

GENERAL MEETING

Annual Activity Report of the EIF Audit Board
for the 2017 financial year

For information

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EXECUTIVE SUMMARY

MANDATE OF THE AUDIT BOARD

The Audit Board has the statutory responsibility (Article 22 of the Statutes) to confirm on an annual basis to the members of the General Meeting that the balance sheet and profit and loss account of the European Investment Fund ("EIF") give a true and fair view of the financial position of the EIF with respect to its assets and liabilities, and of the results of its operations for the financial year under review.

Furthermore, the Audit Board shall also confirm (Article 18 of the Rules of Procedure) that 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.

The Audit Board provides these confirmations to the best of its knowledge and judgement.

AUDIT BOARD APPROACH

In order to comply with its mandate, the Audit Board relies on the work carried out during the eight meetings held in 2017/2018 (since the AGM in April 2017 to date) and, in particular, on the following sources of assurance:

- KPMG, mandated and appointed by the Audit Board as external auditor to audit the financial statements of the EIF, has issued an unqualified audit opinion on the financial statements for 2017.
- The Internal Audit reports issued in 2017 and up to 12 March 2018, including the 2017 Internal Audit Annual Activity report.
- Executive management's assurance on the adequacy of the EIF's internal control system included as part of the Internal Control Framework ("ICF").
- Internal Audit's assurance on the EIF's internal control system.

The Internal Audit opinion concluded that, based on the audit work performed, the controls in the audited areas, except for the matters described as Agreed Action Plans ("AAPs"), were effective during the year. Internal Audit considers that, based on the actions undertaken by the EIF regarding the high and medium risk AAPs open at year end, the overall residual risk to the EIF is medium. Internal Audit has further confirmed that (i) it considers the ICF to be appropriate having regard to the nature and scale of the EIF's business and (ii) nothing came to its attention that causes it to believe that the assertion of reasonable assurance over the effectiveness of the EIF's internal controls during the year is not fairly stated.

- The confirmation received from the European Investment Bank ("EIB") that services carried out by the EIB on behalf of the EIF for 2017 have been executed in line with the Treasury Management Agreement and the Service Level Agreement concluded between the EIF and the EIB.

Concerning the Audit Board's confirmation with respect to the operations of the EIF, the Audit Board's formal assessment takes into account the work it has performed during the year, the aforementioned sources of assurance and also relies on:

- Minutes of the meetings of the Board of Directors and the General Meeting;
- The work carried out by the various EIF functions such as Risk Management, Compliance and Operational Risk; and
- The conclusion in the Compliance Annual Activity Report 2017.

Executive management targets the closing of at least 60% of AAPs contained in Internal Audit reports issued in the previous two years. The Audit Board notes that the actual closing rate was 76% as at 31 December 2017, confirming the continued priority placed on the closure of AAPs by executive management. There are 44 outstanding AAPs at year end, including 12 AAPs issued prior to 2017, mainly reported as part of the EIF Compliance function audit (issued on 21 December 2016), two of which were graded as high risk. The Audit Board recognises the progress made by Compliance in 2017 whereby 34 AAPs have been closed, and is well aware that the implementation of the two aforementioned high risks points is dependent on ongoing Group alignments.

A total of 65 new AAPs were issued in 2017, primarily in the EIF Strategic Planning and Analysis audit report (10 medium and 10 low risk) issued on 21 December 2017, and in the EIF Secretary and Corporate Matters audit report (5 high, 5 medium and 8 low risk) issued on 6 June 2017, for which only one low risk AAP remains to be implemented. The Audit Board will continue to monitor the implementation of the open AAPs, giving priority to the regular updates on Compliance and on the transfer of the EIF SWIFT account to the EIB's SWIFT Alliance Access System, as recommended in the corresponding Internal Audit report.

Throughout the year, in the course of its work, the accounting judgements made by executive management were reviewed and discussed by the Audit Board with executive management and KPMG. The Audit Board also reviewed the audit approach adopted by KPMG so as to satisfy itself that it was appropriate. The Audit Board also received regular business updates from executive management which provided valuable insight into the EIF's business environment.

Finally, the Audit Board evaluated its performance in 2017 and, as in preceding years, can confirm that all responsibilities outlined in the Audit Board Charter have been carried out. The Audit Board strives to maximise its own effectiveness and to maintain the high level of oversight it exercises on an ongoing basis.

AUDIT BOARD CONCLUSIONS FOR 2017 AND AREAS OF FOCUS FOR 2018

The Audit Board confirms, on the basis of the audit work carried out, the unqualified audit opinion given by KPMG, the assurance statement provided by 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 as at 31 December 2017, the statement of comprehensive income, 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 its assets and liabilities, and of the results of its operations for the financial year under review. In arriving at the audit opinion above, KPMG determined there were two key audit matters ("KAMs"): valuation of private equity investments and valuation of financial guarantee liabilities and related provisions.

The Audit Board would like to highlight the following areas on which it will focus in 2018:

- Oversee the continued evolution of risk management, internal control and assurance and audit mechanisms;
- Further develop the communication and cooperation between the EIB's Audit Committee and the Audit Board on matters of common interest, as agreed in the Principles of Cooperation signed in April 2017, including a focus on initiatives undertaken to enhance the EIB Group's Internal Control and Risk Management environment and taking actions to establish a complete map of risks, roles and responsibilities and to see that the three lines of defence model is effectively deployed across the Group;
- Continue monitoring the implementation of the ISAE 3402 reports (as described in section 5);
- Oversee the continued progress on the implementation of AAPs, with special attention given to the 2016 EIF Compliance function audit AAPs;
- Monitor the implementation of IFRS 9 and IFRS 15.

REPORT

1. INTRODUCTION

This Annual Activity Report, prepared in accordance with the EIF Rules of Procedures and the Audit Board Charter, is presented to the Annual General Meeting for information. It provides an overview of the Audit Board's activities during the period since the last Annual General Meeting. The Audit Board has also provided its opinion on the EIF financial statements for the financial year 2017 in a separate statement contained in the EIF Annual Report.

2. AUDIT BOARD RESPONSIBILITIES AND ACTIVITY

Pursuant to Article 22 of the Statutes, the Audit Board audits the accounts of the EIF. In line with the Statutes and Rules of Procedure, it is the task of the Audit Board to verify that the EIF's operations have been carried out in compliance with the Statutes and Rules of Procedure and to annually confirm, to the best of its knowledge and judgement, that the balance sheet and profit and loss account give a true and fair view of the financial position of the EIF as regards its assets and liabilities, and of the results of its operations for the financial year under review (Rules of Procedure, Articles 17 and 18). 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 the Compliance function.

3. APPOINTMENT TO AND MEMBERSHIP OF THE AUDIT BOARD

Pursuant to Article 20 of the Rules of Procedure, on 3 April 2017 the General Meeting approved the appointment of Mr. Laurențiu Olteanu, as alternate member of the Audit Board. Mr. Olteanu, Internal Auditor in the Internal Audit Service of the European Commission, was designated by the European Commission, following completion of the term of office of Mr. Smyth.

The other members are: Mr. Dries, Senior Expert – Methodology Team Leader, Directorate-General Internal Audit Service at the European Commission, Chairman of the Audit Board; Mr. Dominik, General Counsellor at the Ministry of Finance in Poland; and Mr. Pernice, Chief Financial Officer at Intesa Sanpaolo Bank Luxembourg.

4. REVIEW OF AUDIT WORK PERFORMED IN THE EIF

4.1 Audit of the Annual Financial Statements

Under the mandate given by the Audit Board to KPMG to express an opinion on the financial statements, KPMG has audited the financial statements of the EIF, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for 2017, and a summary of significant accounting policies and other explanatory information. The Audit Board agreed to incorporate two KAMs to the audit report on EIF's 2017 financial statements, in order to add further relevant information, given EIF's public profile and considering normal market practice for public interest entities.

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 of 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. In arriving at the audit opinion above, KPMG determined there were two KAMs: valuation of private equity investments and valuation of financial guarantee liabilities and related provisions. No major issues were identified in relation to the KAMs.

During the course of the year, the Audit Board held regular meetings with KPMG, during which updates were provided with regard to the audit approach, audit progress and developments. 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 was held with the Partner in charge of the EIF's audit. 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.

The Audit Board has had preliminary discussions with KPMG on their Management Letter and will receive the signed version prior to the Annual General Meeting on 11 April 2018. The Audit Board will monitor the implementation of the Management Letter recommendations.

The Audit Board notes that for 2017, the necessary cooperation has taken place between KPMG and EIF Internal Audit.

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

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.

4.2 Internal Audit

Internal Audit is outsourced to the EIB Internal Audit Department. On the basis of a risk-assessment methodology, Internal Audit examines all EIF's activities in order to provide reasonable assurance to executive management that the EIF is operating properly and efficiently. In December 2017, the Audit Board approved the Internal Audit rolling work programme for the period 2018–2020.

4.2.1 Internal Audit Reports and Assessment of Internal Audit Work

The Internal Audit Annual Activity Report was made available in February 2018 and has been taken into consideration in preparing the present report. The Audit Board has noted the declaration of independence contained in the report, which is provided on an annual basis by the Head of Internal Audit, as required under the International Professional Practices Framework (issued by the Institute of Internal Auditors, Standard 1110 – "Organisational Independence").

In total, six audit assignments were completed by Internal Audit in 2017 (two of them being joint EIB Group audits), with the corresponding reports being finalised, received and discussed with the Audit Board during the year 2017. Four assignments were ongoing at 31 December 2017: EIB Group audit - Cyber Security Strategy, the EIF Fund-of-Funds Activity, EIF SME Initiative new guarantee product and the EIF JEREMIE Closure and launch of ESIF, the latter two reports being presented to the Audit Board in February and March 2018 respectively. In addition, the Audit Board received progress reports on ongoing assignments throughout the year. 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 annual quality assurance review (conducted by a senior member of the team) and an external quality assurance review at least every five years. On this basis, Deloitte performed the 2017 external quality assurance review. The External Quality Assessment Report was issued in November 2017 and highlights good results, whilst also listing some best practices used in other organisations to which Internal Audit agreed to adhere, among which the reduction of periods allocated to the implementation of AAPs.

The work carried out by Internal Audit on the EIF ICF is covered in section 5 of the present report.

4.2.2 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 executive management. 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. Executive management targets the closing of at least 60% of AAPs contained in Internal Audit reports. As at 31 December 2017, the Audit Board notes the EIF's implementation performance of AAPs of 76%. This confirms the continued priority placed on the closure of AAPs by executive management. There are 44 outstanding AAPs at year end. The bulk of new AAPs were originated in the EIF Strategic Planning and Analysis audit report (10 medium and 10 low risk) issued on 21 December 2017 and in the EIF Secretary and Corporate Matters audit report (5 high, 5 medium and 8 low risk), issued on 6 June 2017; for the latter, the EIF has already implemented all the AAPs.

12 AAPs became overdue at year-end. One is related to the EIF secondary market sale transaction audit report (issued on 13 July 2016) and aims to ensure that the revised Risk Capital Resources ("RCR") agreement includes clarifications regarding the calculation of management fees' for tail-end funds that have been sold. The AAP is overdue since Q2 2017, with closure subject to the finalisation of the RCR agreement negotiations between the EIB and EIF. The other 11 overdue AAPs are linked to the EIF Compliance function audit (issued on 21 December 2016), two of which are graded as high risk and correspond to the need to finalise the collection of identification records documentation in line with the 4th EU AML Directive requirements and to improve the performance and formalisation of ex-post compliance risk surveillance controls. The Audit Board recognises the progress made by Compliance in 2017, with 34 AAPs having been closed, and is well aware that the implementation of the two high risk overdue points is dependent on ongoing Group discussions.

The remaining open AAPs are graded as medium or low risks and the Audit Board will continue to monitor their timely implementation.

4.3 Investigations

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

4.4 Evaluations

In June 2017, the EIB's Operations Evaluation Division (under the responsibility of the Inspector General) presented the report on the Evaluation of the EIF's SME Securitisation Activity 2004-2015. The objective of the evaluation was to assess the EIF's contribution to increasing SME access to finance and to the development of the SME loan securitisation ("SMESec") market in Europe in the period 2004-2015. The report indicates that at the beginning of the period under review (2004-2012), there had not been a standardised method to verify the extent to which the enhanced originators' capacities had translated into the EIF's objective of generating additional SME lending. However, with the introduction of the ex-ante added value and ex-post impact assessments in 2010 and 2013 respectively, and primarily based on originators' own reporting, the EIF's SMESec contribution to additional SME lending was evidenced. The report underlined the external factors, beyond the EIF's control, which had also influenced market players' motivation to participate in the EIF's SMESec transactions. The report concluded that, generally speaking, over the period 2014-2015, the EIF's expertise in the SME securitisation market had been highly regarded, particularly by new market participants and in new markets. The EIF Services and the EIB's Operations Evaluation Division have held discussions on proposed actions to address the agreed and partially agreed recommendations stemming from the evaluation and, once concluded, will result in an action plan for implementation.

5. INTERNAL CONTROL FRAMEWORK AND OTHER ADDITIONAL ASSURANCE

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, at a macro level, the internal control processes implemented to ensure that risks are mitigated to an acceptable level.

In line with established practice, the Audit Board has received on 9 February 2018 assurance from the Chief Executive by way of a representation letter in relation to internal control processes. In line with standard practice, 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 knowledge, operating effectively.

The representation letter assures the Audit Board 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 9 February 2018, Internal Audit provided an opinion on the ICF. This opinion concluded that, based on the audit work performed, the controls in the audited areas, except for the matters described as AAPs, were effective during the year. Internal Audit considers that, based on the actions undertaken by the EIF regarding the high and medium risk AAPs open at year end, the overall residual risk to the EIF is medium. Internal Audit has further confirmed that it considers the ICF to be appropriate having regard to the nature and scale of the EIF's business and that nothing came to its attention that causes it to believe that the assertion of reasonable assurance over the effectiveness of the EIF's internal controls during the year is not fairly stated.

In 2016, the ICF was assessed via an independent opinion from Deloitte, providing assurance on the design of mandate-related processes, in line with the internationally recognised ISAE-3402 standard (type 1 report). In 2017, the remit of this independent assessment was extended to include an opinion on the effectiveness of these controls over 12 months, based on the testing of representative samples (type 2 report). The Audit Board has received assurance from Deloitte in a letter dated 9 February 2018 that, in their opinion, in all material respects, based on the criteria described in the EIF's assertion in the ISAE 3402 (type 2) report:

- (i) the description fairly presents the system related to Mandate Management Services related to equity, guarantee, securitisation and microfinance transactions and related finance activities that was designed and implemented throughout the period from 1 January 2017 to 31 December 2017;
- (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 throughout the period from 1 January 2017 to 31 December 2017, and user entities applied the complementary user entity controls contemplated in the design of the service organisation's controls throughout the period from 1 January 2017 to 31 December 2017; and

- (iii) the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of the report if suitably designed and operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from 1 January 2017 to 31 December 2017.

As indicated in Section IV of the type 2 report on the EIF's description of Mandate Management Services related to equity, guarantee, securitisation and microfinance transactions and related finance activities, a formal standard process for the handling of mandate closures and terminations was implemented on 1 July 2017. No mandates were closed nor terminated during the period from 1 July 2017 (date of implementation of the dedicated process) to 31 December 2017; therefore, Deloitte did not perform any tests of the operating effectiveness of controls related to the control objective "Controls provide reasonable assurance that all mandates are closed and terminated in a complete and accurate manner".

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, throughout the year, 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 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.

A Service Level Agreement and a Treasury Management Agreement between the EIB and the EIF govern the provision of certain services by the EIB to the EIF. On 19 January 2018 and 7 March 2018, in two separate annual assurance letters, the EIB confirmed that, to the best of its knowledge, the defined services had been provided in line with the respective agreements. These letters also support executive management's representation letter to the Audit Board.

6. RISK MANAGEMENT

6.1 Capital Management

The continuous increase of operational volumes in highly risk-weighted financial instruments, especially with regard to the RCR and InnovFin mandates, required a reflection on capital requirements and rating stability for EIF. Therefore, the further development of a systematic capital management approach constituted a key focus area for Risk Management during the reporting period.

While sufficient economic capital coverage, in line with the EIF Risk Appetite Framework, was considered to be assured until 2020, concerns were raised, especially as regards the stability of the EIF's credit rating¹. Risk Management has advised executive management on the possible risk to the EIF's rating from 2018 onwards. The pressure on the rating would essentially come from worsening capital adequacy ratios, as the total exposure at risk has been significantly rising due to the increased transaction volumes under EFSI and the EIF's obligation to systematically co-invest own resources alongside investments under RCR and InnovFin.

¹ EIF benefitted in 2017 from a stand-alone credit rating (S&P) of aa+, uplifted to AAA due to strong EIB shareholder support.

The discussions led to a review of the level of dividend payments and a prudent stabilisation of the operational volumes in the EIF Corporate Operational Plan 2018–2020 and a number of specific measures regarding the use of the EIF's capital, which should, in the view of Risk Management, allow the EIF's current AAA rating to be maintained until 2020 without the need for a capital increase before then, in line with the undertaking made at the time of the 2014 capital increase.

6.2 Operations

The restructuring of the Credit and Equity Risk Management Divisions into the Operations Risk Management Division in 2016 led to some efficiency gains in 2017.

New projects and tasks included the development of an equity cash-flow forecasting model, as well as the reinforcement of a post-signature risk surveillance process, linking into the monitoring process implemented by the Middle, Information & Back Offices Department.

6.3 Mandates

The dedicated Mandate Risk Management function within Corporate Risk Management has gained in importance due to the continuous increase in the number of mandates. Specific references to the cost/income ratio and capital consumption are part of the approval process for new mandates and products.

Mandate Risk Management has integrated a more pro-active and comprehensive identification of all relevant financial and non-financial risks, including operational risk, associated with potential new mandates and has elaborated an independent opinion template for the systematic review of new mandate and product proposals. The assessment and monitoring of EIF mandate risks are then further integrated into the Internal Control Framework to capture specific material risks inherent in the mandate management processes.

6.4 Operational Risk

As a result of a systematic awareness programme and a pro-active, solution-oriented assessment of Operational Risk Events and Operational Risk Alerts on potential procedural failures, the number of reported Operational Risk Events has increased from 15 in 2016, to 28 in 2017.

External consultants (Deloitte) proceeded to the second phase of the ISAE 3402 certification process, independently assessing both the design and the effectiveness of the EIF mandate-related Internal Control Framework during the reporting period. As indicated in section 5 of this report, Deloitte issued a non-qualified opinion in the ISAE-3402 Type 2 report. The compliance with these internationally recognised assurance standards allows third party auditors to rely on the assurance provided by the Internal Control Framework and is expected to reduce the number of Agreed-upon Procedures audits on EIF.

6.5 Best Practices Framework

Following the EIB Best Banking Practices Action Plan, EIF has undertaken, in 2017, to identify the best market practices potentially applicable to its specific activities.

The analysis of potentially applicable best practices and of the EIF Compliance Monitoring Programme was performed by an external consultant (PricewaterhouseCoopers), considering EIF's business model as being close to that of an investment firm and asset manager.

On the basis of this analysis, the EIF's executive management validated the EIF Best Market Practices Guidelines, outlining the EIF's general approach to the applicability of regulation and best market practices. EIF is developing a best practices manual, which shall constitute an inventory of processes with a description of their relevance to the identified best market practices.

6.6 Compliance

The closure of the 2016 Compliance internal audit AAPs progressed well in 2017. However, in light of a harmonisation of the Group policy and procedural framework, as requested by the Audit Board and the Audit Committee under best banking practices, the closure of certain compliance-related AAPs remained dependent on finalising such harmonisation. In this context, with regard to the two high risk AAPs still open: (i) not all elements on the legacy KYC documentation could be concluded, as such conclusion depends on the legacy KYC documentation performed by EIB on joint counterparts and (ii) the establishment of a harmonised Group compliance scoring is under development.

In connection with the review of the EIF Compliance procedural framework, the Compliance staff increased from six in 2016 to fifteen at the end of 2017. Furthermore, with the recruitment of three dedicated taxation specialists, EIF Compliance is well positioned to assess and monitor compliance risk in this area.

6.7 Data Protection

Data protection has been consolidated under the new EIF Data Protection Officer ("DPO") appointed in January 2017. All pending notifications have been closed in line with the agreement with the European Data Protection Supervisor ("EDPS").

Through discussions with the EDPS and within the DPO network, 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 expected to come into force in May 2018. In this context, the DPO benefits from the expertise within Risk Management, in particular the process risk assessment in the ICF, of relevance to the risk-based approach to data protection which will be required under the new regulation.

7. 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. The Audit Board met with the ECA on 12 December 2017 but did not carry out any audit in cooperation with the ECA under the Tripartite Agreement in the course of the year.

8. OTHER AUDIT BOARD ACTIONS IN 2017

8.1 Principles of cooperation between the Audit Board and the Audit Committee

The Audit Board and the Audit Committee signed the "Principles of Cooperation between the Audit Committee and the Audit Board" in April 2017, defining the framework for discussing common issues and coordinating actions between the two bodies in areas of relevance to the consolidated financial statements of the EIB Group and Group policies. The Principles formalise the holding of regular joint meetings, the planning of joint audits and, generally, the ways in which the two audit bodies cooperate and transparently communicate on the activity, governance and control environment of the EIB and the EIF.

Joint meetings between the Audit Board and the Audit Committee took place in March and September 2017. Shared matters of interest were discussed, including the outcome of joint internal audits, EIB Group compliance, the provision of certain shared services, the coordination of the external audit mandate and, where appropriate, common working practices.

8.2 Joint EIF-EIB audits

The above-mentioned Principles of Cooperation introduced the concept of joint audits in areas of mutual relevance to both institutions. In considering Group audits during 2017, Internal Audit reviewed the respective EIB and EIF annual Audit Plans and assessed the associated Group risk, the degree of overlap of operational processes, and the need for a manageable scope. In the mid-year review of the EIF Internal Audit Plan, issued in June 2017, three joint audits were included: (i) SWIFT (fund transfer system), (ii) the EIF Equity Restructuring and Termination Activity (both finalised in 2017) and (iii) Cyber Security Strategy (which will be finalised in 2018).

8.3 EIB-EIF Compliance synergies

The Audit Board followed developments regarding the achievement of greater synergies between the EIB's and EIF's Compliance functions, through regular updates and private sessions with the EIF Compliance Officer. On 6 March 2017, Internal Audit presented the conclusions of the EIF Compliance function audit to the Audit Committee and the Audit Board in a joint session, in the presence of EIF Compliance and the Office of the Chief Compliance Officer ("OCCO").

8.4 Audit Board Portal

In April 2017, the Audit Board was presented the testing platform of the Audit Board Portal, which became fully operational in September 2017, providing a single and secured platform for access to documents and exchanges among members.