

GENERAL MEETING

Annual Activity Report of the Audit Board for the 2018 financial year

For information

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1. INTRODUCTION

This report is prepared in accordance with the EIF Rules of Procedures and the EIF Audit Board Charter and provides an overview of the Audit Board's activities since the 2018 Annual General Meeting (AGM).

The Audit Board has also provided its opinion on the EIF financial statements for the financial year 2018 in a separate statement contained in the EIF's 2018 Annual Report.

2. RESPONSIBILITIES AND ACTIVITY

The Audit Board is one of the four statutory bodies of the European Investment Fund (EIF or Fund), and is the sole statutory controlling body of the Fund.

The **Statutes of the EIF** define the responsibilities of the Audit Board as follows:

Article 22

1. *The accounts of the Fund shall be audited annually by an Audit Board consisting of three auditors appointed by the General Meeting. The General Meeting may decide to increase the number of auditors to a maximum of five. Nominations shall be made in accordance with the terms laid down in the Rules of Procedure.*
2. *The members of the Audit Board shall act in accordance with the customary standards of their profession. The Audit Board shall confirm that the balance sheet and profit and loss account of the Fund give a true and fair view of the financial position of the Fund in respect of its assets and liabilities, and of the results of its operations for the financial year under review.*

Articles 17 and 18 of the EIF's **Rules of Procedure** elaborate further:

Article 17

The Audit Board, having satisfied itself that the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure, shall annually confirm that the balance sheet and profit and loss account contained in the annual report to be submitted by the Board of Directors to the General Meeting give a true and fair view of the financial position of the Fund as regards its assets and liabilities, and of the results of its operations for the financial year under review.

Article 18

1. *At the end of each financial year but not later than 1 March of the following year, the Audit Board shall receive copies of the draft annual report and the draft balance sheet and profit and loss account as well as any other document or information necessary or useful for the evaluation of the Fund's financial position or results. Within thirty days of receiving these documents, the Audit Board, having received assurance from the Chief Executive in particular concerning the effectiveness of the internal control systems, risk management and internal administration, shall forward to the Chairman of the General Meeting of the Fund a statement confirming that to the best of its knowledge and judgement:*
 - i. *the operations of the Fund have been carried out in compliance with the Statutes and the Rules of Procedure; and*
 - ii. *the balance sheet and profit and loss account give a true and fair view of the financial position of the Fund as regards its assets and liabilities and of the results of its operations.*
2. *Should the Audit Board consider that it is unable to deliver the foregoing, it must deliver to the Chairman of the General Meeting of the Fund within the same time limit a written statement setting out the reasons.*
3. *The Audit Board shall address to the General Meeting a report on the results of its work during the preceding financial year.*

4. *The Audit Board's statement and the report on the result of its work shall be annexed to the annual report submitted by the Board of Directors to the General Meeting.*
5. *The Audit Board shall hold a meeting at least once a year with the Board of Directors and the Chief Executive in order to discuss the results of its work during the preceding financial year as well as its work programme for the current financial year.*

To discharge these tasks, the Audit Board may have recourse to external auditors, which it designates after consultation with the Chief Executive and the Board of Directors (Rules of Procedure, article 19). It also relies on the work of Internal Audit, Risk Management and Compliance.

3. AUDIT BOARD MEMBERSHIP

On 11 April 2018, pursuant to article 20 of the Rules of Procedure, and on the basis of the nomination by the European Commission, the General Meeting approved the re-appointment of Mr. Rudi DRIES, Senior Expert – Methodology Team Leader, Directorate-General Internal Audit Service at the European Commission, as member of the Audit Board.

The other members are: Mr. Jacek DOMINIK, General Counsel at the Ministry of Finance of Poland, and Mr. Paolo Enrico PERNICE, Chief Financial Officer at Intesa Sanpaolo Bank Luxembourg. The alternate member is Mr. Laurentiu OLTEANU, Internal Auditor, Directorate-General Internal Audit Service of the European Commission.

Mr. PERNICE assumed the function of Chairman of the Audit Board as of the AGM in 2018, and his mandate concludes at the AGM in 2019.

4. AUDIT BOARD APPROACH

In order to comply with its aforementioned mandate, the Audit Board relies on the work it carried out in connection with the Audit Board meetings which took place between the last AGM, held on 11 April 2018, and 12 March 2019.

The Audit Board also bases its assessment on the following reports, assurance letters and presentations:

- The unqualified Audit Opinion and Management Letter on the EIF financial statements provided by **KPMG Luxembourg**, designated by the Audit Board as external auditor of the EIF to audit the annual financial statements.
- Quarterly reports provided by **Internal Audit** to the Audit Board, as well as the Internal Audit Annual Report. Additionally, Internal Audit provides the Audit Board with an assurance statement on the EIF's internal control system.
- **Executive Management's** written assurance on the adequacy, for the accounting year 2018, of the EIF's internal control system, which is included as part of the Internal Control Framework (ICF).
- The confirmation received from the **European Investment Bank (EIB)** that services carried out by the EIB on behalf of the EIF for the accounting year 2018 have been executed in line with the Treasury Management Agreement and the Service Level Agreement concluded between the EIF and the EIB.

Pursuant to article 18 of the Rules of Procedure, the Audit Board's formal assessment with respect to the operations of the EIF takes into account the work it has performed during the year, the aforementioned sources and also relies on:

- minutes of the meetings of the **Board of Directors** and of the **General Meeting**;
- the work carried out by the various **EIF functions** such as Risk Management, Compliance and Operational Risk; and
- the **Compliance** Annual Report 2018.

Throughout the year, the accounting judgements made by EIF Executive Management were reviewed and discussed by the Audit Board with EIF Executive Management and KPMG.

The Audit Board also reviewed the audit approach adopted by KPMG, in order to satisfy itself that it was appropriate.

The Audit Board received business updates on a regular basis from relevant EIF services, which provided valuable insight into the EIF's business environment.

Finally, through a self-assessment, which was concluded in June 2018, the Audit Board evaluated its performance for the year under review and can confirm that all responsibilities and tasks defined in the Audit Board Charter have been duly carried out.

5. REVIEW OF AUDIT WORK PERFORMED

5.1. Audit of the Annual Financial Statements

Under the mandate given by the Audit Board, KPMG has audited the 2018 financial statements of the EIF, which comprises the statement of financial position and the statement of comprehensive income as at 31 December 2018, the statement of changes in equity, the cash flow statement for 2018, and a summary of significant accounting policies and other explanatory information.

KPMG considers that the audit evidence they have obtained is sufficient and appropriate to provide a basis for their audit opinion. In their opinion, the financial statements give a true and fair view of the financial position of the EIF as at 31 December 2018 and of its financial performance and its cash flows for the financial year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

During the course of the year, the Audit Board held regular meetings with KPMG, receiving updates with regard to the audit approach, audit progress and developments, and the implementation of IFRS 9 with respect to financial instruments, and IFRS 15 with respect to the revenue recognition, leading to a number of accounting adjustments on the retained earnings. The Audit Board used these meetings to review KPMG's work and to satisfy itself that the audit approach was appropriate. In addition, a private session between the Audit Board and the KPMG partner in charge of the EIF audit took place. The Audit Board has been assured by KPMG that the audit process went as planned and with the full support of the relevant EIF staff. Furthermore, the Audit Board has noted that, for 2018, the required cooperation between KPMG and Internal Audit was efficient.

In February and March 2019, the Audit Board held discussions with KPMG on their Management Letter, for which the final version will be received prior to the AGM 2019. The Audit Board will closely monitor the implementation of the Management Letter recommendations.

The Audit Board has received confirmation from KPMG of its independence and that no non-audit related services, which could compromise such independence, were provided to the EIF.

The Audit Board is satisfied with the quality of the external audit work performed and has used the results of this work to formulate its own opinion.

5.2. Internal Audit

Internal audit services were outsourced to the EIB Internal Audit Department for the year 2018.

Based on a risk-assessment methodology, Internal Audit examines all of the EIF's activities in order to support the statement by Executive Management on the design and effectiveness of internal controls, risk management and administration. In December 2018, the Audit Board approved the Internal Audit plan for the period 2019–2020.

Internal Audit Reports and Assessment of Internal Audit Work

Internal Audit provided the Audit Board with audit reports in 2018 and up to the Audit Board meeting of 11 March 2019. The Internal Audit Annual Report was made available in February 2019 and has been taken into consideration in preparing the present report. It concluded that, based on the audit work performed, the controls in the audited areas, except for the matters described as Agreed Action Plans (hereinafter "AAPs"), were achieved and the related internal controls were adequately designed and operating effectively at the date of issuance of the respective Internal Audit reports.

The Audit Board noted the declaration of independence contained in the aforementioned annual report, as provided by the Head of Internal Audit, pursuant to the International Professional Practices Framework (issued by the Institute of Internal Auditors, Standard 1110 – "Organisational Independence").

In total, seven audit assignments were completed by Internal Audit in 2018, three of which were joint EIB Group audits, with the corresponding reports being finalised, received and discussed with the Audit Board during the year.

Six assignments, three of them being joint EIB Group audits, were on-going at 31 December 2018, with the reports being issued in Q1/Q2 2019. In addition, the Audit Board received progress reports on on-going assignments throughout the year.

The 2018-20 Internal Audit Plan, approved in December 2017, introduced a specific "EIB Group" section for the seven joint audits proposed for 2018. Furthermore, as part of the transition to a more sophisticated Group audit methodology, Internal Audit performed a high-level exercise to identify relevant Group audits for 2018 based on a pilot Audit Universe of the main transversal Group activities, processes and systems. In 2019, Internal Audit plans to review the entire Group Audit approach to provide a framework covering audit planning and execution methodology.

The Audit Board is satisfied with the quality of the audit work performed and the reporting received.

As required by the International Standards for the Professional Practice of Internal Auditing, the Internal Audit function undergoes an internal quality assurance review on an annual basis, and an external quality assurance review at least every five years. In Q4 2018, an internal Quality Assurance Review (QAR) was conducted by a Senior Internal Auditor. The overall conclusion was that the Internal Audit function operates professionally and "generally conforms" to the selected IIA Standards falling within the scope of the 2018 QAR. There are no standards to which Internal Audit "does not conform". Minor areas of improvement were identified in relation to the enhancement of internal audit working processes and tools.

The work carried out by Internal Audit on the EIF ICF is covered in section 6 of the present report.

Status Review of Audit Recommendations and AAPs

Recommendations from Internal Audit and from KPMG are recorded as AAPs, classified as "high", "medium" or "low" risk, and with target dates that are fixed in consultation with EIF Executive Management and other relevant EIF counterparts. The follow-up and monitoring of control issues and their corrective actions is a fundamental part of the audit cycle.

On the basis of quarterly Internal Audit updates, the Audit Board reviews the status of audit recommendations. A target of closing at least 60% of AAPs contained in Internal Audit reports issued in the previous two years has been adopted by EIF Executive Management. As at 31 December 2018, the Audit Board notes a closure rate of 80%, confirming the continued priority placed on the closure of AAPs by EIF Executive Management.

Overall, there were 21 outstanding AAPs at year end 2018 (2 high / 13 medium / 6 low risk). Of those 21 AAPs, nine are overdue, comprised of five medium risk and four low risk. The Audit Board will continue to monitor their implementation.

5.3. Investigations

On a quarterly basis, the EIB's Inspector General and the Head of Investigations report to the Audit Board on the status of Proactive Integrity Reviews and Investigations in cases including alleged prohibited conduct, with an assessment of the risks for the EIF.

5.4. Evaluations

In November 2018, the EIB's Operations Evaluation Division, under the responsibility of the Inspector General, presented the report, as published¹, on the Evaluation of the European Fund for Strategic investments (EFSI).

The evaluation focused on:

- Relevance of EFSI as an instrument to stimulate investment and increase access to finance of SMEs and Mid-caps in the EU.
- Effectiveness of EFSI in reaching its objectives, including the provision of additionality.
- Complementarity of EFSI with other EU instruments, coordination with National Promotional Banks (NPBs) and Pillars 2 and 3 of the Investment Plan for Europe.
- Efficiency of EFSI and the extent to which the EIB Group mobilised adequate resources to achieve EFSI's objectives.

The report concluded that EFSI was adequately designed to address a genuine need for increased access to financing towards SMEs and midcaps in the EU.

6. INTERNAL CONTROL FRAMEWORK AND OTHER ADDITIONAL ASSURANCES

6.1. Internal Control Framework (ICF)

The EIF maintains an ICF, which relies, in particular, on a risk control matrix outlining the main operational risks to which the EIF is exposed. On that basis, the EIF identifies and reviews the internal control processes implemented to ensure that risks are mitigated and/or minimised to an acceptable level. The preparation of the risk control matrix is integrated into the EIF Operational Risk Management Framework under the coordination of Corporate Risk Management.

¹ https://www.eib.org/attachments/ev/ev_report_evaluation_of_efs_en.pdf

In line with established practice, the Audit Board has sought and received assurances from the Chief Executive by way of a representation letter in relation to internal control processes. The Chief Executive has acknowledged his responsibility for establishing and maintaining an internal control structure covering the EIF's business activity, which provides reasonable assurance on an ongoing basis that:

- (i) key risks are properly identified,
- (ii) control objectives have been defined to ensure that significant risks are managed and that the EIF's business activities are carried out in compliance with the formalities and procedures laid down by the Statutes and the Rules of Procedure, and
- (iii) controls designed to achieve these objectives are in place and are, to the best of his/her knowledge, operating effectively.

The Audit Board has been assured in the aforementioned representation letter that the internal control structure, as described in the risk control matrix, is adequate to achieve these objectives and, to the best of the Chief Executive's knowledge, was in place and operated effectively during the year, except for matters described as agreed improvements in the matrix or in Internal Audit reports.

On 15 February 2019, Internal Audit provided an opinion on the ICF. This opinion concluded that, based on the audit work performed, the control objectives in the audited areas were achieved and the related internal controls were adequately designed and operating effectively at the date of issuance of the respective Internal Audit Reports. Internal Audit identified significant control deficiencies in relation to EIB Group entity-wide IT controls which also affect the EIF, for which remediation is ongoing as a result of the outcome of the Cyber Security and the Network Security / Intrusion Detection Group audits.

Internal Audit further confirmed that it considers the internal control system in the audited areas, as described in the ICF, to be designed and operating effectively, having regard to the nature and scale of the EIF's business.

Finally, on the basis of the audit work performed, and except for those points described as Agreed Action Plans throughout the ICF or in the Internal Audit reports and the qualification reported as part of the Review of the Independent Service Auditor's report, Internal Audit confirmed that nothing came to its attention that causes it to believe that the assertion of reasonable assurance over the design and effectiveness of the internal controls, the risk management and internal administration during the period from 1 January 2018 to 31 December 2018 is not fairly stated.

For 2018, the ICF was complemented with an independent opinion from Deloitte on the design and effectiveness of mandate-related processes, in line with the internationally recognised ISAE 3402 standard (type 2 report). In that context, in a letter dated 15 February 2019, the Audit Board has received assurance from Deloitte that, in their opinion, in all material respects, based on the criteria described in the EIF's assertion in the report, and throughout the period from 1 January 2018 to 31 December 2018: (i) the description fairly presents the system that was designed and implemented with respect to Mandate Management Services related to equity, guarantee, securitisation & microfinance transactions and related Finance activities; (ii) the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively and user entities applied the complementary user entity controls contemplated in the design of the service organisation's controls; and (iii) the controls tested operated effectively and, together with the complementary user entity controls, if suitably designed and operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved.

The ICF, the Internal Audit opinion on the ICF and the ISAE 3402 report form the basis for the confirmation by the Chief Executive to the Audit Board that the main risks have been identified and mitigated.

As foreseen in the Audit Board Charter, on a quarterly basis, the Audit Board obtained assurance about the effectiveness of the EIF's internal control and risk management, of its systems for monitoring compliance with relevant policies and procedures, as well as the measures taken by Executive Management as a result of its investigation of material incidents of non-compliance.

In addition, the Audit Board also formally assessed the effectiveness of the EIF's internal control and risk management systems. This annual review framework assessment process is based on the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the Financial Reporting Council.

6.2. Other Additional Assurances

A Treasury Management Agreement and a Service Level Agreement between the EIB and the EIF govern the provision of certain services, such as office rental and IT support, by the EIB to the EIF.

In two separate annual assurance letters, received for the respective agreements on 11 January 2019 and 15 February 2019, the EIB confirmed to the EIF that the defined services had been carried out appropriately on behalf of the EIF.

These letters support Executive Management's representation letter to the Audit Board.

7. RISK MANAGEMENT

7.1. Capital Management

During the reporting year, EIF Risk Management (RM) pursued its close monitoring of the capital situation in the EIF on the basis of the process and methodology developed since 2016. Through a range of capital optimisation measures, the EIF is able to maintain its economic capital at a stable stand-alone AA rating (S&P). This position allows a possible capital increase to be planned with a view to supporting further activities, which the EIF expects to pursue under the Multiannual Financial Framework, in the context of the EU budgetary period 2021-2027.

Following an earlier initiative of the EIF, S&P provided the EIB Group with clarification with respect to its risk weighting methodology for equity structures, based on the example of InnovFin Equity. This methodology is oriented towards the treatment of mutual funds and other collective investment undertakings. In particular, it recognises the full effect of a first loss risk coverage, which, in the case of InnovFin, assumes a 0% risk weight of the first loss piece and hence reduces the overall risk-adjusted capital ratio by the weighted first loss piece.

7.2. Operations Risk Management

A sustained high level of business volumes and a steadily increasing number of third party mandates provide the framework within which the Operations Risk Management Division is operating. Alongside this effort, key projects under the responsibility of the division were finalised and most notably, the timely move to the IFRS 9 reporting.

7.3. Best Practices Framework

During the reporting period, the EIF put in place an EIF Best Market Practices (BMP) Framework, which establishes a policy and procedural structure to identify and implement best market practices applicable to the EIF and its business activities as part of the Best Practices Action Plan.

It consists of the Best Market Practices – Guiding Principles, the Best Market Practices Handbook and the Organisational Framework of the identification of BMP applicable to the EIF. The Guiding Principles will be updated and re-submitted to the EIF's Board of Directors following the approval of the Guiding Principles for the EIB. A regular process for the assessment and monitoring of applicable Best Practices is intended to be implemented in Q1 2019.

A regulatory-watch committee, chaired by Risk Management, is central to this organisational framework, with the EIB's Office of the Chief Compliance Officer being an observing member. The proper implementation of relevant best practices is regularly controlled through the Compliance Surveillance Programme. Best practices identified as relevant to the EIB Group under the forthcoming EIB Best Banking Practice (BBP) assessment process, will be implemented correspondingly in the EIF. The EIF will have observer status in the EIB BBP assessment process.

7.4. Operational Risk Management within Corporate Risk Management

During the reporting period, the number of reported Operational Risk Events and Operational Risk Alerts on potential procedural failures has remained relatively stable (28 in 2017, 30 in 2018).

The Internal Control Framework was complemented with an independent opinion from Deloitte on the design and effectiveness of the key controls of mandate related processes under the internationally recognised ISAE 3402 standard (type 2 report), as presented in more detail in section 6.1. Together, the ICF and the independent ISAE 3402 report form the basis for the confirmation by the Chief Executive to the Audit Board, that the main risks have been identified and mitigated.

7.5. Systems

EIF RM has mandated an external consultant with an analysis of system needs for EIF Risk Management in line with market practice and regulatory requirements, in particular benchmarked against the Basel "Principles for Effective Risk Data Aggregation and Risk Reporting" (BCBS 239). The results of the consultant's report shall be integrated into the overall review of the EIF's systems, data architecture and data management, including with the perspective of EIB Group requirements (see section 7.6 below).

7.6. Group Relationship

During the reporting period, the co-operation between EIF RM and EIB RM towards an EIB Group wide risk perspective has further progressed. The audit of the Cyber Security Strategy of the EIB Group, conducted by Internal Audit, has led to a further strengthening of the second line of defence on information security in both institutions, including the establishment of Information Security Officers (ISOs) for both the EIB and the EIF, the latter with effect as of 1 January 2019.

Furthermore, a Group project was launched for the enhancement of intra-Group data reporting and data aggregation with a view to complying, at the Group level, with the requirements of BCBS 239.

7.7. Compliance

The AAPs resulting from the 2016 Internal Audit report on Compliance were closed during 2018, with the exception of four AAPs, none of which are classified as high-risk. All four outstanding AAPs are dependent on the finalisation of a harmonised Group policy framework, in line with best banking/market practices.

In March 2018, the signature of the "Framework of Cooperation" between the compliance functions of the EIF and the EIB formalised the framework for close collaboration across the EIB Group.

7.8. Data Protection

Data protection responsibilities have been consolidated under the EIF Data Protection Officer (DPO) appointed since 2017. All relevant notifications have been submitted in line with the agreement with the European Data Protection Supervisor (EDPS) and acknowledgement emails from the EDPS have been duly received.

Through discussions with the EDPS and within the network of EU DPOs, the DPO has pro-actively contributed to the implementation of a roadmap with a view to ensuring, demonstrating and verifying compliance with the new data protection regulation for EU institutions and bodies which came into force in December 2018 (Regulation EU 2018/1725). Such a roadmap has been agreed with the EIB DPO and presented to the EIB Group Information Security Committee in the course of 2018. In this context, the DPO can draw on expertise within Risk Management, and in particular on the process risk assessment in the ICF, not least as the aforementioned regulation requires a risk-based approach to data protection.

8. COOPERATION BETWEEN THE AUDIT BOARD AND THE EIB'S AUDIT COMMITTEE²

The Audit Board and the EIB's Audit Committee continued their constructive cooperation in 2018. Joint meetings took place in January, April and September, providing for a range of exchanges, including on the EIB Group consolidated financial statements, the assessment of joint internal audits and the discussion of areas of activity of relevance to both institutions. The Audit Board and the Audit Committee have continued to encourage the development of coherent strategies and policies across the EIB Group. Of particular interest in 2018 were Group-level discussions on risk management, cyber security and equity activities, as further detailed below.

With respect to risk management, the Audit Board and Audit Committee have actively supported the establishment of Group-level oversight for all risks at Group level, within a framework taking due account of the EIF's and the EIB's respective statutory requirements, accountability towards their own governing bodies, their respective business models, and their roles and responsibilities as parent-subsidiary and mandator-mandate manager. In this context, both the Audit Board and Audit Committee have also endorsed the continued development of a common data warehouse as well as the continued enhancement of group reporting, framed by the regulatory and supervisory context of Best Banking Practice, including the European Banking Authority guidelines (EBA-GL-2017-11) and other texts of similar relevance, and as referred to in section 7.6.

In terms of cyber security policy, the Audit Board and Audit Committee were pleased to note continued reinforcements of Group-level information security frameworks, including the development of an Information Security Steering Committee, for joint chairmanship by representatives of the EIB and the EIF, and the establishment of Information Security Officers in both institutions, as mentioned in section 7.6. Both audit bodies underlined the importance of further strengthening Group-wide information security measures and IT policies in order to reinforce IT-related operational resilience at Group level.

As concerns the range of equity activities which have been developed across the EIB Group, the Audit Board and Audit Committee have been strong advocates of presenting a coordinated and easily understood approach to the Group's deployment of different equity products, offering well defined market coverage and avoiding an overlap of product offerings between the EIB and the EIF. Both audit bodies share the position that the deployment of equity products should be based on clearly delineated roles and responsibilities within the Group.

² In accordance with the "Principles of Cooperation between the Audit Committee and the Audit Board" signed in April 2017.

9. EUROPEAN COURT OF AUDITORS

The EIF, the European Court of Auditors (ECA) and the European Commission are parties to the Tripartite Agreement governing the procedures for the audit by the ECA of the value of the European Union's subscription to the capital of the EIF.

In line with previous years, the Audit Board held an annual meeting with the ECA on 4 December 2018.

No audit in cooperation with the ECA was carried out under the Tripartite Agreement in the course of the year.

10. 2018 AREAS OF FOCUS - CONCLUSIONS

The following areas, which were identified by the Audit Board for a particular focus in 2018 have been successfully addressed during the year:

- the monitoring of the implementation of IFRS 9 and IFRS 15;
- the monitoring of the implementation of AAPs, with special attention given to the 2016 EIF Compliance audit AAPs;
- the implementation of ISAE 3402 reports has been monitored with satisfactory information provided and completion foreseen early 2019.

11. AUDIT BOARD CONFIRMATIONS FOR 2018

The Audit Board hereby confirms, on the basis of the audit work carried out, the unqualified audit opinion given by KPMG, the assurance statement provided by EIF Executive Management and the reporting received from the EIF's control functions, that to the best of its knowledge and judgement:

- the operations of the EIF have been carried out in compliance with the formalities and procedures laid down in the Statutes and the Rules of Procedure; and
- the financial statements of the EIF, which comprise the statement of financial position and the statement of comprehensive income as at 31 December 2018, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, give a true and fair view of the financial position of the EIF as regards to its assets and liabilities, and of the results of its operations for the financial year under review.

12. AREAS OF FOCUS FOR 2019

The Audit Board will have a particular focus on the following areas in 2019:

- oversee the formalisation of the Group level risk management framework;
- maintain the good communication and cooperation between the Audit Board and the EIB Audit Committee on matters of common interest;
- oversee the implementation of AAPs, including the closure of Cyber Security AAPs and the limited number of outstanding Compliance audit AAPs dependent on Group level frameworks;
- with respect to Group audits, monitor the establishment and implementation of EIF- and EIB-specific responsibilities and timelines per Group AAP;
- oversee a revision of the Group accounting policy in order to achieve, to the extent possible, a simplification and harmonisation of the EIF's and the EIB's respective accounting processes as concerns data of relevance to the Group consolidation process;
- continue monitoring the ISAE 3402 type 2 report, to be delivered on a yearly basis in order to maintain the standard;
- oversee the external auditor tender process.