

European Investment Fund  
Annual General Meeting 2009

Activity Report  
by the Chairman of the Audit Board,  
Mr. Tony Murphy

Mr President, members of the General Meeting,

## **Introduction**

The Audit Board is required to address a report to the General Meeting on the results of its work related to the preceding financial year. In this regard, I welcome the opportunity on behalf of the Audit Board to present to you today the fifth such Annual Activity Report.

Before considering directly the report, may I briefly recall that last year's Annual General Meeting considered the issue of the membership of the Audit Board and whether the current arrangement with 3 members is sufficient for the functioning of the Board. Based on the experience of the last 12 months the current members unanimously agree that it is sufficient provided there is a high participation rate by all members and would therefore propose to leave membership as it stands with three members.

In addition it should be noted that during 2008 the Audit Board requested that Articles 17 and 18 of the Rules of Procedure be amended to more accurately reflect its obligations under Article 22 of the Statute. This has been approved by you as shareholders by written procedure and we would like to thank all those involved in the process for their efforts to ensure that it was amended in time to allow us to issue a revised format statement on the 2008 Financial Statements.

Concerning the Activity report itself, I propose to make a brief overview as the detailed report has already been distributed to you in advance of today's meeting.

The report has been prepared during a period when the common theme for the Audit Board was one of change. These changes related to the:

- External environment in which the Fund is operating;
- Organisational structure and senior management of the EIF;
- Membership of the Audit Board with two of the three members for 2008 being new;
- Following an extensive tender procedure carried out in conjunction with the Audit Committee of the EIB, the appointment of a new external auditor with effect from the 2009 financial statements to maintain the group auditor arrangement.

## **Review of audit work**

As in previous years, the assurances expressed by the Audit Board on the financial statements and on the way the operations are carried in the Fund are based on its review and assessment of the audit work performed both by the external and internal auditors of EIF.

## External Auditors

As 2008 is the second year of audit by Ernst and Young they have built on their experience gained last year. As a result of their audit Ernst & Young have provided the Audit Board with an unqualified opinion on the financial statements of the EIF.

## Internal Audit

The Audit Board relies also to a large degree on the work carried out and the coverage provided by the Internal Audit function. In total three separate audit reports have been finalised by Internal Audit and have been received and discussed with the Audit Board in 2008 and up to March 2009. In addition a progress report has been provided on an ongoing assignment and periodical updates on progress with implementation by management of Agreed Action Plans (AAPs) for recommendations made.

From the review of the status of AAPs as at 31<sup>st</sup> December 2008 the Audit Board, and both the Internal and External Auditors acknowledges that the EIF Management has shown a clear initiative to implement AAPs, and is satisfied to see the progress made regarding the closure of high rated and overdue points.

On the basis of the audit work carried out and the unqualified opinion given by the External Auditor and the reporting received from Internal Audit and from other control functions the Audit Board has issued a positive statement on the financial statements of the EIF for 2008.

The Audit Board will follow with interest in 2009 the following issues:

- In 2007 the decision was taken to transfer responsibility for EIF Data Protection issues from EIB to the EIF itself. In this regard there are still a number of actions to be completed to ensure compliance with the relevant Regulation (45/2001);
- The continued prioritising of the implementation of Agreed Audit Action Points;
- Establish regular contact with the new Head of Risk Management;
- Efforts are being made to close an outstanding issue in connection with a portfolio guarantee provided on behalf of the European Commission, under a mandate granted to EIF. This issue is expected to be resolved, including any financial implication, in the course of 2009;
- The Inspector General reports regularly to the Audit Board on the status of investigations on cases of alleged fraud, misappropriations etc. As highlighted in the previous Audit Board report, allegations made by staff members have been forwarded to the appropriate authorities, in line with the rules and procedures in place. The results of this procedure have not been received as yet and will be considered when available;

On behalf of the Audit Board I would like to acknowledge our appreciation for the professionalism of the working relationship with the management and the various functions in the Fund.

Finally, on a personal basis as my mandate comes to an end, I would like to thank my fellow Audit Board members Gabriele Pantring and Ortwin Klapper and also to our assistant Sharon Lavan who facilitated the operational effectiveness of the Audit Board.

I thank you for your attention.