. It reinforced and harmonised document management practices in the DG. The objectives of the action plan were: i) a more simplified and user-friendly guidance ii) increased harmonisation of practices through training and communication actions and iii) an improved DG BUDG Filing Plan, including all the data protection requirements. As a result, a single access point for document management activities in BUDGpedia has been created, including two new guidelines on document management and creation and closure of official files.

Several related **training sessions** on Ares and Nomcom were provided to staff. In addition, the CAD team (Centre d’administration des Documents) has contributed to the proper **integration** of SUMMA in Ares/HERMES.

In 2024, DG BUDG continued to ensure thorough documentation and updates of processing operations concerning **personal data** in the respective records. DG BUDG also continued to work on the data protection corporate records related to clauses in framework and specific contract models.

In addition, DG BUDG ensured timely replies to data subject requests. DG-wide awareness activities continued through various channels, such as targeted articles in BUDG Times with information about corporate ITCB discussions or information during Senior Management meetings passed on to all staff. Training sessions initially planned for 2024 were rescheduled for the beginning of 2025. However, ongoing support and personalized guidance were readily available to BUDG staff upon request.

### *Safeguarding of information*

As shown in the replies to the internal control survey, in general the staff awareness of the rules governing the processing of sensitive non-classified information in DG BUDG, is relatively high. Nevertheless, in the context of the preparations of the next MFF that will span over several years, staff were reminded of their obligations with regards to the handling of sensitive information. Internal processes for the safe use of digital collaborative working environments were also reviewed and strengthened.

### 3.3. Sound environmental management

DG BUDG implements at local level the Commission's corporate environmental and EMAS actions.

In 2024, DG BUDG extended its local DG BUDG EMAS team from 4 to 8 members, who created a local **BUDG EMAS Action Plan**. Since most of its actions required involvement of all staff, it was addressed and sent to all DG BUDG management. At the end of 2024, 86% of the actions have been implemented, with the support of HR subgroup on working environment, Internal Communication and BUDG ART team.

Concerning the use of **environmentally friendly means of transport**, DG BUDG promoted the participation in the three internal initiatives (VELOMAI, Walking Challenge and Ekiden). As a result, DG BUDG participation significantly increased in all of them. In addition, a **Digital Mindfulness Awareness** Information session was organised to promote the efficient use of resources, which was followed by a publication of two articles in a local newsletter. DG BUDG took part in the corporate action of end of the year closure of the building in Brussels, which led to energy savings.

In addition, BUDG EMAS organised **three internal campaigns**, promoting sustainable meetings and events, the reduction of plastic use, and taking the stairs instead of the lift. DG BUDG took part in the corporate campaign on the collection of old electrical appliances. To support **biodiversity**, a collective vegetable and flower garden was created in the building in Brussels and a group of volunteers is supporting this action.

Furthermore, together with BUDG ART team, an **art exhibition** with an artist using recycled material was organised in the building in Brussels. BUDG EMAS team promoted regularly environmentally friendly topics and tips through the weekly BUDGTimes newsletter.

In 2024, an external auditor performed a **verification audit in M015 building**, with a positive audit report.

### 3.4. Examples of economy and efficiency

In its role of financial domain leader of the Commission, DG BUDG monitors the economy and efficiency of the EC's financial processes and seeks ways to improve.

Following the adoption of the Artificial Intelligence (AI) Local Action Plan in March 2022, DG BUDG will continue to focus on AI usage aiming at reducing human efforts while increasing the quality of its outputs. The main opportunities and challenges are linked to the SUMMA programme and the Arachne corporate project. As a member of the Corporate Management Board, the Information Technology and Cybersecurity Board, the Information Management Steering Board, and the Group of Resources Directors, BUDG will support corporate AI activities, through cooperation with DIGIT and other DGs, to implement AI technologies in other projects. In 2024, DG BUDG piloted an AI driven chatbot, 'PACIOLI', based on the future corporate AI platform to support the rollout of SUMMA.

"Corporate Arachne" is the working title for a data mining and risk scoring tool, whose legal basis was established by the 2024 Financial Regulation. By the end of 2027, the Commission shall submit an assessment of the readiness of the tool with a view to agreeing with the co-legislators on its compulsory use. The main criteria of this assessment – and thus key focus of ongoing work – are interoperability, artificial intelligence ("AI"), data protection and more efficient risk indicators. In 2024, DG BUDG finalised an assessment of Commission databases which could be potentially interconnected with the Corporate Arachne. Out of 21 databases, 8 were shortlisted, including SUMMA, the Financial Transparency System (FTS) and the Early Detection and Exclusion System (EDES). DG DIGIT, as the system provider, has started to make an assessment on the possibility and utility of using artificial intelligence.

