



EUROPEAN  
COURT  
OF AUDITORS

# **Report on the annual accounts of the Single Resolution Board (SRB) for the financial year 2019,**

together with the Board's reply

# Introduction

**01** The Single Resolution Board ( “the Board”, or “SRB”), which is located in Brussels, was established by Regulation (EU) No 806/2014 of the European Parliament and of the Council, on the Single Resolution Mechanism (“SRM Regulation”)<sup>1</sup>. The mission of the Board is to ensure an orderly resolution of failing or likely to fail credit institutions and certain investment firms (hereinafter “Credit Institutions”) with minimum impact on the real economy and the public finances of the participating Member States of the Banking Union.

**02** The Board is in charge of administrating the Single Resolution Fund (hereinafter “the Fund”) which was established by the SRM Regulation and should support the Single Resolution Mechanism. The Fund will be gradually built up during the period 2016 to 2023 and should reach the target of at least 1 % of the amount of covered deposits of all Credit Institutions within the European Banking Union by 31 December 2023.

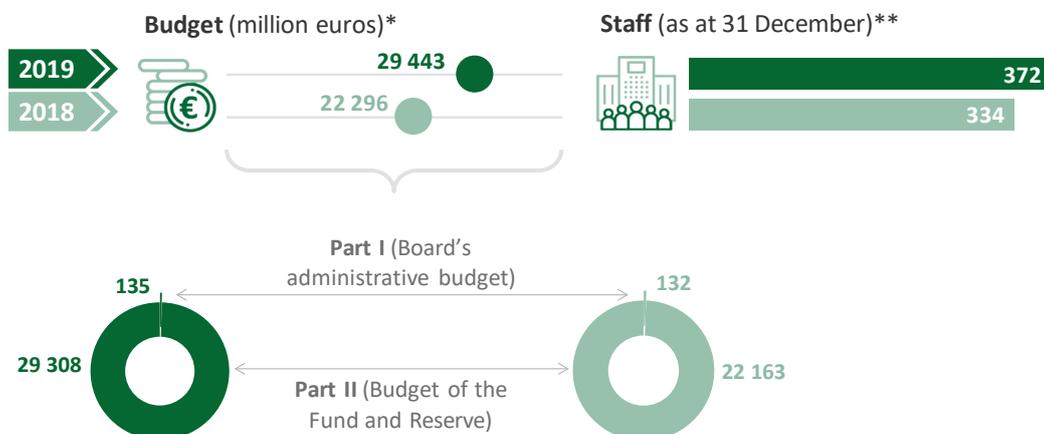
**03** The Board has an autonomous budget which is not part of the EU budget. Contributions are raised from Credit Institutions established in Member States participating in the Banking Union.

---

<sup>1</sup> OJ L 225, 30.7.2014, p. 1.

**04** Graph 1 presents key figures for the Board<sup>2</sup>.

### Graph 1: Key figures for the Board



\* Budget figures are based on the total payment appropriations available during the financial year.

\*\* "Staff" includes EU officials, EU temporary agents, EU contract staff and seconded national experts, but excludes interim workers and consultants.

Source: Annual Accounts of the Single Resolution Board for the Financial Year 2018 and Provisional Annual Accounts of the Single Resolution Board for the Financial Year 2019; Staff figures provided by the Board.

## Information in support of the statement of assurance

**05** The audit approach taken by the Court comprises analytical audit procedures, direct testing of transactions and an assessment of key controls of the Board's supervisory and control systems. This is supplemented by evidence provided by the work of other auditors and an analysis of information provided by the Board's management.

<sup>2</sup> More information on the Board's competences and activities is available on its website: [srb.europa.eu](http://srb.europa.eu).

## The Court's statement of assurance provided to the European Parliament and the Council – Independent auditor's report

### Opinion

**06** We have audited:

- (a) the accounts of the SRB which comprise the financial statements<sup>3</sup> and the reports on the implementation of the budget<sup>4</sup> for the financial year ended 31 December 2019 and
- (b) the legality and regularity of the transactions underlying those accounts

as required by Article 287 of the Treaty on the Functioning of the European Union (TFEU).

### Reliability of the accounts

#### Opinion on the reliability of the accounts

**07** In our opinion, the accounts of the SRB for the year ended 31 December 2019 present fairly, in all material respects, the financial position of the SRB at 31 December 2019, the results of its operations, its cash flows, and the changes in net assets for the year then ended, in accordance with its Financial Regulation and with accounting rules adopted by the Commission's accounting officer. These are based on internationally accepted accounting standards for the public sector.

#### Emphasis of matter

**08** Administrative appeals or judicial proceedings related to Fund contributions between some credit institutions and national resolution authorities and the SRB as well as other legal actions brought against the SRB before the General Court

---

<sup>3</sup> The financial statements comprise the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets and a summary of significant accounting policies and other explanatory notes.

<sup>4</sup> The reports on implementation of the budget comprise the reports which aggregate all budgetary operations and the explanatory notes.

and the Court of Justice of the European Union were not subject to our audit<sup>5</sup>. Their possible impact on the SRB's financial statements for the financial year ended 31 December 2019 (in particular on contingent liabilities, provisions and liabilities) is subject to a specific annual audit, as stipulated under Article 92(4) of the SRM Regulation.

**09** Without calling into question its opinion expressed above, we draw attention to notes Q and 10.3 of the financial statements of the SRB final accounts, which describe the possible impact on the portfolio of investments in light of the current COVID-19 crisis.

## Legality and regularity of the transactions underlying the accounts

### Revenue

#### Opinion on the legality and regularity of revenue underlying the accounts

**10** In our opinion, revenue underlying the accounts for the year ended 31 December 2019 is legal and regular in all material respects.

### Emphasis of matter

**11** Administrative appeals or judicial proceedings related to Fund contributions between some credit institutions and national resolution authorities and the SRB as well as other legal actions brought against the SRB before the General Court and the Court of Justice of the European Union were not subject to our audit<sup>6</sup>. Their possible impact on the legality and regularity of revenue underlying the accounts is subject to a specific annual audit, as stipulated under Article 92(4) of the SRM Regulation.

---

<sup>5</sup> ECA took note of the judgment of 23 September 2020 by the General Court of the European Union in which it annulled the decision of the SRB on the calculation of the 2017 ex-ante contributions to the Single Resolution Fund in so far as it concerns three institutions.

<sup>6</sup> ECA took note of the judgment of 23 September 2020 by the General Court of the European Union in which it annulled the decision of the SRB on the calculation of the 2017 ex-ante contributions to the Single Resolution Fund in so far as it concerns three institutions.

## Other matter

**12** Without calling into question its opinions expressed above, the Court would like to emphasise that Fund contributions are calculated on the basis of information provided by credit institutions (and some investment firms) to the SRB. Our audit of the SRB's revenue was based on this information but did not verify its reliability. Given that the SRM Regulation does not provide for a comprehensive and consistent control framework to ensure the reliability of the information, no checks are carried out at the level of the credit institutions. However, the SRB performs consistency and analytical checks of the information. Moreover, the SRB cannot release details on the risk-assessed contribution calculations per credit institution as they are interlinked and include confidential information about other credit institutions. This affects the transparency of these calculations.

## Payments

### Opinion on the legality and regularity of payments underlying the accounts

**13** In our opinion, payments underlying the accounts for the year ended 31 December 2019 are legal and regular in all material respects.

## Basis for opinions

**14** We conducted our audit in accordance with the IFAC International Standards on Auditing (ISAs) and Codes of Ethics and the INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the 'Auditor's responsibilities' section of our report. We are independent, in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and with the ethical requirements that are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance

**15** In accordance with Articles 310 to 325 of the TFEU and the Board's Financial Regulation, management is responsible for preparing and presenting the Board's accounts on the basis of internationally accepted accounting standards for the

public sector, and for the legality and regularity of the transactions underlying them. This includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Board's management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the official requirements which govern those statements. The Board's management bears the ultimate responsibility for the legality and regularity of the transactions underlying the Board's accounts.

**16** In preparing the accounts, the Board's management is responsible for assessing the Board's ability to continue as a going concern. It must disclose, as applicable, any matters affecting the Board's status as a going concern, and use the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

**17** Those charged with governance are responsible for overseeing the Board's financial reporting process.

### **The auditor's responsibilities for the audit of the accounts and underlying transactions**

**18** Our objectives are to obtain reasonable assurance about whether the accounts of the Board are free from material misstatement and the transactions underlying them are legal and regular, and to provide, on the basis of our audit, the European Parliament and the Council or the other respective discharge authorities with statements of assurance as to the reliability of the Board's accounts and the legality and regularity of the transactions underlying them. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement or non-compliance when it exists. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

**19** For revenue, we verify subsidies received from the Commission or cooperating countries and assess the Board's' procedures for collecting fees and other income, if any.

**20** For expenditure, we examine payment transactions when expenditure has been incurred, recorded and accepted. This examination covers all categories of payments (including those made for the purchase of assets) other than advances at the point they are made. Advance payments are examined when the recipient

of funds provides justification for their proper use and the Board accepts the justification by clearing the advance payment, whether in the same year or later.

**21** In accordance with the ISAs and ISSAIs, we exercise our professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the accounts and of material non-compliance of the underlying transactions with the requirements of the legal framework of the European Union, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement or non-compliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the accounts, including the disclosures, and whether the accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Board to express an opinion on the accounts and transactions underlying them. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

- Considered the audit work of the independent external auditor performed on the Board's accounts as stipulated in Article 70(6) of the EU Financial Regulation, where applicable.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit. From the matters on which we communicated with the Board, we determine those matters that were of most significance in the audit of the accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**22** The observations which follow do not call the Court's opinion into question.

### Observations on internal controls

**23** According to Article 8 of the Rules of Procedure of the Single Resolution Board in its Plenary Session (SRB/PS/2015/9), the summary of the proceedings of each meeting of the Plenary Session shall be prepared under the responsibility of the Chair and, after approval, the summary of proceedings shall be signed by the Chair. We found that the summary of the proceedings of the meetings of the Board in its Plenary Session held in 2018 and 2019 were not signed.

### Follow-up of previous years' observations

**24** An overview of the action taken in response to the Court's observations from previous years is provided in the **Annex**.

This Report was adopted by Chamber IV, headed by Mr Alex Brenninkmeijer, Member of the Court of Auditors, in Luxembourg on 22 September 2020.

For the Court of Auditors

A handwritten signature in black ink, appearing to read 'k-H se', written in a cursive style.

Klaus-Heiner Lehne

President

## Annex - Follow-up of previous years' observations

Year	Court's observations	Action taken to respond to Court's observations (Completed / Ongoing / Outstanding / N/A)
2015	A number of essential procedures and controls remain to be drafted, adopted or implemented, including the risk management and control strategy, the internal control standards, the periodic assessment of the sound functioning of the internal control system and the anti-fraud strategy.	<b>Completed<sup>7</sup></b>
2017	E-procurement: by the end of 2017, the Board had not yet introduced any of the IT tools developed by the Commission.	<b>Completed</b>
2017	The Board publishes vacancy notices on its own website and on social media, but usually not on the website of the European Personnel Selection Office (EPSO).	<b>Completed</b>
2018	The use of non-differentiated appropriations for the administrative budget of the SRB may lead to an overestimation of annual budgetary needs. The SRB should consider	<b>Completed</b>

<sup>7</sup> The status shown in the follow-up table reflects the results of the annual audit of the SRB accounts only. It does not include observations from other audits of the SRB (e.g. resolution planning or contingent liabilities), which have been audited and reported on in other reports issued by the Court.

Year	Court's observations	Action taken to respond to Court's observations (Completed / Ongoing / Outstanding / N/A)
	introducing differentiated budget appropriations to improve budget planning, implementation and reporting.	
<b>2018</b>	The use of a negotiated procurement procedure without prior publication of a contract notice for IT services cannot be fairly justified with the dependency on the current contractor. The SRB should avoid any dependency on the contractor, which would not allow it in the future to choose alternative solutions in a competitive manner, thereby ensuring best value for money.	<b>N/A</b>
<b>2018</b>	The SRB used some specific service contracts with IT companies which were formulated in a way that could imply the assignment ("mise à disposition") of temporary agency workers, instead of clearly defined IT services or products. The SRB should make sure that contracts' formulation prevents any confusion between the procurement of IT services and of interim workers.	<b>Completed</b>
<b>2018</b>	The specific contracts with the temporary-work agency do not include all information required by law.	<b>Completed</b>

## The SRB's reply

**12.** The annual ex-ante contributions to the Fund are calculated on the basis of information provided by credit institutions and some investment firms to the Board. Even though, the SRM Regulation does not provide for a comprehensive and consistent control framework to ensure the reliability of the information, the SRF addresses this issue to the extent possible. The data provided is verified against the data submitted in the previous year by the institutions as well as against the data in the ECB database. Validation rules have been implemented in the data collection portal and additional assurance, in the form of Agreed Upon Procedures report or Signed off form, is collected from the significant institutions. Discrepancies are flagged to the NRAs, asking for clarification, thus having been able to improve the quality of the data in the previous cycles. Moreover, the Board cannot release details on the risk-related part of the ex-ante contribution calculations per institution, as they are interlinked and would thus reveal confidential information about other institutions. However, the SRF presented to the NRAs the calculation methodology as well as detailed calibrations, hence ensuring transparency and cooperation. In addition to the ex-ante data verification steps already implemented by the SRB, ex-post checks are performed in a form of desk reviews in order to collect additional evidence on the reliability of the data.

**23.** Since the beginning of 2020, the SRB has already changed its practices on the need for plenary session minutes to bear the Chair's signature.

## **COPYRIGHT**

© European Union, 2020.

The reuse policy of the European Court of Auditors (ECA) is implemented by the [Decision of the European Court of Auditors No 6-2019](#) on the open data policy and the reuse of documents.

Unless otherwise indicated (e.g. in individual copyright notices), the ECA's content owned by the EU is licensed under the [Creative Commons Attribution 4.0 International \(CC BY 4.0\) licence](#). This means that reuse is allowed, provided appropriate credit is given and changes are indicated. The reuser must not distort the original meaning or message of the documents. The ECA shall not be liable for any consequences of reuse.

You are required to clear additional rights if a specific content depicts identifiable private individuals, f. ex. as on pictures of the ECA's staff or includes third-party works. Where permission is obtained, such permission shall cancel the above-mentioned general permission and shall clearly indicate any restrictions on use.

To use or reproduce content that is not owned by the EU, you may need to seek permission directly from the copyright holders.

Software or documents covered by industrial property rights, such as patents, trade marks, registered designs, logos and names, are excluded from the ECA's reuse policy and are not licensed to you.

The European Union's family of institutional Web Sites, within the europa.eu domain, provides links to third-party sites. Since the ECA does not control them, you are encouraged to review their privacy and copyright policies.

### **Use of European Court of Auditors' logo**

The European Court of Auditors logo must not be used without the European Court of Auditors' prior consent.