

**EU Contact Committee statement (CC 1/2018) on  
deficiencies in the accountability and audit arrangements of  
the supervisory mechanism for banks in the euro area**

13 November 2018

The EU Contact Committee is the assembly of the heads of supreme audit institutions of EU Member States and the European Court of Auditors. Our comments are based on the findings of recent audit reports (cf. list enclosed) by the European Court of Auditors (ECA) and the national Supreme Audit Institutions (SAIs) of Austria, Cyprus, Finland, Germany and the Netherlands. They also take into account a review issued by the European Commission in October 2017 on the supervisory mechanism for banks in the euro area.

The establishment of the Single Supervisory Mechanism (SSM) in November 2014 implied a fundamental change of the architecture of EU banking supervision. Almost 130 'significant' banks came under the direct supervision of the European Central Bank (ECB), representing a total asset value of € 21 trillion, i.e. 80 % of the total asset value of banks in the euro area. Several thousand 'less-significant', i.e. medium-sized and small, banks remain under direct national supervision, albeit under the ECB's responsibility.

Consequently, those SAIs of euro area countries that previously had a mandate to audit the supervision of all banks are now – since the introduction of the SSM – no longer able to perform this role for the 'significant' banks. The loss of mandate encountered by these national SAIs is not compensated by the current audit mandate of the ECA vis-à-vis the ECB. This gave rise to the paradoxical situation that the audit competencies regarding banking supervision are now overall more limited than before the introduction of the SSM.

In view of current efforts at EU-level to complete the Banking Union and in order to maintain citizens' trust in this union, the fundamental principles of transparency and accountability must be guaranteed. This requires adequate and robust public audit arrangements.

The Contact Committee therefore calls on national governments and parliaments, as well as the Parliament, the Council and the Commission of the European Union to strengthen the relevant accountability and audit arrangements, in order to close the audit gaps identified, notably by:

- **aligning the ECA's mandate** concerning the audit of the ECB's supervisory mechanism with its audit mandate regarding the other institutions of the Union in order to ensure full access to all information deemed relevant by the ECA for its audit work;
- **ensuring that national SAIs in the euro area having a mandate** regarding the supervision of less significant banks can access all the information (including ECB-information) they deem relevant, and thereby fulfil their audit mandates;
- **where necessary and feasible, extending the audit mandates of national SAIs in the euro area having no or a limited mandate** regarding the supervision of less significant banks, so as to ensure that their mandate also encompasses the audit of national supervisory authorities.

Encl.: List of audit reports concerning banking supervision in the EU

# List of audit reports concerning banking supervision in the EU

## Contact Committee

- Contact Committee [report](#) on prudential supervision of medium-sized and small (“less significant”) institutions in the European Union after the introduction of the Single Supervisory Mechanism (December 2017)

## European Court of Auditors

- Special [report](#) No 29/2016: Single Supervisory Mechanism - Good start but further improvements needed (November 2016)
- Special [report](#) No 02/2018: The operational efficiency of the ECB’s crisis management for banks (January 2018)

## Supreme Audit Institution of Austria

- Federal [Report](#) 2017/20: Banking Supervision in Austria (April 2017)

## Supreme Audit Institution of Cyprus

- Special Report No CBC/01/2017 “Banking supervision – Regulatory Framework and Organisation of Supervision on Less Significant Banks in Cyprus”, together with an accompanying letter, dated 21.11.2017, addressed to the Governor of the Central Bank of Cyprus and communicated to the Minister of Finance<sup>1</sup>

## Supreme Audit Institution of Germany

- Advisory [report](#) No III 5 – 20 51 03 on a limitation of the audit mandate of the German SAI in the field of banking supervision and financial institutions (January 2016)
- Advisory [report](#) No III 5 – 2016 – 0633 on a limitation of the audit mandate of the German SAI in the field of banking supervision and financial institutions (January 2017)

## Supreme Audit Institution of the Netherlands

- [Report](#): *Supervision of banks in the Netherlands*, 27 September 2017
- [Letter](#) to the parliament of the Netherlands accompanying the Contact Committee report on prudential supervision of medium-sized and small (“less significant”) institutions in the European Union after the introduction of the Single Supervisory Mechanism (December 2017), 14 December 2017, with press release in English

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<sup>1</sup> Not publicly available