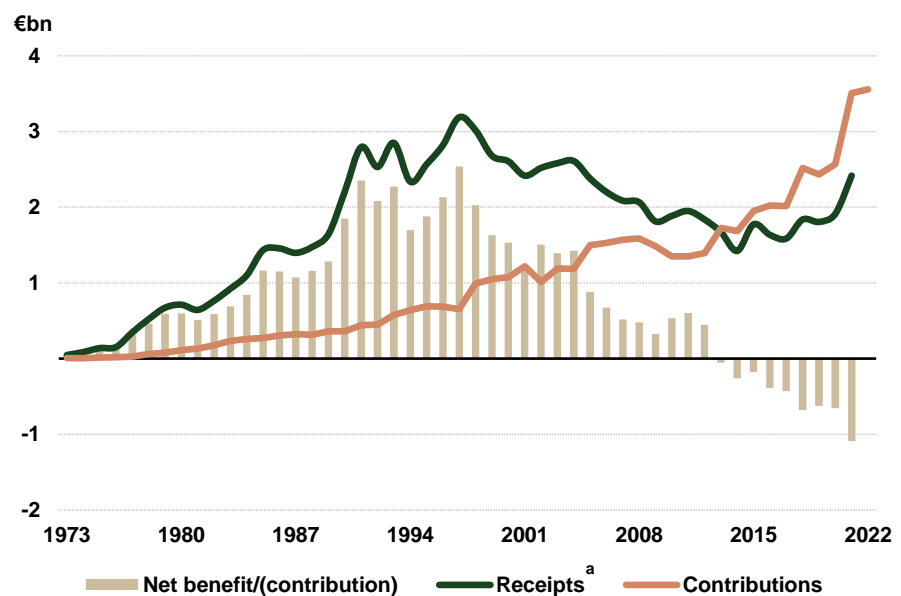


2 Reporting Ireland's EU transactions

- 2.1** Ireland's contribution to the European Union (EU) budget has increased considerably due to economic growth since the 2008 banking crisis, with Ireland becoming a net contributor since 2013 (see Figure 2.1). In 2022, Ireland contributed around €3.6 billion to the EU budget. The Department of Finance forecasts that Ireland's contribution will continue to rise year-on-year, reaching almost €4.5 billion by 2027.

Figure 2.1 Contributions and receipts to/from the EU budget 1973 – 2022



Source: Ireland: Budgetary Statistics 2021 (Department of Finance) and the Finance Accounts 2022

Note: a Figures for the 2022 receipts were not available at the time of publication.

- 2.2** The EU budget is approved annually within the terms of agreements known as Multiannual Financial Frameworks (MFF), typically covering a seven-year period.¹ The current MFF, agreed in July 2020, runs from 2021 to 2027 and has a total budget of around €1.211 trillion (in current prices).²
- 2.3** In response to the impacts of the Covid-19 pandemic, the EU also agreed a new recovery fund, referred to as NextGenerationEU (NGEU), with a budget of €807 billion (in current prices). The primary fund of the NGEU is the Recovery and Resilience Facility (RRF) comprising up to €338 billion in grants and €386 billion in loans.
- 2.4** A new €5 billion Brexit Adjustment Reserve (BAR) was also created to support member states most impacted by the UK's exit from the EU.
- 2.5** This examination was undertaken to review Ireland's contributions to and receipts from the EU budget; how receipts from the EU are accounted for in departments' annual appropriation accounts, and in the Department of Finance's annual Finance Accounts; and the assurance arrangements in place over EU funding.

1 Each MFF must be at least five years but typically it covers seven years. The European Commission proposes an annual budget within the limits set by the MFF to the European Council and European Parliament. The budget receives final approval when passed by the European Parliament.

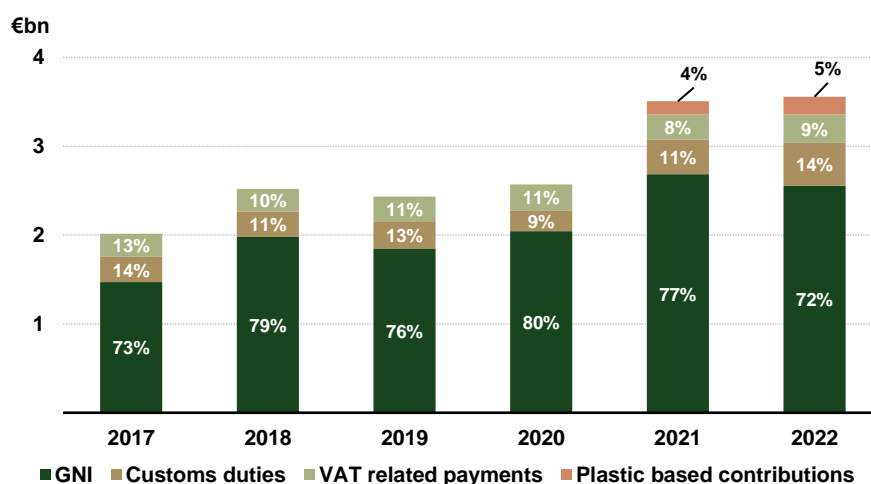
2 The original budget was framed on 2018 prices and set at €1.074 trillion. The difference stems from the annual adjustment for inflation. The *EU's 2021-2027 long-term budget and NextGenerationEU* report is available [here](#).

Ireland's contribution to the EU

2.6 Ireland contributed €3.6 billion to the EU budget in 2022 — €50 million or 1.4% more than in 2021 (see Figure 2.2).¹ The contribution comprises the following elements.

- GNI 'own resource' contribution (€2.6 billion) — based on the level of income as defined by gross national income (GNI) of a member state.²
- Traditional 'own resource' (TOR) contribution (€482 million) — based on customs duties collected by the Revenue Commissioners on imports from outside the EU, of which 75% is payable to the EU.
- VAT-based contribution (€323 million) — 0.3 per cent on Ireland's VAT base.³
- Non-recycled plastic packaging waste based contribution (€197 million) — since 2021, member states make a contribution based on a rate of €0.80 per kg of non-recycled plastic packaging waste.

Figure 2.2 Ireland's contribution to the EU budget, 2017 to 2022



¹ These figures exclude payments by Ireland arising from funding recovered by the EU and fines imposed by the EU.

² GNI own resource contribution is deemed the balancing element to ensure that all agreed expenditures in an EU annual budget are sufficiently covered by the total budget revenues. Depending on the total annual revenues required to finance expenditures, a uniform call rate is applied to each member state's GNI. The call rate varies from year to year.

³ VAT-based contributions are capped at 50% of the GNI of the member state.

⁴ Figures for the 2022 receipts were not available at the time of publication.

Source: Finance Accounts 2017 to 2022 (See Annex 2A)

Ireland's receipts from the EU

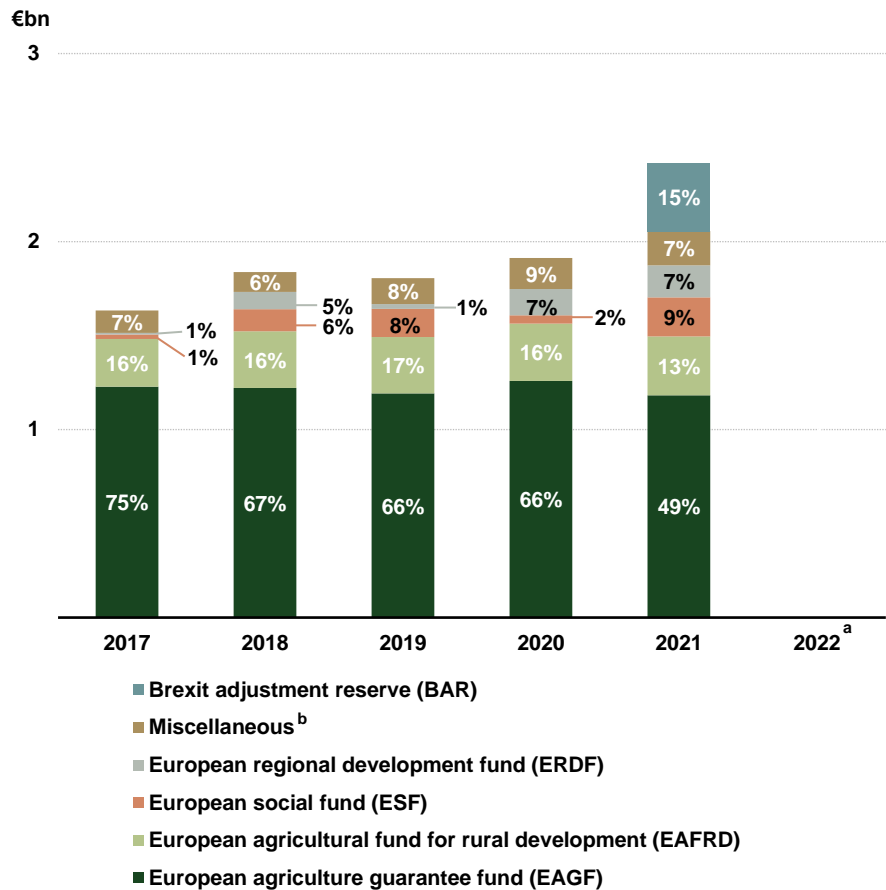
2.7 Budgetary statistics published by the Department of Finance show that Ireland received almost €2.5 billion from the EU in 2021 (see Figure 2.3).⁴ Most of the EU funding received was for agriculture and rural development.

2.8 While EU receipts have been trending upwards moderately since 2017, there was a larger increase between 2020 and 2021 — an increase of around 26% or €505 million. The majority of this increase relates to receipts from the BAR.

2.9 The Department of Public Expenditure, National Development Plan Delivery and Reform (DPENDPDR) noted that following the introduction of the BAR Regulation in October 2021, specific funding of €389 million was provided in Budgets 2022 and 2023 across a number of sectors. Almost 70% of this funding (€271 million) was allocated to the Department of Agriculture, Food and the Marine for various grant aid programmes.

- 2.10** The Department of Further and Higher Education, Research, Innovation and Science also received a significant funding allocation (€37.3 million) from the BAR which included, for example, funding towards training and reskilling for businesses or individuals impacted by Brexit.
- 2.11** DPENDPDR also stated that it is currently carrying out a review of Brexit-related spending over the eligibility period for possible inclusion in Ireland's BAR claim to the EU Commission in September 2024. This involves engaging with departments on Brexit spending outside of that allocated under Budgets 2022 and 2023, and to date a figure of approximately €0.7 billion has been identified in this regard. It further noted that the Department of Agriculture, Food and the Marine, the Department of Enterprise, Trade and Employment and the Revenue Commissioners are likely to account for a significant amount of that €0.7 billion figure. This identification work is ongoing and will continue into 2024. The final claim will be submitted in September 2024.

Figure 2.3 Sources of Ireland's receipts from the EU budget, 2017 to 2021



Source: Ireland: Budgetary Statistics 2021 (December 2022), Department of Finance

Notes: a Figures for the 2022 receipts were not available at the time of publication.

b For 2021, miscellaneous included €68 million for rural community and development-related programmes, €39 million for education-related programmes, €8 million for the Asylum, Migration and Integration Fund and €4 million for agriculture-related programmes.

Accounting for Ireland's transactions with the EU

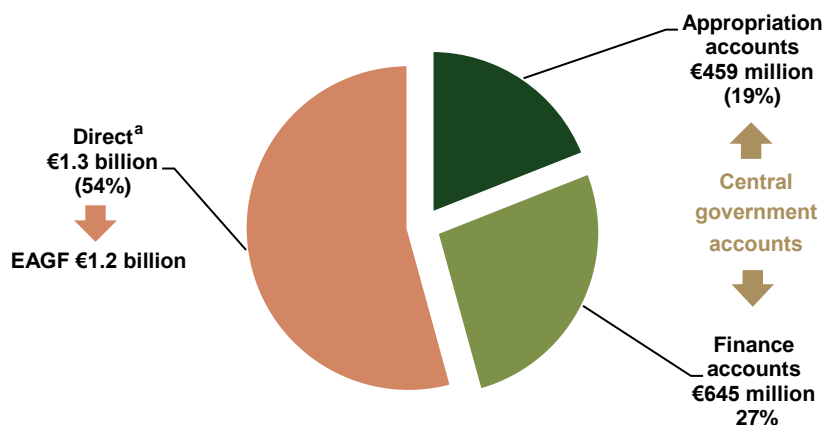
- 2.12** Information on Ireland's net financial position with the EU is not readily available as Ireland's transactions with the EU are not recorded in a single set of financial statements. In early 2020, the Department of Finance committed to publish an annual report, presenting a consolidated view of the financial transactions between Ireland and the EU.^{1,2}
- 2.13** However, there has been a time lag in reporting by the Department of Finance. The Department published the first report, on 2018 transactions, in September 2020, and annual reports for 2019 and 2020 in June 2022 and October 2022 respectively.³ The Department has stated that the annual report for 2021 will be published in Q3 2023, and that the next report will not be available until 2024 because Ireland's EU budget receipts for 2022 will not be confirmed until the end of 2023.
- 2.14** The Department of Finance's reports for 2018 – 2020 presented information on receipts and contributions during the respective years, but did not include information relating to end-year balances, any disallowances or fines incurred, or estimated long-term commitments.
- 2.15** Contributions to the EU budget are managed by the Department of Finance and are fully accounted for in the Finance Accounts. Receipts from the EU budget are managed and recorded by various government departments and public bodies. Less than half of the funds received from the EU in 2021 were accounted for through central government accounts that are presented to the Oireachtas (see Figure 2.4).

1 This commitment was in response to a recommendation in the Comptroller and Auditor General's special report 105: Ireland's transactions with the EU in 2017. The report can be found [here](#).

2 This replaced a composite annual account of the Irish operations of the EAGF, the EAFRD and the EMFF, produced under a formal agreement between DPENDPDR, the Department of Agriculture, Food and the Marine and the Department of Rural and Community Development. This report was originally produced in response to a request from the Committee of Public Accounts.

3 The 2020 report can be found [here](#).

Figure 2.4 Accounting for EU receipts, 2021



Source: Appropriation accounts for year end 31 December 2021 and the Finance Accounts for year end 31 December 2021 and Ireland: Budgetary Statistics 2021 (December 2022), Department of Finance

Note: a Direct refers to EU receipts paid directly to beneficiaries. For example, in the case of the EAGF, the receipts are paid directly to farmers.

Appropriation accounts

- 2.16** Almost a fifth (€459 million) of receipts from the EU were accounted for as appropriations-in-aid in the 2021 appropriation accounts. The requirement to include information on the application of EU receipts in the appropriation accounts was introduced in 1992 for funding received from the ERDF and the ESF.¹ This was revised for the 1995 appropriation accounts to include information about any EU fund income brought to account.² Since then, there have been no significant changes to the reporting requirements for EU funding in the appropriation accounts.
- 2.17** The current disclosures in appropriation accounts in relation to EU funding provide a limited amount of detail. This makes it difficult for users of those accounts — including members of the Oireachtas — to assess the performance of a central government department or office in managing any EU funding it receives, or in drawing down funds to which it has access. For example, the current format does not require the presentation of the following kinds of information.
- **Total amount allocated to the State with respect to the fund.** The EU budget sets out 'commitment appropriations' — the maximum annual amount the EU can spend on a specific heading. These allocations run through the lifetime of the MFF. The appropriation accounts do not show the total budget available to Ireland, or the proportion of this that has been successfully drawn down to date, or against a funding plan or profile.
 - **Financial corrections in the period.** The appropriation accounts provide no information on the various financial corrections made to a department's EU claims (such as the recovery of funds by the EU, the withdrawal of ineligible claims or decommitments).
 - **Fines in the period.** The appropriation accounts are not required to provide information on EU fines incurred by departments for the infringements of EU rules.
- 2.18** A total of 18 government departments and offices disclosed some level of EU funding in their 2022 appropriation accounts, with varying levels of disclosure. In the absence of definitive guidance, accounting officers have extensive scope over what additional information is presented in appropriation accounts. This has led to inconsistent presentation across votes, and limits assessments of performance in funding management over time and between vote areas.
- 2.19** A significant amount of information about EU transactions flowing through votes is provided in the appropriation accounts for Vote 30 Agriculture, Food and the Marine, Vote 26 Education and Vote 45 Further and Higher Education, Research, Innovation and Science. In the case of the vote for Agriculture, Food and the Marine, summary information is also provided in the appropriation account in respect of the amount spent on direct payments to farmers, which the Department manages on behalf of the EU Commission.

¹ Department of Finance Circular 18/92 *Information in the Appropriation Accounts and Estimates*.

² Department of Finance Circular 1/96 *Appropriation Account requirements for 1995 and related issues*.

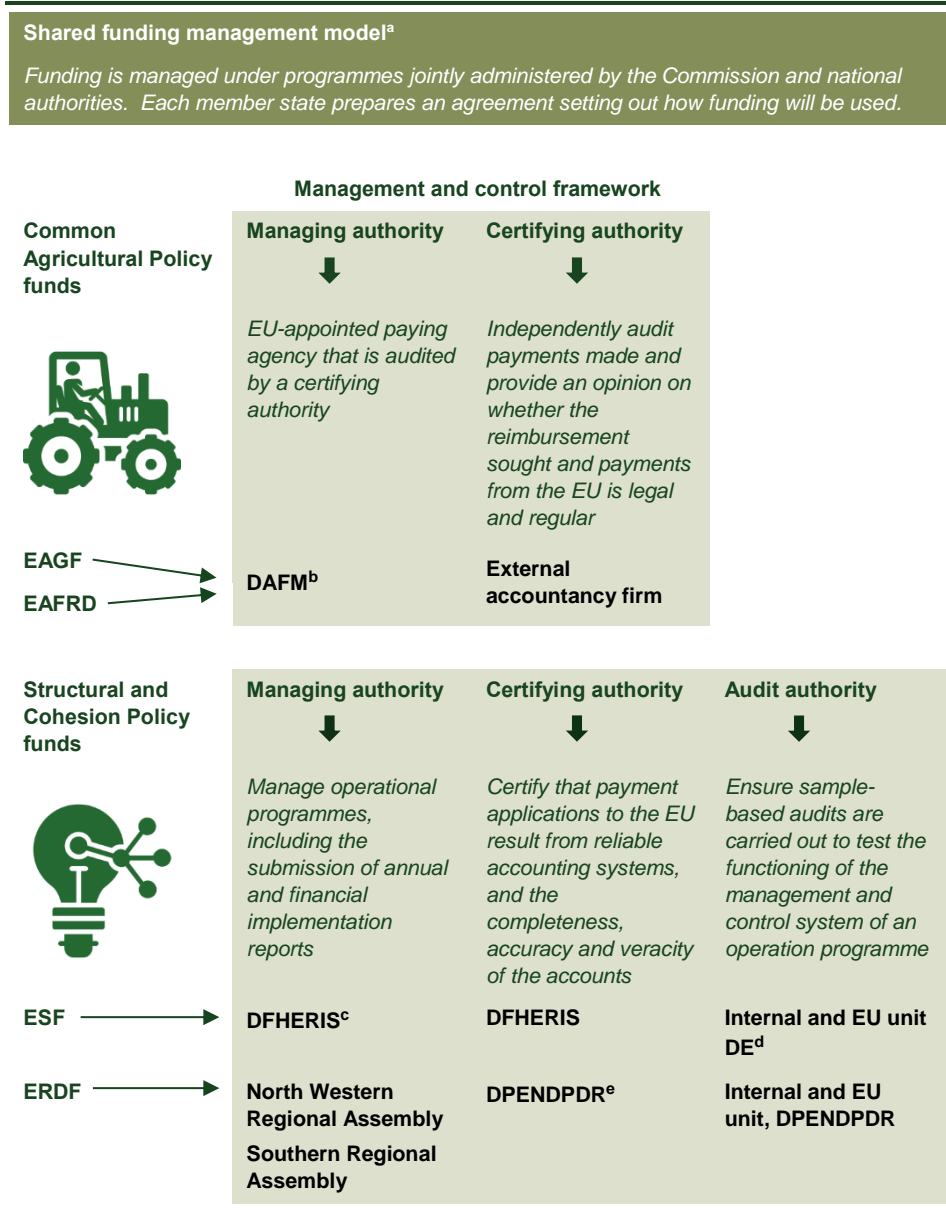
Financial corrections

- 2.20** Financial corrections are used to correct errors and irregularities in EU expenditure. They are made by the Commission in order to exclude expenditure that is not in accordance with the rules and regulations. For some claims, alternative expenditure may be allowed to replace the excluded expenditure, resulting in no reduction in the overall EU receipt.
- 2.21** Financial corrections can result from controls and audits at any level of the control system in member states or from audits by the Commission, ECA or OLAF investigations. For example
- DPENDPDR has stated that, in the last five years, it declared expenditure totalling almost €30 million in respect of the ERDF that was subsequently withdrawn and was replaced with other eligible expenditure resulting in no reduction in receipts from the ERDF.
 - As reported in the Department of Agriculture, Food and the Marine's appropriation accounts, the European Commission has recovered EU funding totalling almost €22 million in respect of Common Agricultural Policy funds in the last six years.

Assurance over the regularity of EU funds

- 2.22** EU funds are administered under a funding management and control framework with the majority of Ireland's receipts from the EU being managed under the shared management model (see Figure 2.5). This sets out the roles of the respective parties involved in management and oversight of the expenditure.
- 2.23** There are also further structures in place to provide assurance on the use of EU funds. This assurance is provided by the
- Comptroller and Auditor General
 - European Court of Auditors (ECA)
 - European Commission (the Commission)
 - European Anti-Fraud Office (OLAF).
- 2.24** Annex 2B provides further information on the respective roles and responsibilities for these institutions and offices.

Figure 2.5 Management and control framework — shared management model



Source: Office of the Comptroller and Auditor General

- Notes:
- a The EU also operates two other funding management models.
 Direct management model — The Commission implements all budget tasks. This is performed by a department in EU headquarters, an EU delegation or an EU executive agency. The Commission, EU delegations or executive agencies are the contracting authority and take decisions on behalf of partner countries.
 Indirect management model — Budget implementation is entrusted to national authorities (inside or outside the EU), international organisations or member state development agencies. This is performed by the department in EU headquarters, an EU delegation or an EU executive agency.
 - b DAFM = Department of Agriculture, Food and the Marine.
 - c DFHERIS = Department of Further and Higher Education, Research, Innovation and Science.
 - d DE = Department of Education.
 - e DPENDPDR = Department of Public Expenditure, National Development Plan Delivery and Reform.

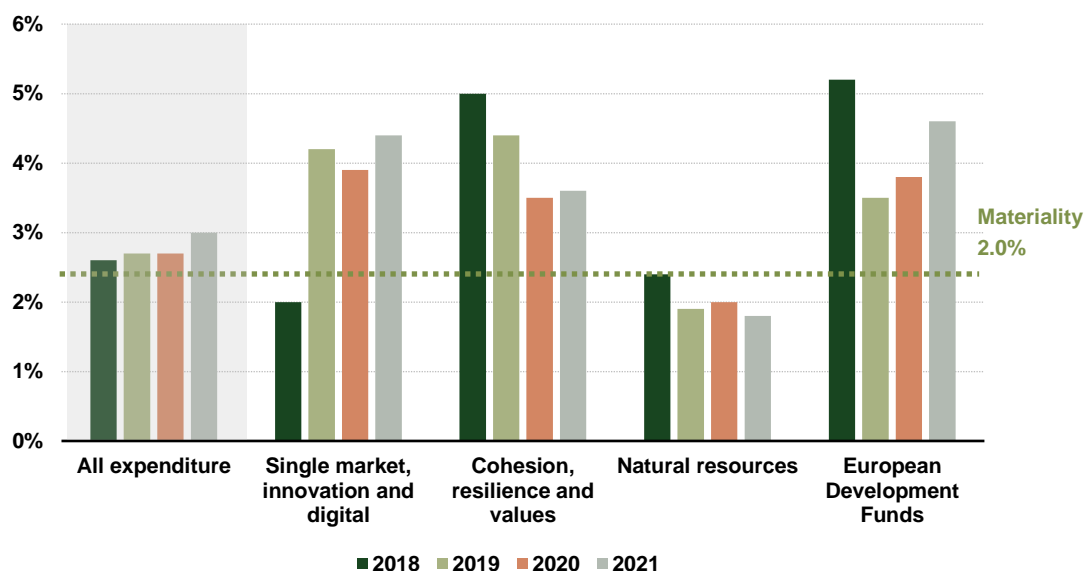
European Court of Auditors annual report

- 2.25** The ECA's audit of the consolidated accounts of the EU for the financial year ended 31 December 2021 found that a substantial proportion of the EU's budget expenditure was materially affected by error.¹ The overall estimated level of error has increased from 2.6% in 2018 to 3% in 2021 (see Figure 2.6). The error rate was significantly higher in some programme areas than in others.

Figure 2.6 Regularity of transactions, in EU programme areas, 2018 to 2021^a

Extract from ECA audit opinion

Our overall estimated level of error for budget expenditure accepted in the accounts for the year ended 31 December 2021 is 3.0%. A substantial proportion of this expenditure is materially affected by error. This mainly concerns reimbursement-based expenditure, in which the estimated level of error is 4.7%. Such expenditure increased to €90.1 billion in 2021, representing 63.2% of our audit population. The effects of the errors we found are therefore both material and pervasive to the year's accepted expenditure.



Source: European Court of Auditors Annual Reports 2018 to 2021

Note: a The figure for 'All expenditure' also includes three EU budget headings: 'Migration and Border Management', 'Security and Defence', and 'Neighbourhood and the World' for which separate levels of error could not be determined due to limitations on sample size. Another heading 'European Public Administration' is excluded as this was found to be free from material error.

Recovery and Resilience Facility (RRF)

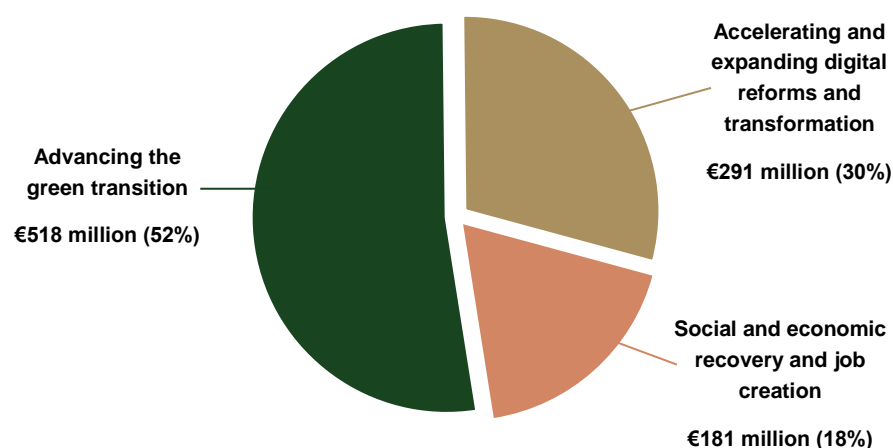
- 2.26** The Recovery and Resilience Facility (RRF) provides financial support to member states to accelerate economic recovery from the impact of the pandemic and to make member states more resilient.² DPENDPDR is responsible for its implementation in Ireland.
- 2.27** The RRF follows a different funding model to other EU programmes. The fund is performance-based which means that the Commission only pays out amounts to each member state when they have achieved the agreed milestones and targets included in their plan.

¹ The European Court of Auditors Annual Report for the 2021 financial year can be found [here](#).

² The RRF was established by Regulation (EU) 2021/241 which came into force on 19 February 2021.

- 2.28** Overall, funds are available to member states under the RRF in the form of loans and/or grants, over two tranches. In Ireland's case, only grant funding has been requested. Under the first tranche, Ireland was allocated grant funding totalling €915 million. Allocation of the second tranche was related to the Covid-19 impact on member states' economic growth. Because Ireland's economy was more resilient during Covid-19 than other member states, no further grant allocation has been made to Ireland under the RRF.
- 2.29** In order to access RRF funding, member states were required to prepare a National Recovery and Resilience Plan (NRRP), setting out a programme of investments and reforms that are planned for delivery. Ireland's NRRP was approved by the EU in September 2021.¹ All investments and reforms planned under the RRF must be completed by August 2026.
- 2.30** Ireland's NRRP was developed taking into account the requirements for the RRF for
- a minimum of 37% of expenditure to be on climate and 20% on digital investments and reforms
 - the need to address investment and reform challenges identified in relevant 'country specific recommendations' addressed to Ireland by the EU in recent years
 - the importance of alignment with national economic and investment plans.
- 2.31** Ireland's NRRP comprises 16 investments and nine reform commitments, to a total value of just under €1 billion, to be supported both by grants from the RRF and national funds (see Figure 2.7). The drawdown of funding from the RRF is contingent on Ireland achieving 109 associated milestones and targets.²

Figure 2.7 Ireland's National Recovery and Resilience Plan priorities^a



¹ Ireland's Recovery and Resilience Plan, 2021 can be found [here](#).

² Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Ireland.

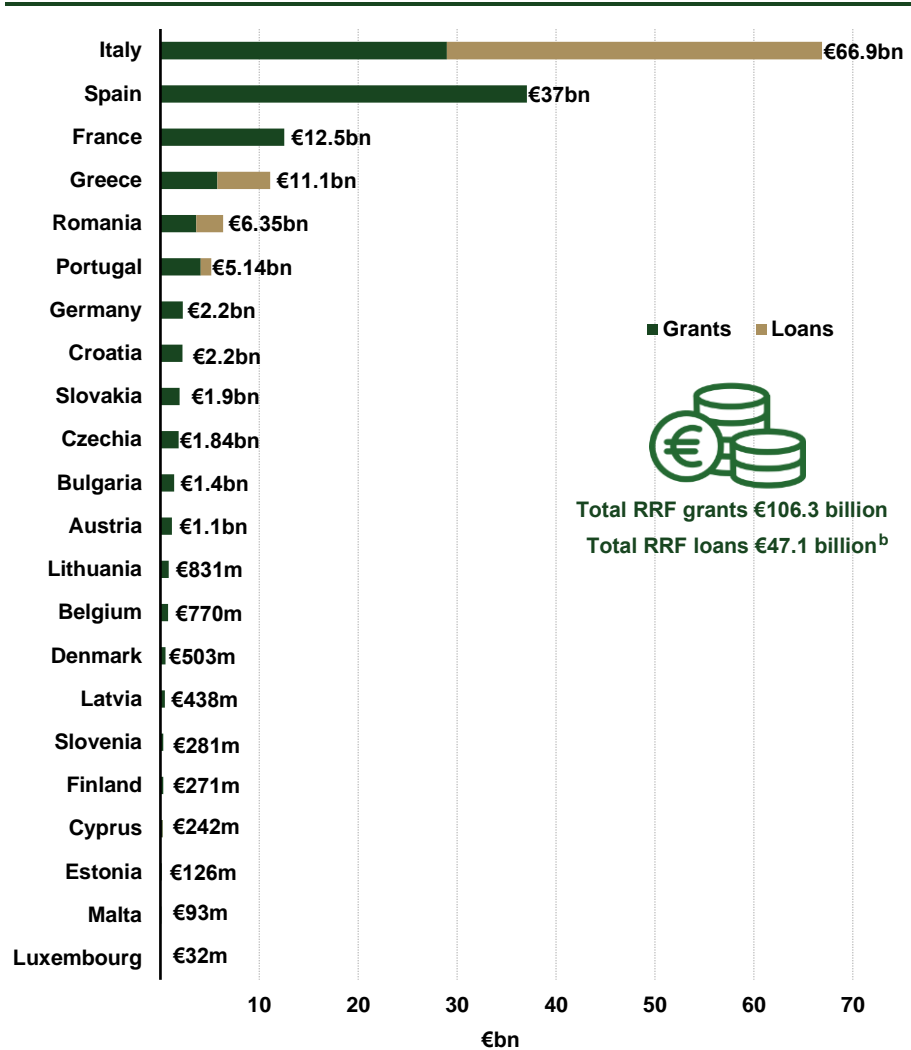
Source: Ireland's National Recovery and Resilience Plan, Department of Public Expenditure, National Development Plan Delivery and Reform. Any apparent differences in totals are due to rounding.

Note: a Ireland's original allocation under the RRF was €989 million, made up of the first tranche of €915 million and a second tranche of €74 million. As Ireland's economic performance in 2020 and 2021 was better than anticipated, no funding will be received under the second tranche, reducing the total allocation to €915 million.

2.32 As of July 2023, a total of €153.4 billion, or 21% of the total allocation (€724 billion), had been disbursed under the RRF (see Figure 2.8). Ireland was one of only five member states that had yet to submit a payment claim for RRF funding.

2.33 RRF projects are funded through voted issues from the Exchequer, and subsequently recouped from the EU after the required milestones and targets have been achieved and verified. DPENDPDR has stated that on 7 September 2023, Ireland submitted its first payment request for €324 million relating to achievement of 41 of the 109 milestones and targets under Ireland’s NRRP. On receipt, RRF funds will be paid into the Central Fund of the Exchequer.

Figure 2.8 Aggregate RRF disbursements, by member state, at 19 July 2023^a



Source: European Commission Recovery and Resilience Scoreboard. Any apparent differences in totals are due to rounding.

Notes: a Member states yet to submit a payment claim are Ireland, Hungary, the Netherlands, Poland and Sweden.

b The total amount of loans given to each member state is determined by the assessment of its loan request and cannot exceed 6.8% of its 2019 GNI.

European Court of Auditors concerns around control of the RRF

- 2.34** The ECA's audit of the consolidated accounts of the EU for the financial year ended 31 December 2021 (reported upon in October 2022) covered the RRF for the first time, and found that the RRF expenditure incurred in the year of account was legal and regular in all respects.
- 2.35** However, in a March 2023 report on the design of the Commission's control system for the RRF, the ECA concluded that there is an assurance and accountability gap at EU level in the design of the new delivery model, despite the extensive control activity being planned. For instance, non-compliance with procurement, state aid and eligibility rules constitute significant risks but compliance with such rules is not covered by the Commission's systems audits, with little guidance provided to member states in this regard (see Figure 2.9).¹

Figure 2.9 European Court of Auditors special report on RRF control system (March 2023): key findings and recommendations

- The Commission has designed a control system that provides for an extensive process for verifying the fulfilment of milestones and targets. However, the control system provides only limited verified information at EU level that RRF-funded investment projects comply with EU and national rules, impacting the assurance the Commission can provide and results in an EU-level accountability gap.
- The ECA found the control procedures around fulfilment of milestones and targets to be extensive. Ex-ante checks for the preliminary assessment are complemented by additional on-the-spot audits. However, the various stages in the preliminary assessment were insufficiently specified and not fully documented.
- There is no method in place yet on how to quantify the impact of not fulfilling a milestone or target, and no guidance addressing the risk associated with not identifying the reversal of a measure for which a milestone or target was previously fulfilled.
- The Commission has planned systems audits in each member state that will focus on member states' control systems relating to fraud, corruption, conflicts of interests and double funding. However, they will not cover whether member states adequately check the compliance of RRF-funded investment projects with EU and national rules. As a consequence, there is limited verified information at EU level on RRF-funded investment projects' compliance with these rules. The lack of such verified information impacts the assurance that the Commission can provide in this regard.
- The responsibility that the Commission has assumed in terms of protecting the financial interests of the Union does not go beyond ensuring that the Commission recovers any amount due in the event of fraud, corruption and conflict of interest (where the member state failed to do so) or in the event of an established serious breach of the financing agreement.
- The Irregularity Management System does not contain centralised and standardised information on fraud related to the RRF and the different levels of flat rate corrections to be applied in the event of a deficiency in member states' control systems are insufficiently defined.

The ECA recommended that the Commission

- improve the procedures for ex-ante verifications
- draw up guidance on the reversal of a measure related to a previously fulfilled milestone or target
- address the EU-level assurance gap regarding the compliance of RRF-funded investment projects with EU and national rules
- align reporting on RRF-related fraud
- develop internal guidance regarding corrections, as provided for in the financing agreements.

¹ The ECA published a report in March 2023 relating to the Design of the Commission's control system for the RRF. A copy of the report can be found [here](#).

Conclusions and recommendations

- 2.36** Since 2013, Ireland has been a net contributor to the EU budget. Ireland's contribution in 2022 was €3.6 billion and is expected to rise to almost €4.5 billion by 2027. As a significant and increasing contributor to the EU budget, Ireland therefore has an increasing interest in ensuring that spending under the EU budget is properly controlled and is used to good effect.

Transparency of EU transactions

- 2.37** Information on Ireland's net financial position with the EU is not readily available as Ireland's transactions with the EU are not recorded anywhere in a single set of financial statements. While the Department of Finance committed to publishing an annual report presenting such information, there has been a significant time lag in its reporting. The latest available report (from October 2022) relates to the financial year 2020, and does not include all the information necessary to understand Ireland's overall financial position with the EU.

Recommendation 2.1

The Department of Finance should publish its annual report on Ireland's transactions with the EU in a more timely way.

Department of Finance Accounting Officer's response

Agreed.

The annual report on Ireland's transactions should be published in a more timely way.

Timeline for implementation

The Department commits to publishing the 2021 EU Transactions report in autumn 2023. Full data for 2022 EU receipts will only be available to the Department at the end of 2023. The Department commits to publishing the 2022 annual report no later than the second quarter of 2024 and to continue with publication of the report for the pre-preceding year in the second quarter of each year.

Recommendation 2.2

The annual report on Ireland's transactions should also be expanded to provide better information on Ireland's overall performance in managing EU funding e.g. end-of-year balances of claims submitted, funding recovered by the EU, fines and estimated long-term commitments.

Department of Finance Accounting Officer's response

Agreed.

The Department of Finance currently does not have access to information on end-of year balances of claims submitted, disallowances, fines and estimated long-term commitments. The Department is, however, open to examining how this information can be sourced and whether or not it would be feasible to include in future editions.

Timeline for implementation

The Department will revert to the Office of the Comptroller and Auditor General before the year end in relation to the feasibility of including the additional information contained in the recommendation in future editions of the report.

- 2.38** Ireland received almost €2.5 billion from the EU in 2021 with less than half of this accounted for through central government accounts.
- 2.39** EU receipts of almost €460 million were accounted for as appropriations-in-aid in the 2021 appropriation accounts. The related disclosures included in the accounts lack transparency and provide limited assurance on the management of EU funds by government departments and offices. For example, a user cannot see from those accounts the amounts that are available to the State in respect of particular EU funds; amounts drawn to date; claims submitted, paid and/or withdrawn during the period; or financial corrections and fines that arose during the period. Availability of this kind of information would facilitate the Department of Finance in improving the scope of its reporting on EU transactions.

View of the Department of Public Expenditure, National Development Plan Delivery and Reform

- 2.40** The Department of Public Expenditure, National Development Plan Delivery and Reform agrees that a more standardised approach to reporting on EU funding should be progressed in the interests of transparency. However, it is the view of the Department that the annual appropriation account published on or by 30 September each year for the preceding year is not the optimal reporting vehicle for this information relating to multiannual EU programmes.
- 2.41** The Department agrees that this information in relation to EU funding must be made more accessible to the public and the Oireachtas and will examine mechanisms to report information on the drawdown and recoupment of EU funds in a timelier, comprehensive and uniform manner.
- 2.42** In setting out this position, a key consideration is the Department's financial reporting reform programme currently underway. As part of these reforms the Department would like to see signed appropriation accounts submitted earlier to the Comptroller and Auditor General. The achievement of such an outcome requires detailed consideration of and consultation with stakeholders to examine how information such as that in relation to EU funding can best be reported, given its complexity arising from factors including the multiannual nature of the programmes, and the difference between accounting periods in which the expenditure is incurred, the claim submitted, and the funding received.

Drawdown of Recovery and Resilience Fund allocation

- 2.43** The EU's Recovery and Resilience Fund (RRF) of €724 billion was established to accelerate economic recovery arising from the impact of the Covid-19 pandemic and to enable member states to become more resilient in responding to major shocks. The RRF follows a very different funding model to traditional EU funding models, with the Commission only disbursing funds from the RRF to a country when agreed milestones and targets have been achieved. All investments and reforms planned under the RRF must be completed by August 2026.
- 2.44** Ireland's plan setting out projects and milestones for RRF funding was approved by the EU in September 2021. In response to the plan, Ireland was allocated grant funding of €915 million. As of July 2023, Ireland was one of only five member states that had yet to submit an RRF payment claim. At that stage, 21% of the total RRF budget had been disbursed.
- 2.45** On 7 September 2023, DPENDPDR submitted its first payment request for €324 million under the RRF.

Annex 2A Adjustments to member contributions

Contribution ceiling

Contributions by member states cannot exceed a maximum rate of 1.4% of the total EU GNI. In order to finance the NextGenerationEU (NGEU) and the Recovery and Resilience Fund, the ceiling was temporarily increased in 2020 to 2%. The increase does not entail an increase in contribution to the EU budget, but functions as a joint guarantee for the issuance of the EU bonds to fund the NextGenerationEU. This will be reversed following the repayment of liabilities related to the NGEU.

Financial corrections

The GNI-based contribution is also subject to financial corrections agreed by the European Council. As Denmark and Ireland do not participate in certain justice and home affairs policies, their contribution is reduced in line with the 'JHA adjustment'. In 2022, Ireland's contribution was reduced by €22.5 million with respect to the JHA adjustment.

Annual lump sum reductions are provided to reduce the GNI contribution payable by certain member states. For example, lump sum corrections will reduce the GNI contribution paid by Denmark, Germany, the Netherlands, Austria and Sweden for the 2021 to 2027 period.

Balancing exercise

Forecasted or estimated annual contributions to the EU budget are regularly adjusted as updated data is provided or published by a wide variety of sources. In addition, annual balancing exercises are carried out in respect of GNI and VAT elements of the contributions. This involves retrospective comparison of the forecasts for GNI and VAT provided by the member states for the prior year with the outturn.

Ireland's monthly payments to the EU are based on a compromise figure agreed between the Department of Finance and the EU Commission, which is based on estimates prepared by both parties. The compromise figure usually falls somewhere in the middle of the two estimates.

The following year when the actual figures are available, a true-up calculation is prepared and amounts are paid to, or refunded from the EU.

Ireland's gross GNI and VAT contributions and adjustments for the period 2019 to 2022

Relevant year	Gross GNI and VAT contributions ^a	Subsequent year adjustment ^b	Percentage adjustment
	€m	€m	%
2019	1,992	(44.5)	(2.2)
2020	2,187	84.5	3.9
2021	2,740	185.7	6.8
2022	2,727	101.5	3.7

Source: Department of Finance

- Notes:
- a The amounts reflect gross GNI and VAT payments and exclude any other adjustments made relating to other member states.
 - b Adjustments can relate to more than one year and usually occur in June of the following year.

Annex 2B External assurance

Institutions and entities	Role and responsibilities
Office of the Comptroller and Auditor General (C&AG)	<p>Where a department or State body audited by the Comptroller and Auditor General accounts for EU funds or transactions in their financial statements, the receipt and application of EU funds are audited in the same way as other transactions by that body.</p> <p>Audit planning takes account of work done and concerns raised by others including the Commission, ECA, audit authorities, internal audit units and the certification body for agricultural supports.</p> <p>Audit work includes testing of compliance with national rules that have been transposed from EU directives and regulations.</p>
European Court of Auditors (ECA)	<p>The European Court of Auditors (ECA) is the Commission's external auditor. Its aim is to improve the way the Commission's finances are managed and to contribute to public accountability regarding the raising and spending of the EU budget through assurance and advice.</p> <p>It conducts its work through financial audits, compliance audits and performance audits.</p> <p>The ECA audits EU revenue and expenditure, reports findings and recommendations for EU institutions (such as the Commission) and member states, reports suspected fraud to OLAF and recommends how EU funds could be better managed.</p>
European Commission (EC)	<p>The European Commission is ultimately responsible for managing the EU budget. An Annual Activity Report is produced by each Commission department and includes a declaration of assurance, signed by the Director-General of the department, that the transactions of the department were legal and regular.</p> <p>The Commission operates a conformity clearance process to verify, primarily by means of on-the-spot inspections, whether the member states have made correct use of the funds and have functioning management and control systems capable of ensuring that payments to beneficiaries are regular.</p>
European Anti-Fraud Agency (OLAF)	<p>The European Anti-Fraud Office (OLAF) is an EU body mandated to detect, investigate and prevent fraud in relation to EU funds. It is independent and can investigate matters relating to EU income and expenditure.</p>

Source: Office of the Comptroller and Auditor General