



Annual Activity Report 2023

DG BUDGET

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FOREWORD



Dear reader,

At the mid-term of the Multiannual Financial Framework, it became clear that unforeseen challenges, such as the war at our doorstep, high inflation as well as natural disasters, had pushed the EU budget to its limits. Therefore, to make sure the EU budget can continue to deliver on its most essential priorities, the Commission proposed reinforcing it in a targeted manner in June 2023. This led, for the first time in the history of the Multiannual Financial Framework, to an agreement on the revision of the EU long-term budget in February 2024, which allows the Union to deliver on common priorities, such as support for Ukraine, strengthening competitiveness and tackling migration and external challenges.

While negotiations on the mid-term revision of the EU's long-term budget progressed in 2023, we did our utmost to ensure the EU Budget continued to deliver – despite budgetary constraints. We supported the European Parliament and the Council in reaching an agreement on the annual EU budget for 2024 – which will notably help address the most urgent consequences of the crisis in the Middle East, as well as in Europe and its neighbourhood. We continued to respond to our Ukrainian friends' most urgent needs – disbursing EUR 18 billion of Macro-Financial Assistance+ in 2023.

At the same time, we tried to speed up the negotiations for new own resources. They will be essential for repaying the loans taken out under NextGenerationEU and for financing the Social Climate Fund from 2028. The Commission adjusted and completed its proposals on 20 June 2023, well ahead of the initially planned date of 2024, striving to start a new phase of negotiations with co-legislators.

In 2023, the European Union was also on track to become the largest green bonds issuer in the world. We issued close to EUR 12.5 billion in green bonds, reaching a total of EUR 48.9 billion of green bonds issued so far, out of 115.9 billion of bonds issued in 2023.

After two and a half years of negotiations, 2023 also marked a milestone in the protection of the EU budget – thanks to the agreement on recasting the Financial Regulation. At the same time, this will facilitate implementation on the ground.

As European voters get ready to go to the polls, 2024 is an important moment to take stock of the EU budget's achievements, to reflect together on what the post-2027 European budget should seek to achieve and how it can best deliver results. This is even more important as the next Commission is due to present a new multiannual financial framework before 1 July 2025. I therefore invite you to read about the work done so far, which will certainly serve as an inspiration for the future.

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, 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.

The Directorate-General also played a key role in the proposal and negotiations regarding the NextGenerationEU (NGEU) recovery instrument. At present, the DG borrows funds on the capital markets to finance the recovery via NGEU and to fund other programmes, most recently to secure macro-financial assistance to Ukraine following Russia's war of aggression.



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 is in charge of developing the Commission's new accounting tool SUMMA, which is gradually replacing the ABAC⁽¹⁾ system. In addition, the DG is in charge of the management of the Commission's borrowing and lending operations in capital markets.

Director-General Gert Jan Koopman left the DG BUDG on 16 January 2023. Stéphanie Riso, his successor, took office on 1 March 2023. The interim period was ensured by Rosa Aldea Busquets, who is the Deputy Director-General and the Accounting Officer of the Commission.

The Accounting Officer of the Commission 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 European Court of Auditors and have received a clean opinion for the last 16 years. The Accounting Officer is also responsible for the recovery of funds, including fines.

The Commission's Chief Risk Officer (CRO), Iliyana Tsanova, also Deputy Director-General, is responsible for the sound governance, effective risk management and oversight of EU borrowing, debt management and lending operations. The CRO developed the risk governance framework, notably the Commission's High-Level Risk and Compliance Policy, which is critical for providing adequate protection of the financial interests of the EU and for the sound financial management of the Union's financial operations. In executing its functions, the CRO is supported by a Risk and Compliance Committee ('RCC'). The CRO reports to the Commissioner, responsible for Budget, and annually to the College of Commissioners.

⁽¹⁾ ABAC (Accrual Based Accounting System) is the central accounting, budgetary and treasury system set up by the Commission to implement its budget and prepare its annual accounts.

DG BUDG has 559 staff members assigned across 6 directorates in Brussels and Luxembourg. The legislative financial statement accompanying the proposal for a Regulation establishing the Strategic Technologies for Europe Platform (STEP) mandated DG BUDG to temporarily host a One Stop Shop to implement the STEP, which led to the creation of “Task Force OSS STEP” on 16 July 2023 and of the position of a temporary Principal Adviser attached to the DG. A second temporary Principal Adviser position, related to rule of law, integrity and fraud prevention and other cross-cutting legal issues relating to Union spending programmes has also been created. In addition, on 1 December 2023, units 02 and 03 were merged as the result of a synergy and efficiencies review.

DG BUDG’s operational activities are organised around three 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. The remainder of this report gives a detailed account of our achievements in the past year.

EXECUTIVE SUMMARY

This annual activity report is a management report of the 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 ⁽²⁾.

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

The EU budget is the Union's strongest asset to deliver on our common policy agenda and investing in projects that no Member State can implement as efficiently and effectively on its own. In 2023 DG BUDG continued to mobilise the EU budget to address the continuous crisis situation Europe has been facing since a few years (global pandemic, war in Ukraine, energy crisis, inflation, natural disasters in Europe and its neighbourhood, conflict in the Middle East). However, addressing these multiple challenges has pushed the EU budget to the brink of exhaustion. In June 2023, the Commission proposed to reinforce the EU's 2021-2027 long-term budget in a targeted manner, to make sure the EU budget can continue to deliver on the most essential priorities. Measures proposed included:



- **Setting up a Ukraine Facility**, to address Ukraine's immediate needs and promote its recovery and modernisation on its path towards the EU;
- Additional funding to **address the internal and external dimensions of migration**, needs arising from the global consequences of Russia's war of aggression in Ukraine, and stronger partnerships with third countries;
- **A Strategic Technologies for Europe Platform (STEP)** to promote the EU's long-term competitiveness on critical technologies;
- A mechanism to accommodate the higher **NextGenerationEU (NGEU) funding costs** caused by the unprecedented surge in interest rates;
- A request for a reinforcement of **Heading 7** (European Public Administration) to address an increasing number of tasks and macroeconomic developments, where the anticipated shortfalls were estimated to amount to EUR 1.9 billion and 885 staff until 2027.

DG BUDG ensured the overall coordination of the negotiations for the mid-term revision of the EU budget and provided support to the Directorate General for Neighbourhood and Enlargement Negotiations (DG NEAR) regarding the preparation and negotiations concerning the proposal to establish the Ukraine Facility. Moreover, the Directorate General prepared and negotiated STEP legislative proposal.

⁽²⁾ Article 17(1) of the Treaty on European Union.

In addition, DG BUDG delivered the **second set of new own resources** proposals in June 2023, one year earlier than fixed in the Interinstitutional Agreement with the European Parliament and the Council. In the package, the proposals on the Carbon Border Adjustment Mechanism (CBAM) and the Emissions Trading System (ETS) were adjusted in line with the agreement on the sectoral legislation and complemented by a statistical own resource based on company profits.

As negotiations on the mid-term review progressed during 2023, DG BUDG continued to work on existing EU budget priorities. Some of the highlights include:

We supported the European Parliament and the Council in reaching an agreement on the **annual budget 2024**. The agreement will ensure funding for the EU's priorities, supporting the ongoing economic recovery while strengthening Europe's strategic autonomy, while also helping to address the most urgent consequences of the crisis in the Middle East in the countries concerned, in Europe and its neighbourhood. These are key achievements in view of the limited resources available in the Multiannual Financial Framework.

In 2023 we raised a total of **EUR 115.9 bn through the issuance of single-branded EU-Bonds**, as opposed to issuing bonds earmarked for funding specific policies. DG BUDG continued to disburse funds (over EUR 97 bn in 2023) to Member States under the Recovery and Resilience Facility (RRF) to support the recovery from the COVID-19 pandemic by making Member States' economies more resilient, green and digital. DG BUDG also disbursed a total of EUR 18 bn to Ukraine under the MFA+ programme, providing stable, regular and predictable financial assistance to cover a significant part of Ukraine's short-term funding needs for 2023 ⁽³⁾.



Out of these, **up to EUR 12.5 bn were issued as green bonds**. This means the EU is on track to becoming the world's largest green bonds issuer. In December we published the first **NGEU Green Bond Allocation and Impact report**, which confirms the EU's commitment to sustainable finance. It shows that fully implementing relevant measures can reduce greenhouse gas emissions by 44 m tonnes per year – the equivalent of 1.2% of the Union's total greenhouse gas emissions.

Building on the NGEU diversified funding strategy, DG BUDG integrated all borrowing operations into a **unified funding approach**, whereby the Commission will henceforth only issue "EU-Bonds" rather than bonds dedicated to individual programmes such as SURE and Macro-Financial Assistance (MFA).

We supported the European Parliament and the Council in reaching a political agreement on recasting **the Financial Regulation**. This will strengthen the protection of the EU budget, ensure transparency, and improve crisis management, while lowering the administrative burden on Member States.

Our agreement with the UK to join Horizon Europe and Copernicus allows universities in the Union to renew their successful co-operation with UK researchers. It also means an important financial boost for research, as the UK agreed to contribute over EUR 2.3 billion to Horizon Europe in 2024 alone and a further EUR 143 million to Copernicus.





We continued to protect the Union budget from risks caused by rule of law deficiencies in the Member States, in particular following up on the Council's decision to suspend certain payments to Hungary.

⁽³⁾ Detailed information is included in COM(2024)93: half-yearly report on the implementation of borrowing, debt management and related lending operations pursuant to Article 12 of Commission Implementing Decision C(2022)9700.

In 2023, DG BUDG's activities continued to be audited by the Internal Audit Service (IAS) and the European Court of Auditors (ECA). One important ECA audit concerned NextGenerationEU **debt management**. In its June 2023 report, the ECA concluded that **the Commission has quickly put in place a debt management system**, which has provided the funds required for NextGenerationEU in good time. The Commission also **met all key regulatory requirements concerning debt portfolio and risk management**. The European Court of Auditors issued five recommendations, all of which were accepted by the Commission. More details are provided in Annex 7.3.

This Annual Activity Report provides a comprehensive overview of the work done in 2023 and outlines the challenges ahead, which have been identified in the Management Plan 2024.

B. Key performance indicators

Indicator	Baseline	Target 2024	Milestones achieved in 2023												
New Own Resources package completed. Multiannual Financial Framework (MFF) 2021-2027: 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, 1st quarter of 2022. MFF 2021-2027 adopted in 2020.	New own resources have entered into force. Revised Making Available Regulation (MAR 1) fully implemented. Targeted amendments to the MFF to allow repayment of NextGenerationEU based on new own resources and support to Ukraine.	Following the agreement on the Fit for 55 package, the Commission proposed to adjust the own resources package presented in 2021 to reflect the agreement on sectoral legislation on the Carbon Border Adjustment Mechanism and the Emissions Trading System. The final package of proposals included a new statistical own resource on company profits and presented proposals amending the Own Resource Decision, the Making Available Regulation as well as the Implementing Regulation on Own Resources and a Staff Working Document assessing candidates for new revenue streams. A new Commission's proposal brought the final package of the roadmap of the Interinstitutional agreement forward by one year. In line with its commitment at the time of the adoption of the MFF 2021-2027, the Commission adopted a mid-term review of the MFF in June 2023, accompanied by its proposal for the revision.												
Adoption and implementation of annual budget within deadlines set in the Treaty ⁽⁴⁾ .	Budget 2020 adopted on 27 November 2019	Adoption of annual budget in December at the latest 100% implementation	 Budget 2024 adopted on time (22/11/2023)  Almost full implementation (99,2% for commitment and 99,9% for payment appropriations, taking into account carry-overs) of the voted budget, including all transfers and 4 amending budgets.												
Develop a performance culture in the Commission.	Performance information presented in Annual Management and Performance Report (AMPR) 2020, programme statements and Programmes' Performance Overview accompanying the draft budget 2020.	Integrated presentation of performance information in the annual draft budget and performance reporting cycle. Implementation of residual error methodology. Reinforced performance framework for evaluation, reporting, budgeting and programming.	Integrated Financial and Accountability Report: published, including a short and political AMPR with a new structure of annexes. Single report on EU budget performance 'Programme Performance Statements' published in the form of a website only accompanying both the AMPR and the draft budget. Training provided to DGs to ensure proper focus on performance.												
Confirmation by European Court of Auditors (ECA) of the reliability of the annual accounts and discharge resolution by European Parliament with no postponement or reservations. Confirmation by ECA of effectiveness of the Commission's own resources control systems.			<table border="1"> <thead> <tr> <th>Result per discharge year</th> <th>2016-2021</th> <th>2022(last known result)</th> </tr> </thead> <tbody> <tr> <td>ECA's clean opinion on the accounts</td> <td>✓ each year</td> <td>✓</td> </tr> <tr> <td>ECA's clean opinion on own resources</td> <td>✓ each year</td> <td>✓</td> </tr> <tr> <td>Discharge granted</td> <td>✓ each year</td> <td>✓</td> </tr> </tbody> </table>	Result per discharge year	2016-2021	2022(last known result)	ECA's clean opinion on the accounts	✓ each year	✓	ECA's clean opinion on own resources	✓ each year	✓	Discharge granted	✓ each year	✓
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Discharge granted	✓ each year	✓													
Degree of implementation of the new corporate financial platform (SUMMA).	Phase I and II successfully finished. Gaps and specific needs being identified. 2022: Pilot agencies rollout, 2024: Commission rollout ⁽⁵⁾ .	Successful implementation of SUMMA for all Commission services.	 <table border="1"> <tbody> <tr> <td>Jan. 2023: SUMMA is used by 4 pilot agencies. Integration with eGrants.</td> <td>Jul. 2023: Decision to postpone the go-live for the EC to Jan. 2025.</td> <td>Nov. 2023-Jan. 2024: Roll-out of an enriched version to 4 pilot agencies, and of 2 SUMMA modules for the Commission: Budget Planning and Financial Asset and Debt Management, including NGEU.</td> </tr> </tbody> </table>	Jan. 2023: SUMMA is used by 4 pilot agencies. Integration with eGrants.	Jul. 2023: Decision to postpone the go-live for the EC to Jan. 2025 .	Nov. 2023-Jan. 2024: Roll-out of an enriched version to 4 pilot agencies, and of 2 SUMMA modules for the Commission: Budget Planning and Financial Asset and Debt Management, including NGEU.									
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DG BUDG Antifraud Strategy		All actions planned for 2021-2024 implemented	% of anti-fraud actions planned for 2021-2024, implemented by end of 2023 												

⁽⁴⁾ 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.

⁽⁵⁾ Following an overall readiness assessment that highlighted the need for more time to complete the integration of several corporate and local systems with SUMMA, in July 2023 the SUMMA Supervisory Board decided to postpone the go-live date for the Commission to January 2025.

C. Key conclusions on internal control and financial management

In line with the Commission's Internal Control Framework, DG BUDG assessed its internal control systems during the reporting year and concluded that it is effective and the components and principles are present and functioning well overall. Yet some improvements are needed, as minor deficiencies were identified, related to Internal Control Principles 4 (competences and mobility), 5 (career and underperformance), 9 (communicating on changes), 11 (IT security); 13 (data protection), and 15 (external communication). Please refer to Section 2.3 and Annex 8 for further details.

During 2023, DG BUDG made significant progress in implementing the very important 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. The Director-General, in her capacity as Authorising Officer by Delegation, has signed the Declaration of Assurance.

D. Provision of information to the Commissioner

In the context of the regular meetings during the year between the Director-General and the responsible Commissioner on management matters, the main elements of this report and the assurance declaration have been brought to the attention of Commissioner Johannes Hahn, responsible for Budget and Administration.

1. KEY RESULTS AND PROGRESS TOWARDS ACHIEVING THE COMMISSION'S GENERAL OBJECTIVES AND SPECIFIC OBJECTIVES OF THE DIRECTORATE-GENERAL FOR BUDGET

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 the Union's priorities and provides added value through the financing of EU public goods

Continue to secure funds for the Union's priorities

The Directorate's-General for Budget (DG BUDG) mission is, among others, to make sure the **EU budget** delivers on the Union's [political priorities](#). In 2023, thanks to monitoring and budget adjustments (transfers, amending budgets and carryovers), the **2023 budget** was almost fully executed. In 2023, the EU budget helped to boost the Member States' recovery from the pandemic by making their economies more resilient, green and digital. Moreover, EU funding continued to address the needs stemming from Russia's war of aggression against Ukraine. The EU budget was also swiftly mobilised to address the humanitarian consequences of the conflicts in Gaza and elsewhere. The **2024 budget** was adopted in November in line with the deadlines.

DG BUDG also made efforts to ensure funding on a more long-term basis. In June 2023, DG BUDG made a timely technical adjustment to the **Multiannual Financial Framework 2021-2027 (MFF)** and published the report on the long-term forecast on revenue and expenditure. Also in June 2023, the Commission adopted the **proposal on the mid-term revision of the MFF**, which included: (i) setting-up a Ukraine Facility of EUR 50 bn for 2024-2027 to address Ukraine's immediate needs, and promote its recovery and modernisation on its path towards the EU; (ii) an amount of EUR 15 bn to help the EU address the migration crisis as well as the needs arising from the global consequences of Russia's war of aggression in Ukraine, and to help forge stronger partnerships with key third countries; (iii) the Strategic Technologies for Europe Platform (STEP) to promote the EU's long-term competitiveness on critical technologies; (iv) a mechanism to accommodate the increase in NextGenerationEU funding costs due to the unprecedented surge in interest rates and (v) a request for reinforcement of Heading 7 (European Public Administration) to address an increasing number of tasks and macroeconomic developments – the gap was estimated at EUR 1,9 bn and 885 staff until 2027.

In parallel, DG BUDG worked on new sources of funding, which will help to repay funds raised by the EU to finance the non-repayable expenditures of NextGenerationEU. The amended ⁽⁶⁾ proposal for a **new Own Resources Decision** ⁽⁷⁾ was adopted on 20 June 2023, based on (i) the EU Emissions Trading System for greenhouse gas emission allowances and on (ii) the Carbon Border Adjustment Mechanism (CBAM). In

⁽⁶⁾ This amended proposal was built on the adjusted December 2021 proposals.

⁽⁷⁾ The package also included the amended proposals for a Council Regulation on the methods and procedure for making available these own resources and for a Council Regulation amending Regulation No 2021/768 as regards the related implementing measures for new EU own resources. For all these proposals, DG BUDG contributed to in-depth analysis, providing technical fiches to the Council and the European Parliament, and engaging in bilateral exchanges with Member States. The DG also assessed different candidates for new own resources in a Staff Working Document, giving priority to candidates that can be implemented immediately.

addition, the new own resource, based on a share of the residual profits of in-scope companies that are reallocated to EU Member States under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting agreement, was kept unchanged. It was complemented by a statistical own resource based on company profits.

To further ensure funding for the Union's priorities, DG BUDG also worked on enhancing the efficiency and effectiveness of the **borrowing operations** that underpin the financing of different policy programmes, including **NextGenerationEU**, support for Ukraine through the **Macro Financial Assistance+ (MFA+)** programme, and ongoing support to neighbouring countries through **existing MFA** programmes.

The launch of a **unified funding approach** in January 2023 enabled DG BUDG to extend the benefits of the more flexible and cost-efficient debt management strategy used for the financing of NextGenerationEU to the MFA+ programme for Ukraine and other potential future borrowing and lending programmes.

DG BUDG completed its **funding programme for 2023** by the end of November, raising a total of EUR 115.9 bn over the course of the year through the issuance of single-branded EU-Bonds, as opposed to running separate designated issuances for each policy. 2023 issuance brought the total outstanding amount of EU-Bonds to just over EUR 443 bn by year-end, with EUR 48.9 bn issued in the form of NextGenerationEU green bonds. The funds raised were disbursed to beneficiary countries, with disbursements to Member States under the Recovery and Resilience Facility (RRF) taking 6 working days on average. The Directorate-General also disbursed a total of EUR 18bn to Ukraine under the MFA+ programme, providing stable, regular and predictable financial assistance to cover a significant part of Ukraine's short-term funding needs for 2023.

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 2024, projected a EUR 578 bn contribution to climate initiatives, representing 32.6% of the total budget envelope.

In 2021 the Commission published a state-of-the-art **green bond framework** under which the first green bond was issued. The following year, DG BUDG published the first NGEU allocation report, showing how the proceeds from NGEU green bonds have been used. In 2023, the Commission published the first 'NGEU Green Bond Allocation and Impact Report', disclosing the first assessment of the climate impact of the measures financed by the NGEU Green Bonds. This analysis showed that measures financed by these bonds can reduce greenhouse gas emissions by 44 m tonnes per year, equivalent to 1.2% of the EU's aggregate greenhouse gas emissions.

The EU budget is also a central tool to deliver on the **digital transition**. In 2023, DG BUDG conducted a first stocktaking exercise, which was published in the 2023 Annual Management and Performance Report ⁽⁸⁾. It showed that the EU budget, including NGEU, contributes significantly to all key dimensions of the digital transition. Specifically, EUR 131.9 bn of the budget (including NGEU) were dedicated to the digital transition in 2021 and 2022, representing almost 17.4% of the total EU budget for those years.

⁽⁸⁾ [Annual Management and Performance Report - Digital tracking.](#)

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 in 2023 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 2024 and the 2022 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 current Multiannual Financial Framework (MFF) was adjusted in June 2023. The Commission communicated on the results of the **annual technical adjustment of the 2021-2027 MFF**, which included the mechanism to top-up priority programmes based on the revenue from competition fines to the EU from the preceding year. For the first time the technical adjustment included the calculation of the Single Margin Instrument.

At the end of June 2023, 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 247 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 **2024 budget** was adopted on 22 November 2023. It provides funding for the Union's political priorities, which include: driving Europe's ongoing economic recovery and create jobs, fostering the green and digital transformations for a secure and more resilient Europe, and addressing the most urgent consequences of the crisis in the Middle East, both in Europe and its neighbourhood.

Manage the budgetary and legal aspects of the new relations with the 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 2023 UK contribution to the EU budget. All UK payments were received on time.

A major step in 2023 was the completion of the United Kingdom's association to certain Union programmes on the basis of the Trade and Cooperation Agreement (TCA), strengthening opportunities for cooperation for example in science, research and innovation. The Directorate-General, 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

Policy, legal and financial advice in the establishment of new EU policy initiatives

In 2023, DG BUDG continued to provide extensive policy, legal and financial advice on new EU policy initiatives, promoting simple, efficient and result-oriented solutions, and incentivising cooperation in tackling common challenges at EU level. The Directorate General also kept analysing and advising on the budgetary impact on any new Commission proposals, both in terms of funding and human resources.

DG BUDG has ensured consistency between **Programme Association Agreements** under the 2021-2027 Multiannual Financial Framework and **supported negotiations of international agreements** for association of third countries to Union programmes, with over 20 new association agreements signed in 2023. DG BUDG facilitated the participation of **Ukraine and Moldova** in Union programmes and extensively contributed to the negotiations of the association agreement allowing Canada to participate in the Horizon Europe programme.

Finally, the Directorate-General for Budget supported the policy Directorates-Generals in the negotiations of **Financial Framework Partnership Agreements** (FFPA) (e.g. with the African Development Bank) and ensured their implementation with the World Bank Group (WBG). More information on the development of finance-relevant knowledge is included under objective 7.

Financial modelling and data visualisation

In June 2023, DG BUDG analysed and proposed **a set of options for new own resources**. The eight candidates were: corporate taxation (BEFIT), including the financial sector; a statistical own resource based on company profits; a tax on the financial sector with an assessment of a financial transaction tax (FTT); an EU 'fair border mechanism'; a tax on cryptocurrencies; a statistical own resource based on the gender pay gap; a statistical own resource based on food waste; and a statistical own resource based on electronic waste. The evaluation criteria were i) revenue potential, ii) simplicity and iii) a fast mobilisation of resources. The selected candidate, a statistical own resource based on company profits, was proposed alongside adjustments to the Emissions Trading System and Carbon Border Adjustment Mechanism own resources.

Data visualisation supports decision making. In 2023, DG BUDG drafted the **recovery orders** indicators, which will be formalised in 2024. Also, due to the revision of the Multiannual Financial Framework in 2023, the development of the enhanced modelling capabilities to assess the socio-economic impact of the EU budget has been postponed to 2024.

Measure the performance of the EU budget and improve its impact

In relation to **climate mainstreaming**, DG BUDG has further developed its data collection from the financial system, ensuring that the data displayed in the Draft Budget for the past are accurately showing what is spent. Furthermore, the Commission has published its biodiversity methodology, including its approach to the new Common Agricultural Policy (CAP), in 2023. Both will form the basis for the reporting in the Draft Budget 2024.

The Commission's **methodology regarding tracking EU budget expenditure supporting gender equality** was implemented for the first time in June 2022 in the context of the Draft Budget 2023 ⁽⁹⁾, as a pilot across all programmes. The results reported in the context of the Draft Budget 2024 show the continuous efforts to integrate gender mainstreaming into the EU budget.

As regards the **digital transition**, in 2023, for the first time DG BUDG conducted its first ever stocktaking exercise, covering all EU spending in 2021 and 2022, to get a better understanding of each spending programme's contribution to this priority ⁽¹⁰⁾. The findings of this exercise showed that the EU budget, including NextGenerationEU, contributes significantly to the digital transition, in all key dimensions.

⁽⁹⁾ [Gender equality mainstreaming](#)

⁽¹⁰⁾ [Digital tracking](#)

In 2023, as in previous years, DG BUDG published programme-specific performance information in the context of the Draft Budget and the Annual Management and Performance Report (AMPR). In 2023, for the first time this information was presented in a **single performance report: Programme Performance Statements** ¹¹([PDF](#)), consolidating the previous Programme Statements and the Programme Performance Overview, attached respectively to the Draft Budget and the Annual Management and Performance Report.

To strengthen the reliability of the performance information, the DG implemented a new system (**SAP BPC**), with embedded quality control rules, to manage and report on the **core performance indicators of the EU budget programmes**. In addition, the Directorate-General for Budget, in collaboration with the Secretariat General, strengthened the corporate guidance on reporting on the reliability of performance information included in the Annual Activity Reports.

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 budgetary headroom.

Optimal use of resources within the available framework

To reach its policy objectives, the EU budget has over the years made increasing use of **financial instruments and budgetary guarantees**. Thanks to these tools, the EU budget is able to crowd in private money, ensuring that end investments serving a European policy interest are a multiple of the initial contribution of the EU budget (the multiplier effect).

Budgetary guarantees given are partially provisioned, and DG BUDG monitors closely whether the **provisioning of budgetary** guarantees remains adequate. The results of the monitoring process were presented in the Article 41(5) report (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).

DG BUDG ensured the prudent management of the **headroom** throughout 2023, so that it was always sufficient to cover all contingent liabilities with regards to the Own Resources Decision in force and due in the same year. The Article 250 report includes the summary of the headroom calculations. In addition, DG BUDG maintained its regular six-monthly planning of borrowing operations in light of 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 European Union, which currently have established contingent liabilities amounting to EUR 312 bn. This Fund is the Commission's largest directly managed portfolio, with a market value of EUR 18.75 bn at the end of 2023,

⁽¹¹⁾ [Programme Performance Statements](#)

which is estimated to grow to EUR 25 bn by the end of the current Multiannual Financial Framework (MFF) in 2027.

As per its asset management guidelines, the Fund maintains a liquid diversified portfolio. In 2023, DG BUDG took further steps towards **strengthening the resilience of the portfolio**, in view of the challenges encountered by fixed income portfolios during the period of negative interest rates, inflation and monetary policy tightening, and amidst a pandemic and a war.

Notably, the **strategic asset allocation** of the Fund is diversified through a carefully calibrated investment in equity exposure that reduced this dependency on bond markets. Based on a thorough analysis of how equity contributes to improved risk-return combinations, a benchmark allocation of around 7.5% to equity was identified as optimal. This modest allocation aims at enhancing long-term risk-adjusted returns, while ensuring that the portfolio always is in a position to serve its main purpose, namely, to underpin the guarantees provided by the EU budget. Since the start of 2023, the equity allocation is being built progressively via investments in rigorously selected Exchange Traded Funds (ETFs), tracking broad pan-European equity indices. By the end of 2023 it had reached a weight of about 6%.

Thanks to its prudent strategic and tactical positioning, the Common Provisioning Fund weathered the market volatility in early 2023 and was well placed to profit from the market rebound, registering a **historically high positive return of +5.21%**, keeping its cumulative performance since inception in line with its strategic benchmark. This has helped to replenish the provisioning of guarantees.

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

Borrowing and Lending

DG BUDG continued to develop a state-of-the-art borrowing and **debt management capacity**. In addition to the timely execution of planned borrowing lending operations- despite ongoing market volatilities- further progress was made in strengthening the architecture underpinning EU issuances.

Following the launch of the **unified funding approach** in January 2023, DG BUDG launched a quoting arrangement system in November 2023, enabling reliable quotes of EU-Bond prices on leading electronic bond trading platforms. Working in close partnership with the ECB and the National Bank of Belgium, preparations for the launch of a Eurosystem-based post-trade settlement infrastructure for all new EU debt securities – known as the EU Issuance Service (EIS) – were also finalised. The launch of EIS aligns the settlement infrastructure for EU debt securities with those of large EU sovereigns, creating a level playing field for all central securities depositories and investors that trade EU-issued bonds.

Liquidity management also enabled **smooth financial flows** between borrowing and the disbursement of loans and non-repayable support to the beneficiary countries. At the same time higher liquidity holdings due to slower cash outflows than initially planned did not translate into any costs for the programmes supported, while the Directorate-General also authorised a more active liquidity management approach from 2024 onwards, to optimise returns on cash holdings.

Asset Management

In August 2023 DG BUDG adopted the **Asset Management Delegated Service (AMDS) Manual**, enhancing cooperation and oversight between the European Investment Bank Group, AMDS and line DGs. The Manual was presented to the Asset Management Board and to the DGs owning the funds shortly after. In 2023 assets under management by the European Investment Bank grew to EUR 18.9 bn (an increase by EUR 2.6 bn), mainly due to growth generated by the Modernisation and Innovation Funds. The annual weighted return on mandates managed by the European Investment Bank stood at 5.26%, in contrast with negative returns in 2022. The Asset Management Delegated Service also approved several minor benchmark amendments, in line with improved market practices, most significantly amendments to the Modernisation Fund's benchmark shift towards EU Taxonomy.

Management of budgetary guarantees

The Commission manages the risks related to budgetary guarantees and financial assistance to third countries by setting aside provisions in the Common Provisioning Fund. Every year - in the so-called Article 41(5) FR report (a staff working document attached to the draft budget) - the Commission checks whether these provisions are still adequate to protect the EU budget against losses (taking into account the EU's risk appetite).

STRATEGIC COMMUNICATION

In line with its **communication strategy**, the communication team supported all key 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.). This included the preparation of **press material** related to the EU budget.

2023 was particularly intense as regards the **external web presence**, with the publication of the [mid-term review of the multiannual financial framework](#) – which led to a revamp of the [EU budget website](#), with a new [section dedicated to the proposal for a Strategic Technologies for Europe Platform \(STEP\)](#) and the related Sovereignty Portal (to be launched in 2024) – as well as the [amended proposal for own resources](#).

DG BUDG also contributed to communication products of the European Commission, such as the [State of the European Union 2023](#). In 2023, a new web section entitled “[The EU budget in motion](#)” went live, which focuses on the evolutionary nature of the EU budget (past, present and future). Using concrete examples, it describes how the [EU budget delivers](#) benefits to European citizens, businesses, regions and beyond.

Moreover, DG BUDG continued to invest in **social media outreach**. It organised and took part in several major **events**, for example the 5th edition of the Capital Markets Seminar in Luxembourg in June 2023, under the title “Europe United: Stability, Growth, Integration”. This event was co-hosted by EIB and ESM. DG BUDG also supported the preparation of Commissioner Hahn's outreach missions in the context of the mid-term review of the Multiannual Financial Framework.

DG BUDG continued to **engage actively with financial market participants**, i.a. 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.

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 in order to minimise errors, prevent fraud, enhance transparency, and pave the way to the discharge.

In the context of the protection of the EU budget, the **Accounting Officer** ensures the management of the Commission's accounts. At corporate level, the DG BUDG coordinates the Commission departments' recoveries of EU funds that were unduly spent (e.g. grant claims affected by ineligible costs, irregularities, etc) - including by offsetting, dunning and/or enforcing. If a Member State fails to pay a penalty imposed by the Court of Justice, the Accounting Officer has the obligation to offset them against payments due to the same Member State. This occurred with Poland, which was sanctioned in two Court cases and where all the penalties imposed were offset against payments due to Poland under several EU programmes (see also under Objective 7.1.4).

The **Chief Risk Officer**, supported by the Risk and Compliance Committee, ensured compliance with applicable rules and the identification, monitoring and mitigation of risks concerning NextGenerationEU borrowing, debt management and lending operations. In 2023, the team of the Chief Risk Officer was supplemented by a dedicated Operational Risk Officer.

In 2023, via its **Central Financial Service**, DG BUDG continued to provide support to Commission services, promoting adequate oversight of the Commission's multiannual control systems, so that they ensure that EU funds are spent according to the rules, avoiding double funding and preventing errors and, in the case of errors, to detect and correct them, during the 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 2021 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 2021 discharge procedure covered the Recovery and Resilience Facility (RRF) for the first time. DG BUDG closely cooperated with the respective Commission services and the discharge authority, in particular key Members of the European Parliament, to ensure that their key concerns related to the management of both the Multiannual Financial Framework and the Recovery and Resilience Facility were adequately addressed.

DG BUDG also managed the Commission's **relations with the European Court of Auditors** (ECA). In 2023, it implemented a new approach to respond to the Court's special reports. While the Court's 2022 annual report, published in October 2023, was more critical than in previous years with an increased level of error rate reported for the legality and regularity of EU expenditure (mainly in cohesion policy - the DG engaged with the discharge authority to avoid potentially negative consequences for the discharge procedure for the financial year 2022).

5.2 Strengthen the protection of the EU budget from financial risks including through the Early Detection and Exclusion System (EDES), 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

In 2023, **financial risk management** remained under scrutiny in view of recent challenges. The risks related to the war in Ukraine, the Middle East, migration and inflation required close attention, while the risks related to the energy crisis were lifted. These risks are closely monitored by the DG BUDG and the Secretariat-General.

The tools supporting the protection of the EU's financial interests against fraud and organised crime were expanded further. One such tool is the **Early Detection and Exclusion System (EDES)**, which allows early detection of fraudulent or unreliable economic operators, their possible temporary exclusion from obtaining EU funds and the imposition of financial penalties. The DG promoted the use of this system and took actions to enhance its effectiveness and efficiency. The agreement on the Financial Regulation recast, reached at the end of 2023, included the extension of this system to programmes adopted or financed as of 1 January 2028 and under shared management, i.e. programmes where Member States receive and spend funds under direct management. It also introduced the possibility to exclude affiliated entities and/or beneficiaries of an excluded primary entity from bidding for public contracts and ultimately from obtaining EU funds. In addition, it introduced new grounds for exclusion and an expedited procedure before the Early Detection and Exclusion System Panel.

Furthermore, DG BUDG revised its guidance on the set-up and implementation of cost-effective audit and control strategies, to maintain and/or increase their effectiveness. It also closely collaborated with the European Anti-Fraud Office (OLAF), including a follow-up on the latter's **administrative and financial recommendations**.

The Directorate-General leads the enforcement of Regulation 2020/2092 on the **general regime of conditionality to protect the Union budget** (the "Conditionality Regulation"). In 2023, it continued to screen the situation in all Member States and checked whether Hungary addressed the issues that led the Council to adopt measures in December 2022.

In December 2023, following work led by DG BUDG, the Commission reassessed the situation in Hungary, concluding that measures should not be adapted or lifted. In addition, the DG continued to contribute to the work led by the Directorate-General for Justice and Consumers 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 **conflicts of interest**, which was, among others, acknowledged in the Court of Auditor's 2023 Special Report 6 on conflict of interest in EU cohesion and agricultural spending. The Directorate-General provided support to shared management Directorates-General on how to assess concrete situations or risks of conflict of interests, via webinars and participation in conferences organised by and for national authorities. It also cooperated closely with the European Parliament on assessing how to best apply and improve conflict of interest rules. As domain leader, DG BUDG participated in an ad hoc hearing organised by the Committee on Budgetary Control.

The Directorate-General successfully negotiated a clarification of Article 61 of the Financial Regulation, that "applicable law" regarding measures addressing conflicts of interest includes national law. In the area

of grant management, we supported operational Directorates-General in the implementation of the obligation of grant beneficiaries to respect EU values, through case-by-case analysis and legal advice, developing guidance on EU values in the Commission's Annotated Grant Agreement and adding EU-values-related workshops to the grant implementation trainings. The DG also updated Specific Guidance on Risk Management in the Commission for procurement and contracts with conflict of interests-related information.

1) Providing information on beneficiaries and recipients of EU funds

The **Financial Transparency System** (FTS) continues to be the one-stop shop for information on beneficiaries of EU funds. This database is now the single source for replying to numerous MEP questions on beneficiaries. More than 200 inquiries are received per day, which makes it one of the most searched websites on the Directorate-General's Europa website. The 2023 Financial Regulation recast extends the Financial Transparency System to all management modes. In addition, an automated flow of data to the System from the data mining and risk-scoring tool will be established. This flow of data aims to reduce the administrative burden, as Member States and entities implementing the budget would need to report the required data only once, for the data mining and risk-scoring system.

The agreement of 7 December 2023 on **the Financial Regulation recast** makes the provision by Member States of data on recipients of Union funding mandatory as of 2028.

In parallel, the Directorate-General for Budget cooperated with other Directorates-General on the establishment of the **corporate data mining and risk-scoring tool** that would meet the above requirements and the user needs both of the Member States, entities implementing the EU budget, and Commission services.

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** fully and on time, thus breaching the rules on own resources, the Commission can launch an infringement procedure by sending a letter of formal notice, followed by a reasoned opinion in case there is still no agreement with the Member State. The last step can be the referral to the Court of Justice. In 2023, the Directorate-General closed 3 cases because principal and interest had been paid. Internal consultations were ongoing regarding 3 reasoned opinions and one letter of formal notice. In another 4 cases, the General-Directorate DG BUDG was in discussions with the Member State.

As regards controls, 19 inspections were carried out under the **2023 Traditional Own Resources (TOR) inspection programme**. The inspection in the United Kingdom concentrated on following-up on the previous inspection reports. The desk audits initiated in 2021 and 2022 continued in 2023. All TOR write-off reports were assessed within the regulatory time limits and in cooperation with the Directorate-General on Taxation and Customs Union, the European Anti-Fraud Office, and the Legal Service.

The **2023 inspection plan on the control of the VAT-based Own Resource** included 13 Member States to be inspected. All 13 inspections were carried out as planned.

The Directorate-General 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. The first statements for the non-recycled plastic own resource were submitted by the Member States in 2023 and the first 3 inspections took place in the fourth quarter of

2023 under the lead of Eurostat. In addition, throughout 2023 DG BUDG actively participated in the interservice work on the impact assessment for the comprehensive revision of customs legislation.

Throughout 2023, actions were taken on general revenues to enhance the corporate strategy for the management of the Commission's debtors, which was adopted on 6 February 2024.

STRATEGIC COMMUNICATION

The Directorate-General employed strategic communication to support its work on sound financial management, the protection of the Union's financial interests, as well as EU budget performance.

A more **proactive approach to communication around ECA reports** was applied during the year, which proved useful in conveying the Commission's point of view on the Court of Auditor's findings.

Moreover, DG BUDG was active in the press to demonstrate the Commission's commitment to the protection of the EU budget. As regards the **application of the general regime of conditionality**, it ensured that documents and legal acts were published on the Commission website, going even beyond the transparency requirements set for the Commission.

The main publication corresponding to General Objective 5 was the **Integrated Financial Accountability Reporting (IFAR)** – which consists of five reports on the implementation, performance, results, management and protection of the EU budget and was accompanied by a dedicated [brochure](#) to highlight the main features of the package.

As regards the **performance of the EU budget**, in June 2023 the "Programme Performance Overview" (PPO) webpages were updated and merged with the former PDF publication "Programme Statements" (PS) to become the Programme Performance Statements (PPS). This yearly publication is now an annex of the Annual Management and Performance Report (AMPR) and contains an overview of the implementation and performance of the 49 EU spending programmes for the 2021-2027 period.

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**, in 2023 DG BUDG continued to foster a culture of knowledge-sharing on financial and budgetary matters and risk management and internal control, to communicate and share guidance through the corporate knowledge management platform for budget and finance, [BUDGpedia](#), **quarterly Internal Control Correspondents' network**, and via the **monthly RUF network** ("Réseau des unités financières").

A major milestone was the first ever full [annotation of the Financial Regulation](#), prepared by DG BUDG experts for the finance community in the EU Institutions. In parallel, the **Helpdesk of the Central Financial Service** continued to reply to complex questions on the related matters. As regards professionalisation of the domain, DG BUDG organised **corporate training and workshops**, and improved its corporate learning offer, blending classroom training with eLearning tools and new learning material, using video capsules (e.g. on simplified cost options), aligned to emerging learning needs. DG BUDG has also recommended learning paths per given financial profiles and per topic.

In December 2023, DG BUDG contributed to the achievement of a political agreement on **the recast of the Financial Regulation** providing e.g. legal instruments for future crisis management like purchasing on behalf of Member States, supporting EU strategic autonomy through rules on implementing security restrictions and dealing with foreign subsidies; and a stronger international role through Union's participation in global initiatives.

DG BUDG provided continued support to services on the application and interpretation of the Financial Regulation and developed its **guidance related to procurement and grants**. More specifically, it advised on how to address the significant increase in costs experienced by beneficiaries of grants due to inflationary pressure. It continued to support the simplification of the implementation of the EU budget, by enabling the adoption of 18 additional decisions authorising the use of simplified forms of funding.

DG BUDG also continued to be involved in the development of corporate IT systems, **eGrants and eProcurement**. In 2023, the works were focused on progressing the minimum viable product for

eProcurement to be able to provide an end-to-end solution for additional contract types and migrate legacy contract management systems.

In collaboration with DIGIT, we completed **development of the Pillar Assessment Automated Workflow ('PAAW')**, including up-to-date information on entities that are pillar assessed to partner with the Union, or which are exempt from the pillar assessment requirement, in view of implementing EU funds under indirect management. Completion of its final phase in December 2023 enabled full automation of assessments of trusted partnerships in key policy areas.

Expanding the use of the **Central Register of Internal Control Systems (CENTRICS)** was a key step in the digital transition of the Commission's internal control environment that standardised handling and sharing of the Directorate General's registers with the central services, enabling direct corporate oversight on internal control issues. In 2023 the tool covered 5 compulsory registers in the context of internal control: risks, reservations, non-compliance events, exception events, and internal control monitoring criteria.

Centralised reporting

DG BUDG central reporting unit provides legal reporting on monthly and annual budget implementation and fuels the Financial Transparency System. In addition, a strategy to harmonise, simplify and extend access to non-specialists has resulted in the development of **financial dashboards** available to the entire Commission and some agency users. These dashboards provide single-version-of-the-truth information reconciled with the central accounting system that replaces internally developed reports, fostering coherence and accountability. The most prominent example is the **financial flash report**, sent to Directorates-General monthly to assess their financial performance. This report is highly appreciated by the Directorates-General and receives a lot of attention and feedback.

For the daily follow-up on financial management and on points identified in the flash reports, the DG has developed a dashboard providing insight on all open financial transactions requiring the intervention of a financial actor. This tool comes with a cockpit view visualizing all pending tasks for a financial actor and allows switching directly to ABAC to perform the pending tasks.

In 2023, DG BUDG launched a new IT tool (**SAP BPC**) to encode and **store the core performance indicators of the EU budget programmes**. This tool includes embedded quality control rules that will further improve the quality of the performance information reported in the 'Programme Performance Statements', which accompanies the Draft Budget 2024 and the 2022 Annual Management and Performance Report.

The central financial **forecasting** tool collects implementation schedules from end users. DG BUDG could further support them with additional information related to trends. This additional feature could improve the quality of forecasting while reducing the effort required from Directorates-General.

Accounting and treasury

DG BUDG is the **central treasury service of the Commission**, managing the entire treasury related to the implementation of the EU budget and executing payments around the world. It also provides treasury services to other EU Institutions and bodies and thus contributes to the increase in overall efficiency of treasury management and cost savings at EU level. In 2023, DG BUDG provided its treasury services to two further Agencies.

In 2023, **Central Treasury** developed a new operating model using central deposits accounts. This simplified Treasury architecture, reduced cash movements and increased the visibility and predictability of cash flows in the Own Resources accounts of the Member States.

Moreover, DG BUDG deployed and fully implemented the **Business Planning Consolidation System for Liquidity Management**. The tool brought time and resource efficiencies in weekly cash reporting and allowed for more automatic and accurate cash forecasts within the call for funds simulations.

In 2023, Central Treasury was also progressing the **alignment of the National Central Banks with ISO 20022 requirements**. This new worldwide single standard will allow for more accurate compliance processes and improve fraud prevention. It will also enhance straight-through processing and facilitate the creation of new services. Furthermore, DG BUDG designed and delivered new comprehensive **financial flows for REPowerEU**. This allowed for a smooth disbursement of 11 prefinancing payments with a total value of EUR 1.7 bn by the end of the year, supporting the reduction of the Union's dependence on fossil-fuels and accelerating the transition to green energy.

As a **centre of expertise on accounting**, DG BUDG provided guidance and support to other EU institutions and bodies and produced world-class annual accounts at the highest international standards. In 2023, it prepared the 2022 EU annual accounts, as always, based on the International Public Sector Accounting Standards (IPSAS), receiving as a result a clean opinion on these accounts.

Given the increasing importance of the EU's financing activities (NextGenerationEU, support to Ukraine, etc.) the accounts pay particular attention to providing readers with **high quality reporting on the EU's liabilities and contingent liabilities** arising from financial instruments and thus creating a link between accounting and the Commission's risk management framework.

In the area of the **accounting framework**, the DG continued to work closely with the International Public Sector Accounting Standards (IPSAS) Board on the development of new standards. DG BUDG had been invited to be part of the drafting group for the new revenue and expenses standards, and these standards were published during 2023. They are of particular importance to the Commission as, once implemented, they will define how core EU operations are accounted for.

In 2023, 96% (in value) of the funds to be collected or recovered were fully cashed on time. Throughout 2023, to further **enhance recoveries from overdue debtors**, several initiatives have continued as regards the follow-up on the European Anti-Fraud Office's (OLAF) financial recommendations, the close follow-up on overdue debts (reduced to less than 2000 cases open at the end of 2023), and the reduction of the departments' backlogs of pending requests for stance and/or waivers. Further actions were taken to enhance the corporate strategy for the management of the Commission's debtors, which was adopted in early February 2024.

As regards the revision of the Financial Regulation, DG BUDG helped to reach a political agreement on its recast in December 2023, as planned. The agreed text further improves the already very high EU standards of financial rules, in view of developing an even more transparent, better protected and more agile EU budget, for instance through:

- a **single website for public transparency** on the use of funds from the EU budget and on the recipients of EU funding (improved Financial Transparency System);

- **better crisis management:** facilitating Union participation in global initiatives in areas such as climate change, health and education;
- **strengthening public procurement** and donation rules to reflect the lessons learned from Covid-19;
- **strengthening EU security and strategic autonomy** when distortive foreign subsidies affect EU financing and through new rules on protecting security and public order;
- **better protection of the EU budget**, by extending to shared management the **Early Detection and Exclusion System** (EDES) that allows excluding fraudulent entities from receiving Union funds and by compulsory feeding of data on recipients into a datamining and risk-scoring tool for audits and control.

The new Financial Regulation is expected to enter into force in 2024, though some provisions will apply later, in some cases from 2028.

Corporate financial IT systems

Following an overall readiness assessment that highlighted the need for more time to complete the integrations of several corporate and local systems with SUMMA, in July 2023 the SUMMA Supervisory Board decided to postpone the date when **SUMMA will go live in the Commission** to January 2025.

Nonetheless, the Directorate-General made substantial progress towards the full implementation of **SUMMA** for the Commission. The use of SUMMA in the first three pilot Agencies (CINEA ⁽¹²⁾, EUROJUST ⁽¹³⁾, ERA ⁽¹⁴⁾) has completed the full yearly cycle, including receipt of a **clean opinion from the Court of Auditors** on their 2022 accounts. Since January 2023 SUMMA went fully live for an additional pilot entity (Clean Aviation Joint Undertaking), incorporating the SUMMA/eGrants integration developed in cooperation with the Directorate-General for Research and Innovation and SUMMA functionalities for the management of grants.

SUMMA was further improved during 2023 and furnished with the additional features needed for the Commission. The core SUMMA system for the Commission was rolled out to the four pilot agencies in late 2023 and January 2024 as an enriched version.

Two components of the SUMMA system, not requiring integration with other corporate systems, already went live in the Commission in 2023 and January 2024: the SUMMA budget planning module and the module for Financial Assets and Debt Management. As a result of the latter, the Commission's Financial Assets and Debt Management operations, including NextGenerationEU, are being managed in SUMMA since January 2024

⁽¹²⁾ European Climate, Infrastructure and Environment Agency.

⁽¹³⁾ European Union Agency for Criminal Justice Cooperation.

⁽¹⁴⁾ European Union Agency for Railways.

STRATEGIC COMMUNICATION

Strategic communication under General Objective 7 “A modern, high performing, sustainable Commission” aims at promoting knowledge management among highly specialised audiences in EU institutions and agencies, notably through targeted outreach to the community of specialised finance professionals.

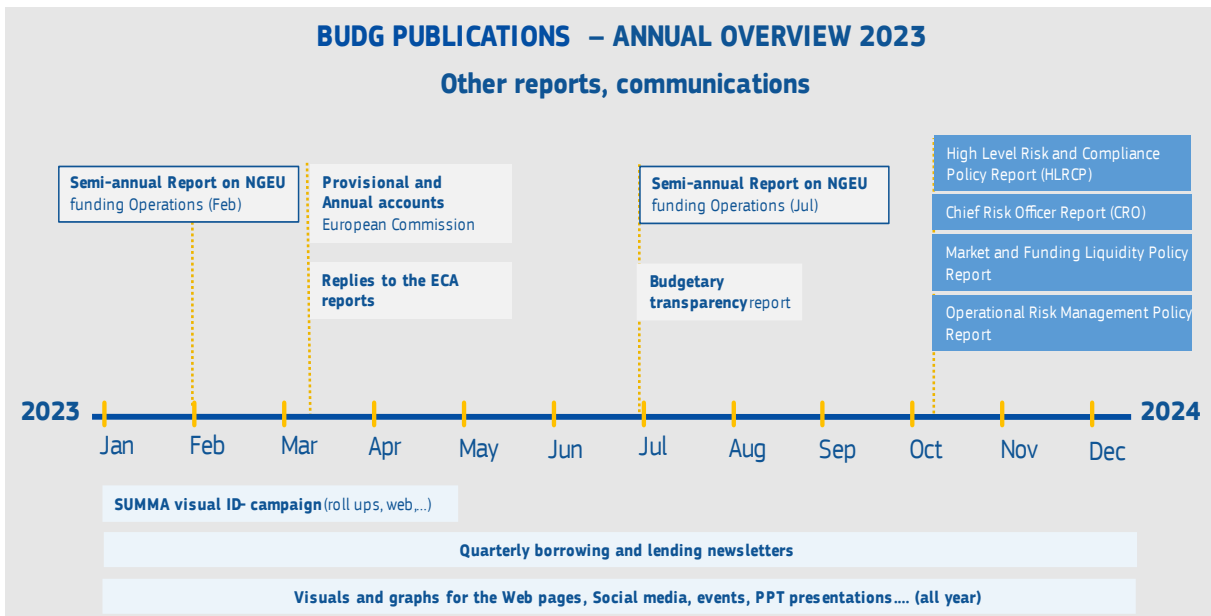
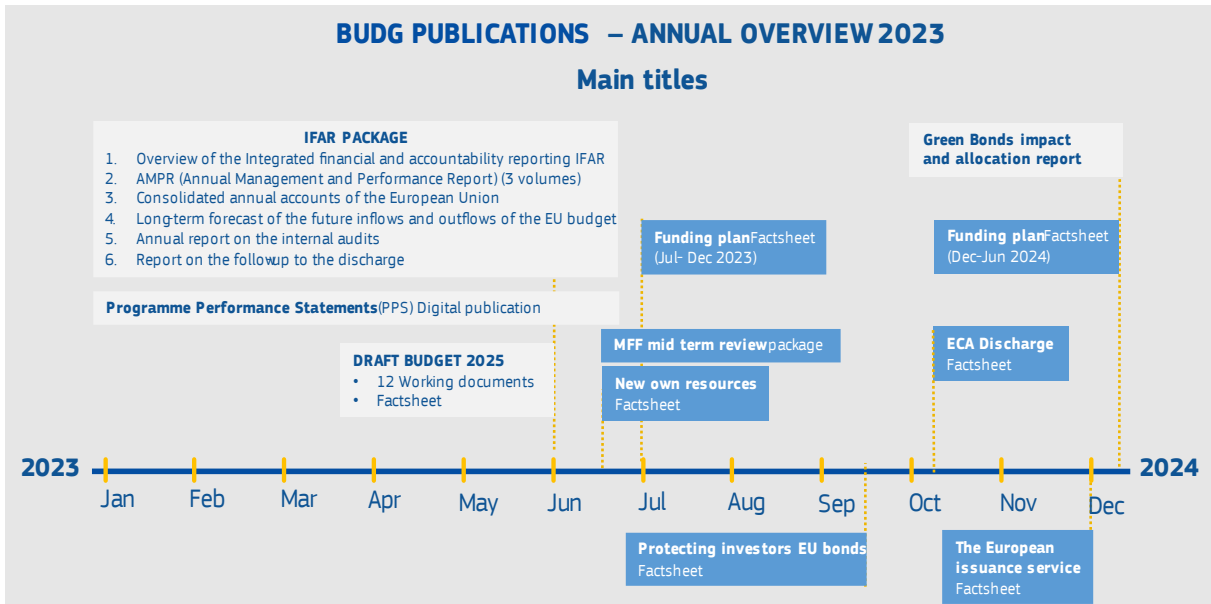
Throughout 2023, BUDGpedia remained central to the Directorate-General’s efforts to maintain and strengthen the **community of budget and finance professionals** to ensure knowledge sharing and adherence to the highest professional standards. BUDGpedia continued to be a vehicle for strategic communication to the finance community (rules and guidance update, release of Financial Regulation Annotations, roll-out of SUMMA, new initiatives to modernise and digitalise financial management, new knowledge-sharing initiatives in the finance domain, newsletters for the Réseau des Unités Financières (RUF)).

Web presence

The websites related to EU budget were quite popular, with the following number of page views in 2023: i) [EU budget](#) page: almost 1m views (doubled from 2022 to 2023), ii) [Financial Transparency System](#) (FTS): over 100k views and iii) [Funding, Tenders](#): over 4m views.

Publications

DG BUDG followed its **annual publication plan** by releasing an extensive list of titles. This list includes reports required by EU law, publications intended for diverse audiences and 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.



Publications by the Directorate-General that are included in the Publications Office catalogue can be found on the [BUDG publications webpage](#).

2. INTERNAL CONTROL AND FINANCIAL MANAGEMENT

Assurance is provided based on information on the efficiency and effectiveness of internal control systems and governance processes. Management continuously monitors the functioning of the internal control systems and examine them with internal and external auditors. The results are documented and reported to the Director-General. The following reports have been considered:

- the reports and opinions of the Accounting Officer relating to the financial statements and the financial management of the European Commission
- the reports and opinions of the Chief Risk Officer on borrowing, debt management and lending operations;
- the contribution by the Director in charge of Risk Management and Internal Control, including the results of internal control monitoring at DG level;
- the reports from Authorising Officers by Sub-Delegation and the reports from Authorising Officers in other Directorates-General managing appropriations in cross-delegations;
- the reports on recorded exceptions and non-compliance events;
- the reports on ex-post supervision and/or audit results;
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the report on the validation of local financial systems;
- reports on control results from the European Investment Bank.
- the observations and recommendations of the European Court of Auditors (ECA).

The systematic analysis of the available evidence provides sufficient guarantees for the completeness and reliability of the information reported and results in the full coverage of the budget delegated to the Director-General of DG Budget.

This section covers the control results and other relevant elements that support management's assurance. It is structured as follows: 2.1 Control results 2.2 Audit observations and recommendations, 2.3 Effectiveness of internal control systems, 2.4 Conclusions on the assurance.

2.1. Control results

This section reports on the control results used by management to support the assurance on the achievement of the internal control objectives (ICO)⁽¹⁵⁾. The Directorate-General's for Budget (DG BUDG)

⁽¹⁵⁾ 1) Effectiveness, efficiency and economy of operations; 2) reliability of reporting; 3) safeguarding of assets and information; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, considering the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.

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

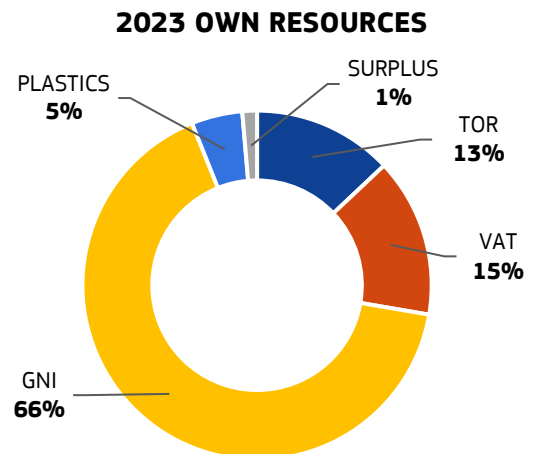
Activity	Value	@
Own resources revenue	EUR 153 bn	Residual error rate<1%
Expenditure (direct management)	EUR 734 m ¹	Residual error rate<2%
Off-budget corporate activities (accounting)	Positive conclusion for accounting (production of annual accounts, treasury, recoveries) Positive conclusion on ABAC and transition to SUMMA (despite delay)	
Off-budget activities (financial assets and loans)	Positive conclusion on management of financial assets (45 bn): direct: 26 bn, indirect (via EIB) 19 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 (Internal Audit Service, European Court of Auditors) and European Anti-Fraud Office	No critical recommendation = OK One very important recommendation open (IAS) One financial recommendation open (OLAF)	
Reservations	None	

^[1] Annex 3, Table 2 (payments made). 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 [guarantees offered], and borrowing and lending operations. Note that financial assets are defined broadly here, to wit, as including contingent assets [and liabilities] as well as financial income [and cost] 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, as well as treasury and accounting services. In 2023, the total value of charge-back represented a very small fraction of DG BUDG's activities, covering less than 5% of expenditure. Therefore, this control system is not presented in a separate segment in this report.

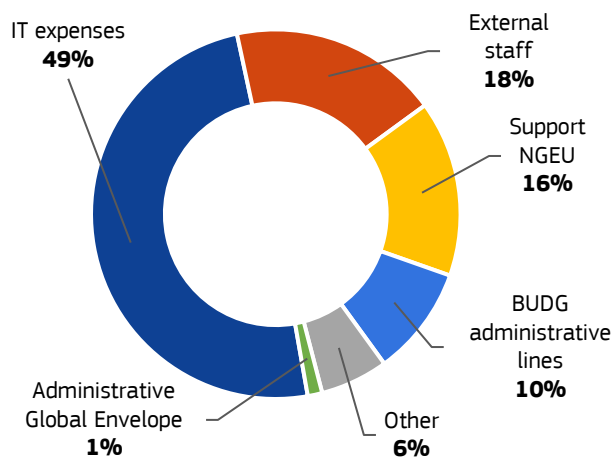
Revenue

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 2023, own resources revenue amounted to EUR 153 bn.

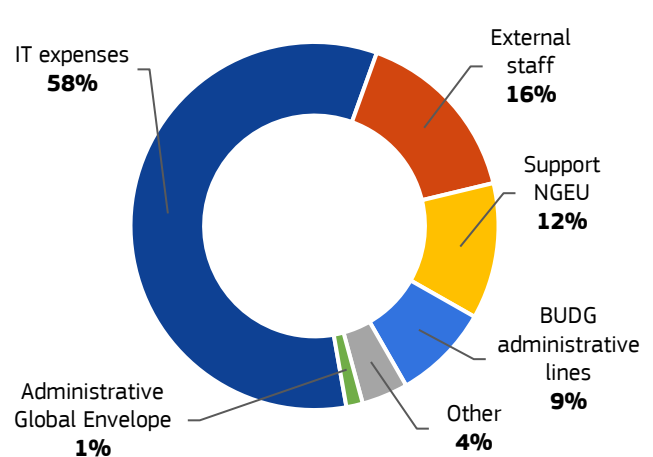


Expenditure

Sum of Commitment Appropriations



Sum of Payment Appropriations



In terms of commitment appropriations, in 2023 DG BUDG managed a budget of EUR 1 348 m, of which:

- 97% (EUR 1 310 m) related to operational expenditure, under the European Union Recovery Instrument (EURI) line: payment of periodic coupon and redemption at maturity. Commitment appropriations under this line increased from EUR 68 m in 2022 to EUR 1 310 m in 2023.
- 3% (EUR 38 m) related to administrative/support expenditure.

In terms of payments made, **2023 DG BUDG's expenditure amounted to EUR 734 m**, of which:

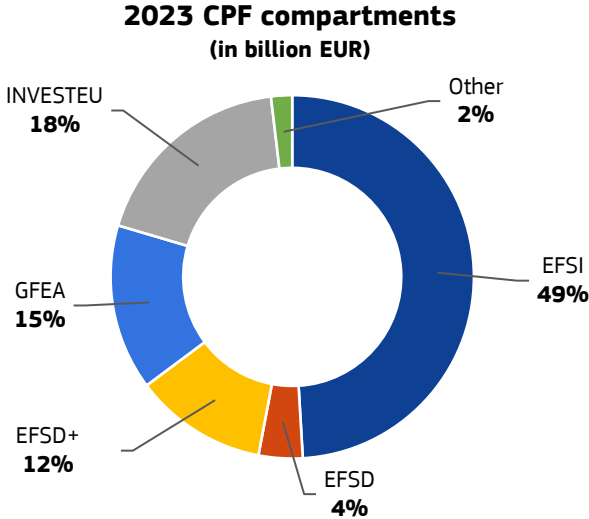
- 94% related to operational expenditure under the EURI line: payments of periodic coupons and redemption at maturity. Payment appropriations under this line surged from EUR 68 m in 2022 to EUR 694 m in 2023.
- 6 % related to administrative/support expenditure. The **administrative** expenditure budget 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

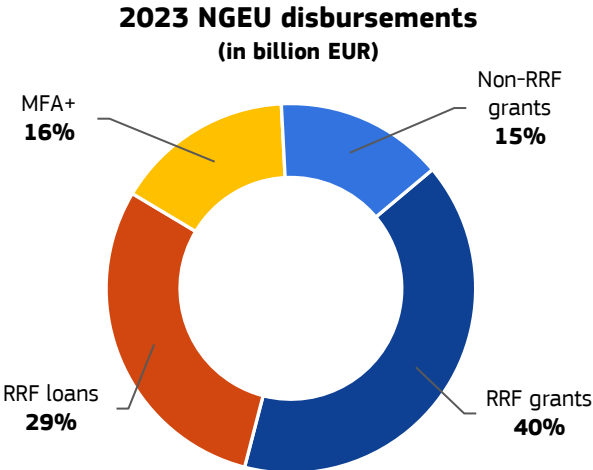
In addition to the management of its own appropriations, DG BUDG also does off-budget management: horizontal financial activities such as treasury, asset management, borrowing, as well as lending operations and guarantees such as those related to competition fines and VAT reimbursement.

Borrowing and lending (back-to-back approach), treasury and financial assets

In DG BUDG’s portfolio, there are 6 funds: 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) and Pension Fund for Local Staff (PLO1). The largest fund, CPF, contains the provisions from the European Commission budgetary guarantees and financial assistance (i.e., European Fund for Strategic Investments (EFSI), European Fund for Sustainable Development (EFSD), InvestEU, External Lending Mandate (ELM), Macro-Financial Assistance (MFA), Euratom). 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.



Borrowing and lending under NGEU



To respond to the needs of the NextGenerationEU programme, the Commission has deployed a diversified funding strategy to carry out the necessary borrowing, in the necessary volumes and under optimal market conditions. In 2023, total disbursements (payments) under NGEU amounted to EUR 97 bn.

The largest spending programme of all NGEU programmes is the Recovery and Resilience Facility (RRF), which provides to the beneficiary Member States grants (in 2023, EUR 46 bn) and loans (EUR 34 bn, see annex 3, table 17, “RRF Loans Implementation - Cumulative View (All Years)”). The remaining part (EUR 16.9 bn in 2023) is

provided through other Union spending programmes, in the form of grants and as provisioning to the InvestEU budgetary guarantee.

In line with the 2018 Financial Regulation, DG BUDG declares that in 2023 **there were no cases to report under the following reporting requirements:**

- No cases of "confirmation of instructions" (FR Art 92.3)
- No cases of financing not linked to costs (FR Art 125.3)
- No Financial Framework Partnerships >4 years (FR Art 130.4)
- No cases of flat rates >7% for indirect costs (FR Art 181.6)
- No derogations from the principle of non-retroactivity of grants pursuant to Article 193 of the Financial Regulation.

2.1.1. Effectiveness of controls

a) Legality and regularity of the transactions

DG BUDG uses internal control processes to ensure sound management of risks relating to the legality and regularity of the underlying transactions it is responsible for, considering the multiannual character of programmes and the nature of the payments concerned.

1) Control objective

The control objective is to adequately **manage the risks relating to the legality and regularity of the underlying transactions**. Achievement of this objective is measured mainly by the error rate. The main objective of the controls on DG BUDG's revenue and expenditure is to ensure that the value of the detected errors in transactions does not exceed the materiality criteria described in Annex 5.

2) Assessment of control results

Ex-ante controls are mandatory⁽¹⁶⁾, in order to prevent errors and irregularities before the authorisation of operations (in all the relevant control systems) and to mitigate risks of non-achievement of objectives. They also mitigate the risk of fraud and reputational risk in relation to inadequate administrative practices. The Authorising Officer by Delegation may decide to carry out ex-post controls to verify the quality of its ex-ante controls ⁽¹⁷⁾.

For **own resources revenue**, DG BUDG conservatively fixed the materiality criteria related to the management and processing of the revenues at 1%, which is stricter than the materiality level (2%) for expenditure (details in Annex 5). Ex-ante controls are performed by the Member States. .

Indicators of control performance for own resources at each stage 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 7.2. Annual programmes of traditional own resources (TOR) and VAT-based own resources inspections cover 100% of statements for all Member States during a 3-year cycle. In 2023, the inspection plans for TOR and VAT-based own resources were both 100% completed.

⁽¹⁶⁾ Art. 74.5 FR: "[...] each operation shall be subject at least to an ex-ante control relating to the operational and financial aspects of the operation [...]"

⁽¹⁷⁾ 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."

For VAT-based own resources, BUDG does not calculate the error rate as the main objective of the inspections 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, in principle for all the errors detected in the Member States the recovery orders are issued to correct them and Member States pay the amounts due, which makes the residual error rate close to 0%. In 2023, recovery orders amounting to EUR 98 million were issued in relation to one-off TOR cases, corresponding to 0.44% of total TOR collected (EUR 22 billion).

In addition, DG BUDG supports the continuous improvement of Member States' internal control systems for traditional own resources (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 7.2.

The financial controls on the **expenditure** in DG BUDG are centralised in DG BUDG's Procurement Sector and Financial Cell. In 2023, the Sector coordinated the launch of 3 procurements above the threshold of EUR 140 000. Together with the Financial Cell, the Procurement Sector has processed and managed 675 contracts. Annex 6 demonstrates how the control systems in place address the related risks, which are mainly ex-ante controls covering 100 % of procedures and transactions. In 2023, DG BUDG did not carry out any ex-post controls on its expenditure other than the sampled transaction for accounting checks. A horizontal analysis of the outliers visible in financial dashboards was carried out twice in 2023.

For its expenditure, DG BUDG estimated the residual error rate to be 0.5%. However, the 2023 register of deviations from rules and procedures (**exceptions and non-compliance cases**) included 3 cases, all related to DG BUDG's expenditure. In the first case, the change of an external service provider contracted for 150 days, who worked 31 days, with a penalty of 15 days for delayed replacement, erroneously led to a total day count of 165 days, which required requesting an additional budgetary commitment (a posteriori) of EUR 15 000.

In the second case, a contract was signed for 12 months, with 5 automatic annual renewals, and the 2023 automatic renewal was not preceded by a respective budgetary commitment, which led to establishing it a posteriori.

The third case concerned the expiration of a 2021 budgetary commitment, due to non-transmission of part of necessary documentation by DG BUDG to the contractor.

In all these cases, a closer follow-up and anticipation by the responsible unit and of the procurement sector would have prevented these non-compliance events. To avoid such cases in the future, a detailed follow-up process has been put in place by the procurement sector in form of a contract monitoring table. The revamped DG BUDG yearly procurement plan should also contribute to reduce the number of such events.

Concerning **financial assets**, in 2023 the accounting and back-office unit in Directorate E followed procedures and controls as defined in the accounting manual. As part of the monthly accounting closure, the accounting reconciled holdings of assets in the portfolio to the statement received from the depository of securities. All movements in the portfolio of assets under management were reconciled and the valuation of the portfolio was cross-checked with external data providers. The reconciliation team was monitoring settlements of security deals with bank balances on a daily basis.

The Common Provisioning Fund (CPF) was managed in compliance with the applicable legal and governance framework. Moreover, DG BUDG has taken further steps to enhance and update the administration of the CPF, for example by reviewing manuals and procedures and by creating two new compartments in 2023.

Year-end financial statements of the main asset portfolio instruments (CPF, MIM, BUFI and ECSC) and all lending and borrowing instruments are subject to a statutory annual audit performed by an external audit firm that is supervised by the Court of Auditors.

In 2023, **asset management** transactions and positions led to 8 active breaches of risk limits. Active breaches were either negligible in terms of size or were due to large inflows. Small active breaches were solved within a couple of days. Active breaches were also promptly addressed by portfolio managers after rebalancing the portfolios. There were 28 passive breaches, related to price movements of securities. All passive breaches were immaterial and were quickly resolved. The error rate is not calculated for the related amounts. 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.

As regards 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 Chief Risk Officer'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. The error rate is not applicable to the related DG BUDG operations.

Borrowing and lending operations were accounted for in line with International Public Sector Accounting Standards and disclosed in the Union Annual Accounts as well as reports to the European Parliament and the Council. They were also scrutinised by the European Court of Auditors, with the 2023 ECA special report on NextGenerationEU debt management at the Commission ⁽¹⁸⁾ concluding that “the Commission quickly developed a debt management system which allowed the funds required for NGEU to be borrowed in a timely fashion (...)” and that “(...) borrowing costs reflected the Commission's market position. The Commission also met all key regulatory requirements concerning debt portfolio and risk management.”

In December 2023, the first comprehensive NextGenerationEU Green Bonds Allocation and Impact Report was published ⁽¹⁹⁾, in line with the reporting requirements of the NGEU Green Bond Framework. The report provided investors and stakeholders with updated information on the allocation of proceeds as of the cut-off date of 1 August 2023 and presented for the first time the climate impacts of investments financed by the NGEU green bond programme.

3) Overview of DG BUDG's risk profile

DG BUDG's spending portfolio, as shown in the Table 2: “Estimated risk at payment and at closure” below, consists of a segment with a relatively low error rate, being administrative expenditure. This is thanks to the low inherent risk profile of the parties with whom the funds are exchanged, and the performance of

⁽¹⁸⁾ [Special report 16/2023: NGEU debt management at the Commission \(europa.eu\)](#).

⁽¹⁹⁾ [NextGenerationEU Green Bonds Allocation and Impact Report](#).

the related control systems. The contractors are banks, financial and audit institutions, and the companies providing the IT workforce. In line with recommendation for low-risk expenditure, in which the error rate might be close to 'zero', DG BUDG used 0.5% as a conservative estimate of the error rate. DG BUDG assessed that there were no major control weaknesses in 2023 in this segment.

4) Estimated risk at payment and at closure

Based on all of the above, an estimation of the risk at payment and risk at closure for the expenditure managed during the reporting year is given in Table 2:

Table 2: Estimated risk at payment and at closure (amounts in EUR million)

A more detailed version of the table is provided in Annex 9.

DG BUDG	Payments made	Relevant expenditure	Estimated risk (error rate %) at payment		Estimated future corrections and deductions		Estimated risk (error rate %) at closure	
	m EUR	m EUR	m EUR	%	m EUR	%	m EUR	%
Expenditure	734.03	734.03	3.67	0.5%	0	0%	3.67	0.5%
DG BUDG total	734.03	734.03	3.67	0.5%	0	0%	3.67	0.5%

The estimated overall risk at payment for 2023 expenditure, 0.5%, is the Authorising Officer by Delegation's best conservative estimate of the amount of relevant expenditure during the year that does not conform with the contractual and regulatory provisions applicable at the time the payment was made.

Since DG BUDG does not carry out ex-post controls (as explained in Annex 6), no further corrections to the expenditure are expected, so the estimated future corrections are 0. As a result, the estimated overall risk at closure corresponds to the estimated overall risk at payment.

For an overview at Commission level, the DGs' estimated overall risk at payment, estimated future corrections and risk at closure are consolidated in the Annual Management Performance Report (AMPR).

5) Preventive and corrective measures

As regards the corrections carried out in 2023, DG BUDG has in place an effective mechanism for correcting errors through ex-ante controls, covering 100% of transactions, resulting in preventive measures. There were no ex-post controls carried out in 2023, except horizontal accounting quality checks. There were no recoveries made. This is similar to the situation in 2022.

a) Fraud prevention, detection and correction

DG BUDG has developed and implemented its own antifraud strategy since 2013, based on the methodology provided by OLAF. It was last updated in 2021, in coordination with DG BUDG's Internal Control and Risk Management Network. **DG BUDG's Antifraud Strategy** and the implementation of its Action Plan are monitored on an annual basis and updated during the year if necessary. Around 80% of the actions in BUDG's Action Plan have been implemented. The remaining actions should be completed by the end of 2024, most of the actions being recurrent. In November 2023 DG BUDG received one OLAF financial recommendation, which will be followed up in 2024.

As the corporate service responsible for the EU budget and accounts, fraud risk management plays a very important role in DG BUDG activities.

DG BUDG contributed to the revised Commission Antifraud Strategy Action Plan of July 2023 ⁽²⁰⁾, which builds on the challenges linked to the multiannual financial framework, the RRF, new tools to fight fraud, and cooperation with the EPPO. DG BUDG is the lead of 11 actions concerning, *inter alia*, the development of a single integrated risk scoring system (corporate ARACHNE); the use of EDES by Commission services, agencies, other EU Institutions and Member States; strengthening of antifraud features in SUMMA; sharing of best practices on preventing, detecting and addressing conflict of interest situations in Member States.

DG BUDG is also supporting other Commission departments in 4 more actions, including **cooperation with the EPPO and the follow-up on OLAF's administrative and financial recommendations**. The new actions seek to strengthen all parts of the antifraud cycle: prevention, detection, investigation and correction.

Good cooperation with OLAF, TAXUD and JRC continued in 2023, especially for cases of undervaluation and evasion of anti-dumping duties, but also when dealing with risk management and other fraud related issues. This covered both enforcement aspects and upstream actions for ensuring fraud-proofing of future spending programmes.

In addition, DG BUDG's **OLAF Correspondent for Fraud Prevention** attends OLAF's quarterly meetings and is a member of 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.

Regarding the EU's own resources, DG BUDG ensured **strict compliance with the financial rules to minimise errors, prevent fraud and enhance transparency**, by ensuring the timely recovery and recording of Member States' own resources contributions. The general actions, results and controls related to DG BUDG's role in managing the revenue are also documented and followed-up in the Commission's and DG BUDG's Antifraud Strategies. DG BUDG further cooperated with OLAF in the follow-up on financial recommendations addressed to Member States to protect the financial interest of EU revenues.

With the **financing of EU actions in response to COVID 19** (SURE and NGEU), the complexity and size of borrowing and lending operations have increased dramatically. The Commission developed a **strong governance and risk management framework**, centred on the role of an independent Chief Risk Officer (CRO) and supported by the Compliance Officer (CO) within DG BUDG. The CRO oversees a strong risk and compliance policy to ensure sound financial management of NGEU operations, including fraud-related aspects. In 2023, fraud-related risks that could potentially stem from NGEU operations were reassessed in cooperation with the Compliance Officer. The mitigating measures put in place were deemed adequate and appropriate. In addition, the Compliance Officer started working on new guidelines for private financial transactions (assessment, reporting, mitigation) for DG BUDG staff involved in financial operations and/or assets management.

In 2023, in line with Article 136 of Regulation 2018/1046, DG BUDG's counterparties (including members of the EU Primary Dealer Network) were assessed to determine whether they should be excluded from participating in procurement procedures.

⁽²⁰⁾ [Commission Anti-Fraud Strategy Action Plan - 2023 revision \(europa.eu\)](#)

DG BUDG continued to ensure visibility for antifraud related aspects and updated the antifraud related content on the intranet and BUDG Times. The trainings for BUDG staff related to fraud prevention and detection, planned for autumn 2023, are re-scheduled in early 2024.

Based on the available information, DG BUDG has reasonable assurance that the antifraud measures in place are effective overall. The residual risks of fraud in DG BUDG are low.

b) Safeguarding of assets

In addition to the management of its own appropriations, DG BUDG also does off-budget management of horizontal financial activities such as treasury, asset management (for the assets managed by the European Commission and the European Investment Bank), borrowing and lending operations, and guarantees such as those related to competition fines and VAT reimbursement.

Safeguarding of financial assets

On 31 December 2023, DG BUDG managed EUR 45.0 bn of assets (mainly fixed income bonds), directly (EUR 26.1 bn) or indirectly (EUR 18.9 bn) through the European Investment Bank (EIB).

Considering the specific nature of these asset management operations, the control of the various risks related to this activity 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 guarantees clearly defined, adequate and well-documented: 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. The compliance procedures provide the framework for adequate rules for codes of conduct to manage potential personal conflicts of interest as well as rules to manage risks of insider trading.

The Asset Management Guidelines and internal investment restrictions provide a solid internal control framework to ensure the safeguarding of assets. 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 has put in place the appropriate governance to continuously monitor 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.

The safeguarding of financial assets is assured by a segregation of duties between the team responsible for initiation of securities deals and a back-office team responsible for their settlement and bank reconciliation. An additional layer of control is assured by the accounting team during the monthly closure reconciliation process when the portfolio of securities is reconciled with the security custodian's statement. Any settlement discrepancies and late payments caused by counterparties are followed-up by the bank reconciliation and back-office team on daily basis.

In 2023, the reconciliation team identified 71 incidents that concerned late settlement and late interest payments by counterparties that generated EUR 2000 in interest cost (total amount for the 71 incidents – the large majority of incidents were costless for the Commission) to the Commission due to negative interest charged by banks. The full amount of EUR 2000 was recovered from the counterparties (according

to internal guidelines, all charges above EUR 200 must be recovered). No other issues with safeguarding of financial assets were identified during the monthly closure reconciliation.

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.

Intangible assets

DG BUDG's intangible assets amounts to EUR 80.7 m (as per annex 3, table 4). This relates to the value of SUMMA under construction, the Commission's new accounting tool, which is gradually replacing the ABAC ⁽²¹⁾ system, to go live for the Commission departments 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 will enable the streamlining of budgetary and financial processes across DGs.

The governance structure of SUMMA project follows the EC's Project Management Methodology supported by DIGIT. The project is supervised by the SUMMA Management Board (programme management), and the SUMMA Steering Committee (decision-making). SUMMA Supervisory Board (the members being DG BUDG, Accounting Officer, senior managers of AGRI, DEVCO, DIGIT, EEAS, HR, JRC, OIB, PMO, REGIO, RTD, SANTE, SG and of the pilot agencies) has been established for the matters going beyond the IT domain.

No security incidents with significant impact on the confidentiality, integrity or availability of Information Systems, related to SUMMA (and ABAC), were reported during the year. More information on the overall IT governance and data assets in DG BUDG is included in Part 3, section on Digital transformation.

Annex 7 includes a dedicated subsection 7.4. on off-budget activities (with control objectives: reliability and integrity of financial information and reporting, and safeguarding of assets).

c) Reliability of reporting

Accounting

As described in Section 1, DG BUDG's objectives include: (i) the production of the annual accounts of the EU, the Commission and many other entities; (ii) supporting other DGs in the implementation of the annual budget via treasury services, the validation of local systems, and the recovery of funds (including the receipt of fines, contingent liabilities and the collection of own resources); and (iii) harmonised asset management as well as efficient use of financial instruments and the budgetary headroom.

All three activities contribute to the control objective of ensuring the reliability and integrity of financial information and reporting, and to the safeguarding of assets.

Robust procedures and processes and/or results of controls applied in these areas in 2023 gave a reasonable assurance to the Accounting Officer. The Accounting Officer, having considered the control environment and the need to reorient resources to support SUMMA implementation, has decided that several controls related to treasury, validation of local systems, business partners and recoveries would be

⁽²¹⁾ ABAC (Accrual Based Accounting System) is the central accounting, budgetary and treasury system set up by the Commission to implement its budget and prepare its annual accounts.

reduced or discontinued pending the roll-out of SUMMA.

DG BUDG is the business owner of the SUMMA IT system, a corporate financial and accounting IT tool, which will replace the current ABAC system. The assurance review of the release for the pilot agencies done by the validation team has not identified material issues that would indicate SUMMA is not designed to supply or justify accounting information in compliance with the Financial Regulation. 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 validation criteria laid down by the Accounting Officer of the Commission. For 2023, the BUDG’s conclusion on ABAC and transition to SUMMA is positive. More details on related controls are included in annex 7.4.

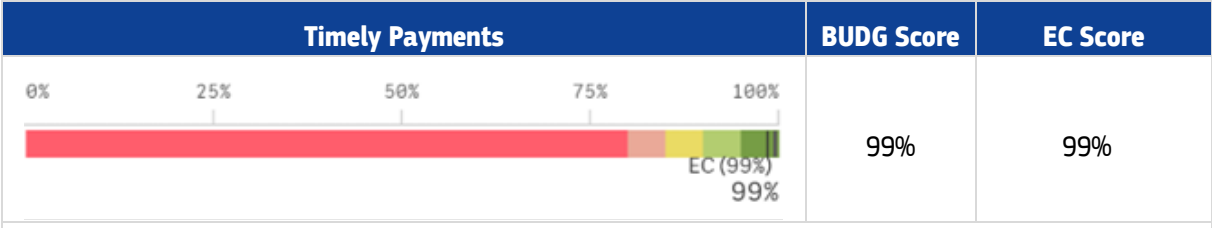
2.1.2. Efficiency of controls

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 traditional own resources (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

DG BUDG follows the mandatory indicators included in Annexes 3 and 4. In 2023, DG BUDG Financial Cell processed 1104 payments, within an average of 14.4 days (w/o suspensions) per payment. Timely payments covered 99% of the total value of payments, which is the same as the average for the Commission at large.



In terms of number of payments, 99.5% of all the payments were made on time, which means an improvement in comparison to 2022 (95%).

Off-budget activities

An exhaustive set of performance and risk metrics for the assets under management is reported periodically to the relevant stakeholders (in 2023, all twelve reports were issued on time).

The operations that concern portfolio asset management must be executed in timely manner to assure correct settlement of all security deals. Daily reconciliation of security deals and 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 monthly shareholder report and 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 reputation of the whole European Union. All payments are 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.

2.1.3. Economy of controls

The estimation of the cost of controls for revenue and expenditure was conducted following the bottom-up principle: the units performing the controls provided the estimated number of related FTEs. These estimates are considered reliable.

For expenditure, the numbers of FTEs estimated by units were then cross-checked with the design of the related financial circuits. The cost of the ex-ante controls has been estimated at EUR 1.6 m (0.22% of BUDG's expenditure). While the overall cost is similar to 2022, the ratio is much smaller (1.97% in 2022) due to the increase in the amount of the payments made. The cost of horizontal accounting checks on expenditure has been EUR 0.01 m.

As regards revenue, DG BUDG calculated the cost of ex-post controls (TOR and VAT inspections: cost of FTEs and missions). Ex-ante controls are done by the Member States, and DG BUDG does not receive any related information on the cost. In 2023, the cost of inspections amounted to EUR 4.3m (0.01% of total TOR and VAT amount) and was similar to the cost in 2022.

In 2023, DG BUDG continued to expand the governance and control frameworks put in place at the start of NGEU. To that end, DG BUDG put in place processes and control points across all core borrowing and lending processes, including funding planning, execution of borrowing transactions, liquidity management, cost calculation and allocation. These processes ensured that all aspects of borrowing and lending operations were implemented in accordance with a robust set of risk controls, fully documented in manuals, and implemented consistently by the relevant teams subject to rigorous oversight by a second line of defence (independent Chief Risk Officer).

The embedded processes involve 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 control capacity. The estimated cost of controls related to financial asset management and the NGEU disbursements has been estimated at EUR 8.3 m (0.01%).

2.1.4. Conclusion on the cost-effectiveness of controls

In 2023, DG BUDG reviewed its financial circuits and made small adjustments where it was needed. In this period, 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, 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 the observations, opinions and conclusions reported by auditors – including the limited conclusion of the Internal Auditor on the state of internal control. Summaries of the management measures taken in response to the audit recommendations are also included, together with an assessment of the material impact of the findings on the achievement of the internal control objectives, and therefore on management's assurance.

[The Internal Audit Service \(IAS\)](#)

The Internal Audit Service, considering its audit work in DG BUDG in 2019–2023 and the status of the issued recommendations, concluded that the internal control systems in place for the audited processes are effective, except for the observations giving rise to the 'very important' recommendations, not reported as implemented by management and/or closed by the IAS, from the audit on recovery orders and bank guarantees for fines (1), and from the review of the Commission's risk at payment (1).

In the end of 2023, DG BUDG had one overdue, partially implemented very important recommendation from the **2019 audit on the recovery orders and bank guarantees for fines**, on the regular review of insolvencies and bankruptcies. In December 2023 it had three out of four measures implemented, and the remaining ongoing action was the legislative procedure for adoption of the enhanced corporate strategy for the management of the Commission's debtors, completed on 6 February 2024 ⁽²²⁾.

The final audit report on the **2023 review of the Commission's risk at payment** has been issued in January 2024. It includes one very important recommendation assigned to DG BUDG, on the analysis and (internal) reporting of the root causes of errors in relation with ECA's findings. According to the action plan, this recommendation will be implemented by the end of 2024.

The details about the implementation of actions related to the open very important recommendations mentioned above are provided in annex 7.3.

[The European Court of Auditors \(ECA\)](#)

The European Court of Auditors (ECA) in its Annual Report 2022 concluded that the 2022 annual accounts of the European Union were reliable for the 16th 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.

As regards the management of the revenue side of the EU budget, the European Court of Auditors stated that the 2022 Annual Activity Reports of DG BUDG and EUROSTAT corroborated the Court's findings and conclusions. The Court also reviewed the progress in addressing recommendations made in the 2019 annual report. Out of two recommendations, one was implemented in most respects, and one in some. Annex 7.3 provides details on open audits and recommendations of both the Internal Audit Service (1) and the European Court of Auditors (40). This also includes details on the actions already taken to address the ECA's recommendations.

⁽²²⁾ C (2024) 588: Communication to the Commission: An enhanced corporate strategy for the management of the Commission's debtors, and C(2024) 587: Commission Decision on the internal procedure provisions for the recovery of amounts receivable arising from direct management and the recovery of fines, lump sums and penalty payments under the Treaties.

2.3. Assessment of the effectiveness of internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, to ensure the achievement of its policy and management objectives. Compliance with the internal control framework is a compulsory requirement.

DG BUDG uses the organisational structure and the internal control systems suited to achieving its policy and internal control objectives in accordance with the internal control principles and has due regard to the risks associated with the environment in which it operates.

The accounting and borrowing and lending-related control frameworks are part of the overarching DG BUDG's general internal control framework. The related controls, monitoring and reporting have been further adjusted to reflect risks specific for these areas and to comply with specific requirements. This section focuses only on the assessment of BUDG's overall internal control system.

The functioning of the internal control principles is regularly monitored and assessed annually. The risks and control activities are discussed 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** is based on the indicators from various sources, **in line with the corporate guidance** ⁽²³⁾. The result of the analysis is documented in the assessment forms, a non-mandatory tool annexed to the corporate guidance. Evidence from the following sources was analysed:

- the state of the internal control monitoring criteria accompanying the 2023 Management Plan;
- the results of the assessment of the deficiencies from the previous year and those newly identified;
- the analysis of exceptions and non-compliance events;
- the audit recommendations of the Internal Audit Service and European Court of Auditors and the state of implementation of the 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 preliminary results from the 2023 Staff Survey of DG HR, covering human resources-related aspects and the 2023 Internal Control Survey of DG BUDG, organised in December 2023.

The assessment is based on the analysis of the strengths and weaknesses. During the years 2020-2022, DG BUDG had one major weakness on the list of deficiencies, impacting IC principle 10 (control design), related to several very important IAS recommendations open, one of which was long overdue. In 2023, most of these recommendations have been implemented, including the long overdue one.

The long overdue IAS very important recommendation originated from the **2019 audit on the recovery orders and bank guarantees for fines** (see section 2.2). In the end of 2023, three out of four measures were implemented. The action remaining open was linked to the enhanced corporate strategy for the management of the Commission's debtors, which was adopted by the Commission on 6 February 2024.

⁽²³⁾ "Implementation Guide of the Internal Control Framework of the Commission".

As a result, this recommendation has been fully implemented. At the same time, DG BUDG significantly progressed in implementing of other very important recommendations. In the beginning of 2024, DG BUDG had 1 very important recommendation open, from the audit report on the **review of the Commission's risk at payment**, issued in 2024. The open recommendation is listed in section 2.2 above and detailed in annex 7.3. The 2022 major weakness in the impacted principle 10, related to the significant number of open very important recommendations and delay in implementation of the one issued in 2019 audit, was therefore reassessed as a 2023 minor weakness.

The monitoring of the deficiencies and related actions (detailed in annex 8) will continue to further reduce the levels of related risks.

Conclusion

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 moderate deficiencies were identified, related to internal control principles 4 (competences and mobility), 5 (career and underperformance), 9 (communicating on changes), 11 (IT security); 13 (data protection) ⁽²⁴⁾, and 15 (external communication).

⁽²⁴⁾ Principles 4 and 13 have moderate deficiencies recorded since more than three years. Solution related to data protection is related to the design of the IT systems, that is ongoing. Implementation of the HR strategy action plan (principle 4) is also ongoing.

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 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 BUDG,

In my capacity as authorising officer by delegation,

Declare that the information contained in this report gives a true and fair view ⁽²⁵⁾.

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, 12 April 2024

(e-signed)

Stéphanie Riso

⁽²⁵⁾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

In 2023, DG BUDG continued to focus on the effective management of human resources to deliver on its objectives outlined in the 2020-2024 Strategic Plan and 2023 Management Plan. In this respect, the HR Correspondent team (HRC) ensured an efficient management of DG BUDG human resources, while at the same time, providing advice, support and all relevant information to managers and staff to help them to carry out their work in a more efficient way.

HR Strategy

DG BUDG has developed a local **HR Strategy and Action Plan for the period 2022-2024**, outlining concrete actions on communication, mobility and career development.

Throughout 2023 DG BUDG managed its resources dynamically, attracting suitable staff and retain talent. In addition, DG BUDG continued to support the principle that there should be a **Deputy Head of Unit in every unit**, publishing 3 new Deputy Heads of Unit vacancies throughout the year, for which nominations took place in early 2024. Significant focus was placed on addressing the vacancies in Luxembourg, and the Directorate-General effectively managed to fill them.

In terms of learning and development, DG BUDG customised its **training options** to align with the requirements of both staff and management. Moreover, in 2023, DG BUDG sustained its targeted **talent management initiative**, providing 24 colleagues—regardless of their grade or gender—the chance to enhance and expand their skill sets.

Internal communication actions also supported the implementation of **DG BUDG's Human Resources Strategy**.

Equal opportunities

Promoting equality remains a top priority for DG BUDG. Throughout 2023, DG BUDG continued the implementation of the 16 initiatives outlined in its **Equality, Diversity, and Inclusion Action Plan**, with a particular emphasis on advancing **training sessions and conferences** centred on equality. Additionally, a sequence of **BUDG Women's Breakfast gatherings** facilitated an open dialogue, fostering an environment for exchanging experiences. Furthermore, **the dedicated Equality Mainstreaming section** on DG BUDG's intranet underwent a series of updates to enhance awareness-raising efforts.

During 2023, the Commission appointed **two female Senior Managers within DG BUDG**, filling the positions of Director-General and one of Director. Women represent 44.4% of BUDG's senior managers, 42.9% of middle managers, and 33.3% of BUDG's Deputies to the Directors. When it comes to pre-management positions (Deputy Head of Unit and Head of Sector), 33.3% are occupied by women. Women with potential continue to be encouraged to apply for middle and senior management posts and to take up the opportunity to follow **a specific DG BUDG talent management programme**.

DG BUDG also very much supports the **corporate female talent management programme** which targets women in the AD8 grade with two years seniority or higher and team leader experience. DG BUDG has proposed as every year two female candidates who have completed the programme successfully.

Staff engagement

The DG has a **strongly engaged workforce (staff engagement index in 2023 was 74%)** that continuously strove for excellence throughout 2023, despite the difficulties brought about by Russia's war of aggression against Ukraine, the economic and social crisis, as well as by the post COVID-19 pandemic consequences. The full results of the corporate staff survey, launched at the end of 2023, will be carefully analysed when available in the first quarter of 2024.

To involve and keep staff engaged, at the end of 2023 DG BUDG created the **HR Implementation Working Group**.

Indeed, in 2023 the Director-General shared with DG BUDG staff the first **comprehensive report on the implementation of DG BUDG HR Strategy 2022 –2024 and Action Plan** related to the 2021 Staff Survey results. This report provided a **state of play** of the implementation of the measures, actions and initiatives outlined in these two key HR documents. It also included a revision and re-organisation of the actions that remain to be implemented. To continue the work in addressing the challenges faced and the changes, a new HR Implementation Working Group has been **established at the end of 2023**. The group is formed by **45 members from various directorates**, grades and roles who expressed their willingness to participate through a call of expression of interest addressed to all BUDG staff.

The mission of the Working Group is to recommend **specific measures** to the hierarchy for **transparently implementing** pending actions outlined in the DG's HR Strategy and Action Plan and other new actions suggested by the group. Employing a bottom-up approach, its mandate includes exploring initiatives to improve working conditions and procedures. Key topics that the Working Group will cover includes, among others, developing a new Learning & Development Strategy, establishing a centralised training resource for BUDG staff, revising intra-BUDG career mobility, providing recruitment guidance, and reimagining team-building activities.

Well-being

In 2023, DG BUDG rolled out its well-being program, actively endorsing and engaging in **fit@work initiatives**, hosting various in-person activities, conferences, and training sessions focused on well-being for both staff and management. Furthermore, DG BUDG conducted **specialised training sessions** aimed at preventing psychosocial risks for all levels of management level. **Regular articles** addressing well-being and mental health were consistently featured on BUDGnet and continued in 2024 as this is also a key area for DG BUDG as way to foster the good environment at work.

Implementation of audit recommendations in the area of human resources

Following the Court of Auditor's Audit recommendation "Implement a workforce strategy for debt management staff", in 2023 DG BUDG took several administrative actions to reinforce the level of staffing and its profiles as well as to stabilize its workforce in the coming years. DG BUDG contributed, among others, to the preparation of external competition for economists, where DG BUDG has requested to include specific fields related to the CRO team and BUDG.E activities in the competition. The recommendation has

been implemented before the end of 2023. By the end of 2023, DG BUDG also made the request to DG HR to organise an internal competition aiming at recruiting professionals in the fields of risk, borrowing and lending activities.

Internal communication

In 2023 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 5th year in a row. A series of **info sessions** were organised and **live chats** with management were launched. Work also started on the migration of the local intranet to the new **SharePoint online**. DG BUDG also contributed to the corporate internal communications platform MyIntracomm (e.g., Commission en Direct) on a regular basis, which enhanced the visibility of DG BUDG's work for the entire Commission. To ensure seamless circulation of information between the communication team and its colleagues in other Directorates, the **dedicated BUDG communication network** was re-launched with a wider scope – covering both internal and external communication.

3.2. Digital transformation and information

Implementation of the corporate Digital Strategy in DG BUDG

As a system owner for corporate and local applications, DG BUDG actively collaborated with other DGs, to obtain the maximum synergies possible in implementing the European Commission Digital Strategy and contributed to the fulfilment of its strategic objectives (SO), in particular:

SO2-- Enable digital-ready EU policymaking.

The political agreement on the Financial Regulation recast between the Council and the European Parliament has been reached in December 2023. It foresaw the development of a unified integrated IT system for data mining and risk scoring, which will analyse data on EU funding recipients to detect irregularities, fraud, corruption, and conflicts of interest. DG BUDG cooperated with all DGs within the planning phase of the **ARACHNE Corporate scoring tool** project to integrate business needs, exploring various technical options and defining the solution scope.

SO4-- Ensure a seamless digital landscape.

DG BUDG continued its efforts to enhance its IT portfolio while optimising the interoperability of its systems. Although more time was required for integrating SUMMA with key local financial tools, DG BUDG continued to search for synergies. In that sense, it proposed developing the new system **RESPOND**, based on the same platform as **CENTRICS**, in view of a more effective follow-up of external audit recommendations. This decision was also influenced by user feedback, suggesting a solution aligned with the technology of the existing CENTRICS system. This approach not only adhered to the Commission's "Dual Pillar Approach", but also received positive feedback from the business stakeholders.

SUMMA

Following an overall readiness assessment that highlighted the need for more time to complete the integrations of several corporate and local systems with SUMMA, the new financial system of the Commission, in July 2023 the SUMMA Supervisory Board decided to postpone the date on which **SUMMA will go live in the Commission to January 2025**.

DG BUDG continued to implement **SUMMA, the new financial system of the Commission**. Nevertheless, major steps were taken in 2023. SUMMA went live in a pilot integrating with eGrants in the Clean Aviation Joint Undertaking and additional specific functionalities for the Commission's release have been added in the course of 2023. SUMMA Budget Planning module went live in July 2023. The SUMMA core solution for the Commission was tested in 2023 and released into production to be used by pilot agencies in January 2024. SUMMA for the Financial Asset and Debt Management in DG BUDG also went live in January 2024.

Other IT Systems

In 2023, DG BUDG implemented the "**Pillar Assessment Automated Workflow**" tool to manage the database of entities authorized to work under indirect management and subjected to pillar assessments. This tool facilitated direct management of pillar assessment data with a consolidated view and

implemented workflow. **Arachne corporate project**, mentioned above, has started. Furthermore, the **IT project supporting NGEU activities** was expanded to encompass all EU funding-related tasks and risk management, incorporating the entire Financial Asset and Debt Management domain.

Data governance for DG BUDG key data assets in datawarehouse

Throughout 2023, efforts continued in achieving **full implementation of corporate principles for data governance** across key data assets for DG BUDG, with particular emphasis on SUMMA as the Directorate-General's primary IT system, as well as across all other DG BUDG systems. The data design for the forthcoming financial IT-system SUMMA was crafted in view of rationalising data and creating transversal dimensions for key data. This design will allow developing report that integrate data from several SUMMA modules. It will enable DG BUDG to **automate and report on a regular basis** on topics like projected error rates, MFF programs and their performance and operational work program implementation. The simplified design opens the door to develop reports combining central data from SUMMA and data from integrated local systems for a coherent financial and operational insight.

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.

DG BUDG intensified its efforts in the field of **cybersecurity awareness** among its staff members and the implementation of IT security standards. The percentage of BUDG Information Systems with a security plan has considerably increased. **Multiple cybersecurity trainings and awareness-raising sessions** both at the corporate level or specific to DG BUDG have brought positive results in DG BUDG staff being able to score well in the corporate phishing testing events.

Knowledge management and collaborative tools in DG BUDG

The preparation for the **migration of BUDGpedia** (BUDG's knowledge management system) and BUDG collaborative spaces to a new tool based on SharePoint On-line has only started by the end of the year when a technical solution was found for access of EU institutions, bodies and agencies to the Commission's Microsoft 365 tenant, which was key for BUDGpedia migration to the new platform.

Knowledge sharing, efficient data management, dissemination and exchange of information is a key pillar of a supportive, stimulating and challenging working environment at DG BUDG. Detailed information on corporate knowledge sharing via **BUDGpedia**, financial helpdesk and training, and monthly financial flash report, that serves also DG BUDG members, can be found in part 1 under objective 7.1. 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

In 2023, the Directorate-General prioritised the **revision of DG BUDG's filing system** and enhancing filing rates. At the start of the year, the Document Management Office (DMO) team ensured smooth transitions for DG and assistants' teams regarding access rights and support. Additionally, they provided coaching to DG BUDG's document management correspondents. On the policy front, the DMO engaged in discussions with DG BUDG IT teams and the Secretariat-General's e-Domec team regarding the **integration requirements and methods** for various IT systems (such as SUMMA, CASE@EU, EDES, ARACHNE, RESPOND) into Hermes-Ares-NomCom (HAN).

In the field of **data protection**, DG BUDG continued to ensure thorough documentation and update of processing operations concerning personal data in the respective records. The Directorate-General also continued to spearhead efforts regarding corporate records related **to clauses in framework and specific contract models**. Concurrently, it ensured timely replies to data subject requests. Concerning **DG-wide awareness activities**, these persisted through various channels, including targeted articles in BUDG Times, offering tips and tricks for maintaining compliance with Regulation 2018/1725 in daily operations. Trainings initially planned were rescheduled for the beginning of 2024. However, ongoing support and personalized guidance were readily available to BUDG staff upon request.

3.3. Sound environmental management

In 2023, DG BUDG continued **to promote and implement the Commission's corporate environmental and EMAS initiatives** at the local level. Notably, the EMAS team within DG BUDG expanded by two additional members during the year.

Various activities focusing on waste reduction, paper conservation, energy efficiency, and minimizing food waste were organized and promoted. These initiatives included a **photo contest** encouraging the use of personal mugs to reduce paper cup consumption, as well as **the publication and dissemination of articles** aimed at reducing food waste, all of which received positive feedback from the staff. Further actions will be required to encourage reduction in printing, which has increased following an increase of office presence.

Moreover, DG BUDG actively **promoted environmental awareness and green practices**. The Directorate-General also participated in the corporate campaign to encourage **cycling to the office** (VELOMAI), with strong support from management, resulting in 47 cyclists placing DG BUDG on 15th position (53 departments participated) in the 2023 edition. Additionally, an internal event was organized to raise staff awareness and encourage sustainable commuting practices.

Furthermore, DG BUDG contributed to the **Commission's energy-saving initiative** by closing the DG BUDG building in Brussels during the end-of-year period in 2023 and extending the closure for five days at the beginning of 2024.

In line with the **commitment to reducing emissions**, DG BUDG's mission operations underwent systematic verification to ensure their necessity. The DG did a close monitoring of participant numbers, with a strict cap of two participants except under exceptional circumstances, which had to be duly justified.

In 2023, DG BUDG upheld its dedication to emission reduction, as evidenced by emissions calculated under the Green Deal report, remaining significantly below the European Commission average, mirroring the success of the previous year. This steadfast adherence to environmental responsibility underscores our ongoing commitment to sustainability in all facets of our operations.

3.4. Examples of economy and efficiency

As the central financial service of the Commission, DG BUDG is committed to enhancing the economy and efficiency of the Commission's financial processes.

DG BUDG representatives to the Corporate Management Board, the Information Technology and Cybersecurity Board, the Information Management Steering Board and the Group of Resources Directors examined the projects presented to these bodies, from an economy and efficiency perspective, providing feedback and advice. Furthermore, DG BUDG actively promoted the use of AI within the Commission, **supported innovative use of collaborative tools** and encouraged cooperation aiming at reducing costs and avoiding duplications within the ARACHNE Corporate risk scoring tool project. Moreover, as part of the preparation process for the next MFF, DG BUDG initiated testing for the use of **Commission pilots of AI generative language model tools**, such as GPT@JRC.

In 2023, DG BUDG developed a **pilot project leveraging** information from the corporate GovIS2 project monitoring tool to control the implementation of the IT budget, leading to more efficient use of budgetary resources. This pilot served as a test for the new version of the Commission SUMMA Planning tool, which has been made available to the interested DGs as of July 2023 (1st version) and as of January 2024 (2nd enhanced version), enabling more detailed budget planning and implementation control.

The implementation of **the central account model** in **Central Treasury** has brought important operational efficiencies for the Commission and for Member States' Treasuries. Central Treasury keeps a cash buffer in central deposit accounts equivalent to the weekly payment needs used in the implementation of the budget, avoiding withdrawing, daily, the funds from own resources accounts.

This model has increased to Member States the **visibility and predictability of the flows** on their own resource's accounts, helping them in their cash management activities, simplifying and streamlining the operations by reducing a large amount of monthly flows. Compared to 2022, in 2023 the number of transfers from own resources accounts has been reduced by 58%, and the amount in the transfers from own resources accounts has been reduced by 43%. Moreover, the new operating model allows the Commission to deal with emergencies and urgent payments within the same day (for e.g., Ukraine payments) instead of the usual 3 days.