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**A7-0254/2010**

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# REPORT

on the nomination of Lazaros Stavrou Lazarou as a Member of the Court of  
Auditors  
(C7-0188/2010 – 2010/0818(NLE))

Committee on Budgetary Control

Rapporteur: Inés Ayala Sender

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## **PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION**

**on the nomination of Lazaros Stavrou Lazarou as a Member of the Court of Auditors  
(C7-0188/2010 – 2010/0818(NLE))**

### **(Consultation)**

*The European Parliament,*

- having regard to Article 286(2) of the Treaty on the Functioning of the EU, pursuant to which the Council consulted Parliament (C7-0188/2010),
  - whereas, at its meeting of 27 September 2010, the Committee on Budgetary Control heard the Council's nominee for membership of the Court of Auditors,
  - having regard to Rule 108 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A7-0254/2010),
- A. whereas Lazaros Stavrou Lazarou fulfils the conditions laid down in Article 286(1) of the Treaty on the Functioning of the EU,
1. Delivers a favourable opinion on the nomination of Lazaros Stavrou Lazarou as a Member of the Court of Auditors;
  2. Instructs its President to forward this decision to the Council and, for information, the Court of Auditors, the other institutions of the European Union and the audit institutions of the Member States.

## ANNEX 1: CURRICULUM VITÆ OF LAZAROS STAVROU LAZAROU

### Accountant General of the Republic of Cyprus

Born in Liopetri – Famagusta, Cyprus in 1958

#### Academic Qualifications

Masters degree in Public Administration from the Kennedy School of Government, Harvard University, 1996

International Tax Program Certificate from Harvard Law School, 1996

Bachelor of Science in Economics from Hull University, U.K., 1982

#### Professional Qualifications and Memberships

Member of the Association of Chartered Certified Accountants (ACCA) since 1987

Member of the Institute of Certified Public Accountants of Cyprus since 1988

#### Professional Career

Jan. 2000 to date: Accountant General of the Republic of Cyprus,  
Responsible for the supervision and monitoring of the constitutional, legal and responsible management of the public financial operations.

Additional responsibilities include:

Certifying Authority for European Union Funds granted to the Republic of Cyprus.

Competent Authority on Public Procurement for the wider Public Sector in Cyprus.

Competent Authority (Contact Point) of the Antifraud Coordinating Structure (AFCOS) for the reporting of irregularities to the E.U. Antifraud Office (OLAF).

Sep.1989 – Dec.1999: Inland Revenue Department of the Republic of Cyprus, reaching the post of Chief Revenue Officer.

Feb.1988 – Aug.1989: Audit Manager, Deloitte Haskins & Sells, Larnaca, Cyprus.

Sept.1982 – Jan.1988: Trained and worked as a Professional Accountant with Audit Firms in the United Kingdom.

Appointed since 2008 by the House of Parliament as Member of the Audit Committee for monitoring the professional activities of Politicians and Government Officials for possible conflict with their political duties.

Elected in 2004 by the international membership of the Association of Chartered Certified Accountants to the 36-member Council of ACCA and re-elected in 2007 for a second three-year term.

Appointed in 2004 by the Council of Ministers as Member of the Board of Management of the English School, Nicosia and re-appointed in 2008 for a second term.

Appointed since 2002 by the Council of Ministers as Member of the Internal Audit Board of the Republic of Cyprus.

## **ANNEX 2: ANSWERS BY LAZAROS STAVROU LAZAROU TO THE QUESTIONNAIRE**

### **Professional experience**

#### **1. Please highlight the main aspects of your professional experience in public finance, management or management auditing.**

The last twenty one years of my professional career have been devoted to public service, always performing my duties to the best interest of the Cypriot citizens. I will be honoured to be given the opportunity to devote the next six years of my professional career to serving the best interest of the European citizens.

From September 1989 to December 1999, I served with the Inland Revenue Department reaching the post of Chief Revenue Officer, heading the Limassol District Office during the last two years of my service. During my service with the Inland Revenue Department, from June 1995 to June 1996, through a mid-career Fulbright Commission scholarship, I attended post-graduate studies at Harvard University. I was awarded a Masters degree in Public Administration (MPA) from the Kennedy School of Government and an International Tax Programme (ITP) certificate from Harvard Law School.

In January 2000, pursuant to Article 126 of the Constitution, I was honoured to be appointed Accountant General of the Republic by the President of the Republic of Cyprus. According to the Constitution and relevant laws, the Accountant General, who is the Head of the Treasury, has the status of a civil servant and is accountable to the Council of Ministers, through the Minister of Finance, with his/her term of Office expiring at the retirement age of civil servants. The Treasury of the Republic, with nearly 400 Accounting Officers, is by Constitution the designated Authority for Public Financial Management. In this field, my responsibilities are stipulated in the Constitution, relevant laws and Council of Ministers' decisions and include:

- The preparation and signing of the Annual Financial Report, which provides for the recognition, measurement and presentation of the financial transactions according to International Public Sector Accounting Standards (IPSAS) and its submission for discharge, through the Council of Ministers, to the National Parliament.
- The supervision of the functioning of the Integrated Financial and Management Information System (IFMIS) which is used by the Accounting Officers posted in Ministries/Departments/Services for the accounting of the Government financial transactions and the monitoring of the budget implementation.
- The provision of financial information, on a regular basis and also upon request, to the different stakeholders, namely Ministries/Departments/ Services and National Parliament.

- The initiation and monitoring of all the necessary actions for the implementation of an Enterprise Resource Planning System (ERP System) for the Cyprus Government.
- The issue of new, or review of existing, regulations/instructions/ procedures in relation to financial management and control.
- The accounting and servicing of Public Debt (Internal and External) and the Guarantees granted by the Government.

Additionally, in relation to the financial management of EU funds, I have the following responsibilities:

- National Authorising Officer, responsible for the financial management of the Pre-accession and the Transition Facility Funds, ensuring that the rules, regulations and procedures pertaining to financial management are respected and that proper information and reporting systems are functioning. In this capacity, I am accountable to the European Commission for the funds of each separate Programme until its official closure.
- Head of the Certifying Authority for the Structural, Cohesion, Fisheries and Solidarity Funds, responsible for certifying to the European Commission that the expenditure being declared for reimbursement is accurate, results from a reliable accounting system and complies with applicable Community and National rules and regulations.

Up to the end of 2003, I was responsible for the internal audit service of the Government through the Internal Audit Directorate of the Treasury. In this capacity, I was responsible for the preparation of the Internal Audit Manual and the Internal Audit Charter and for the drafting of the relevant law for the establishment of a functionally independent Internal Audit Service which operates as from the end of 2003. My involvement with internal audit continues, by Council of Ministers' decision, through my post as a member of the Internal Audit Board of the Government.

During the years 2005 and 2006, in order to improve the Public Internal Financial Control (PIFC) system in line with European best practice, the Treasury of the Republic took the initiative to conduct a peer review. Under my guidance and in collaboration with key stakeholders, the Treasury cooperated with an OECD-SIGMA peer review team of senior independent expert practitioners from other EU Member States. The recommendations of the peer review obtained political consent and support by the Government and are being effected in a long-term strategic plan under my guidance, coordination and supervision.

In my personal capacity, I was elected in May 2004 by the international membership of the Association of Chartered Certified Accountants (ACCA) to the 36-member Council of ACCA and I was re-elected in May 2007 for a second three-year term. I have served on ACCA Council Committees as follows: Audit Committee – May 2005 to May 2009, Finance Committee – May 2006 to present, Public Sector Technical Committee – May 2008 (when the committee was established) to present. I am currently a candidate for re-election to ACCA Council for a third and final three-year term. The election results will be announced at the AGM on 16 September 2010.

## **2. What are the three most important decisions to which you have been party in your professional life?**

During my professional career, I have been party to many important decisions (both in my capacity as Accountant General and as Chairman of decision making statutory Committees/Boards) that had a significant impact on the provision of public services in Cyprus. I would highlight what I consider to be my most significant contributions under the following three headings:

### **a) Introduction of information systems as tools for the effective operation of the Treasury's functions**

In January 2004, the Treasury of the Republic introduced the Integrated Financial and Management Information System (IFMIS) that computerised all the accounting functions processed throughout the public sector and has automated the Government payment process. Being proactive, a further step is currently underway, to integrate all financial management activities of the Government into a new Enterprise Resource Planning System (ERP System) that will take over in a more comprehensive and contemporary manner. The Project is currently at the stage of finalisation of the requirements for its acquisition and implementation through a public tender competition.

In January 2007, the Treasury of the Republic, Competent Authority on Public Procurement in Cyprus, initiated a major project for the development and implementation of an electronic procurement system. The Project was completed, in collaboration with key stakeholders, within the original budget and timeframe. As from November 2009, the electronic procurement system is available for use by all Contracting Authorities in Cyprus and by all Economic Operators internationally. The implementation of the Cyprus e-procurement system and the way the Treasury is managing its operation, has been recognised at EU level and has put Cyprus, according to the 8<sup>th</sup> e-Government Benchmark Measurement, in a leading position amongst the EU Member States in the field of pre-award procurement.

### **b) Decentralisation of the public tenders award procedures**

By a relevant law, the public tenders award procedures were centralised up to March 2004 with the authority for awards above a certain threshold being vested on the Central Tender Board (CTB). By the same law, the Accountant General was the Chairman of the CTB. The National Audit Institution was represented on the CTB by a non-voting representative, with the right to express a non-binding opinion and have it recorded in the minutes.

In a special report in 2003, based on my experience as Chairman of the CTB, foreseeing the challenges in the field of Public Procurement in view of the accession of Cyprus to the European Union and for reasons of enhancing accountability, efficiency and transparency, having obtained the support of key stakeholders, I recommended to the Government the decentralisation of the public tenders award procedures. The Government approved the recommendation which led to the enactment of new laws and regulations, drafted by the Treasury, vesting the award procedures on the Tender Boards of the procuring Ministries/Departments/Services.



By the same laws and regulations, the Treasury of the Republic, through the Public Procurement Directorate, assumed the targeted strategic role in policy setting and control, as the designated Competent Authority on Public Procurement in Cyprus. My responsibilities in this capacity include the statutory right, together with the National Audit Institution, to have an observer attending meetings of all the Tender Boards in the wider public sector with the right to express a non-binding opinion and have it recorded in the minutes. Decentralisation of the public tenders award procedures resulted in enhanced accountability, transparency, economy, efficiency and effectiveness in the field of Public Procurement in Cyprus.

c) Management of issues that have financial and political sensitivity

- (i) By a relevant law, the Accountant General is the Chairman of the Central Committee for Variations and Claims (CCVC) on public contracts. The CCVC has the ultimate administrative authority to decide on such issues with the next steps being arbitration or recourse to the Courts. The National Audit Institution is represented on the CCVC by an observer with the right to express a non-binding opinion and have it recorded in the minutes.

In 1997, following public procurement procedures, the Government awarded a contract for the construction of the New Nicosia General Hospital with completion date in early 2002. During construction, the size of the Project was substantially increased resulting in serious delays.

In early 2002, the revised Project was 60% complete with a substantial escalation in the original contract value. Because of large financial and construction delay claims by the contractor, the Project was at that time in a near standstill, with an unknown completion date and consequential inability to plan the procurement and installation of equipment and effectively the operation of the Hospital. As a result, there was a public outcry by the citizens, the Government, the National Parliament and the media as, in addition to the escalating costs, there were no more margins for effectively serving the citizens at the old Hospital.

Following established procedures, the issue came before the CCVC for examination and decision. Accepting my responsibility and rising up to the challenge, being fully aware of the sensitivity of the issue, adhering to the principle of transparency and without having the legal and administrative obligation, I personally consulted with and gathered support from the principal stakeholders (Government, National Audit Institution and Chairmen and Members of the relevant Committees of the National Parliament - Public Accounts Audit Committee and Health Affairs Committee), for a serious attempt by the CCVC to resolve the dispute amicably

In September 2002, following laborious negotiations over a few days between the CCVC and the contractor, an initial non-binding agreement to resolve the dispute was reached, with the consent of the National Audit Institution. Before putting the agreement to deliberations and vote by the CCVC, without having the legal and administrative obligation, I again consulted with the above stakeholders on the

terms of the agreement, obtaining their support for the CCVC to finalise the agreement. As a result, a supplementary construction contract was signed and the New Nicosia General Hospital was put into operation in October 2006.

- (ii) As previously stated in paragraph 2 (b) above, by a relevant law, the public tenders award procedures were centralised up to March 2004, with the authority for awards above a certain threshold being vested on the Central Tender Board (CTB). By the same law, the Accountant General was the Chairman of the CTB. The National Audit Institution was represented on the CTB by a non-voting observer with the right to express a non-binding opinion and have it recorded in the minutes.

Following an international tender for the construction and operation of two new airports in Cyprus under the method of Build, Operate and Transfer (BOT), at the end of December 2002, the evaluation of the technical proposals was completed and submitted with recommendations to the CTB for approval and decision to open the financial proposals for review and evaluation. This event coincided with the election period leading up to the presidential elections of February 2003. Even though the civil service in Cyprus operates independently of political events, I could foresee that, had the CTB proceeded with the issue in its normal course of duties, the Project could possibly be put at risk jeopardising the credibility of Cyprus towards international investors.

Accepting my responsibility and being fully aware of the sensitivity of the issue, under my guidance, the CTB deliberated the issue buying time until the presidential elections. After the elections, whereby a new Government came into power, I requested and obtained from the Government political commitment for the Project and subsequently the CTB proceeded with the decision to open the financial proposals for review and evaluation.

In November 2003, at the decision stage for the preferred bidder, the whole issue was followed closely by all stakeholders with regular media coverage. In order to enhance transparency of the CTB deliberations, which lasted over a few days, by my invitation the meetings were attended by all those involved in the procurement and evaluation stages. The meetings were conducted in the form of a hearing, tape recorded with the consent of all participants. The new International Airports of Paphos and Larnaca were put into operation in November 2008 and November 2009 respectively.

### **Independence**

- 3. The Treaty stipulates that the Members of the Court of Auditors shall be ‘completely independent’ in the performance of their duties. How would you apply this obligation to your prospective duties?**

As a Professional Accountant serving as the Accountant General, honoured by the President of the Republic of Cyprus to be nominated as Member of the European Court of Auditors, I

fully agree with the stipulation in the Treaty that the Members of the Court of Auditors shall be ‘completely independent’ in the performance of their duties. Being a member of the Association of Chartered Certified Accountants and the Institute of Certified Public Accountants of Cyprus, I have the obligation to abide by the respective Code of Ethics and comply with the fundamental principles of integrity, objectivity and independence.

The Accountant General of the Republic of Cyprus has the status of a civil servant and is accountable to the Council of Ministers, through the Minister of Finance. In this respect, one could reasonably expect that the Accountant General cannot be independent. Contrary to this reasonable expectation, I have served under three different Governments and I have always performed my duties with independence from political and/or other issues. As a result, the established perception by all stakeholders and Institutions is that the Accountant General is independent.

In exercising my duties, on a number of occasions I had to take decisions that may not have been favourable to the Government. On other occasions, either at my own initiative or at the request of the Government/Committees of the National Parliament, I prepared special reports resulting in conclusions and recommendations that again may not have been favourable to the Government. However, having regard to my established track record of integrity, impartiality, transparency and independence, my decisions, conclusions and recommendations have been and are respected by all stakeholders.

As the Accountant General, I am regularly invited, together with the Auditor General - Head of the National Audit Institution, to attend National Parliament Committee meetings, especially meetings of the Public Accounts Audit Committee when Ministries/Departments/Services are under parliamentary scrutiny, so as to provide my expert independent opinion on matters relating to Public Financial Management and Public Procurement.

In 2007, by a National Parliament initiative, the Ethics Committee was deliberating the drafting of a Bill, enacted into Law in 2008, to set up a Special Audit Committee for monitoring the professional activities of Politicians and Government Officials for possible conflict with their political duties. The Special Audit Committee is chaired by a Judge, with members an Attorney, representative of the Attorney General, the Permanent Secretary of the National Parliament and the Accountant General. From the deliberations of the Ethics Committee, it transpired that the requirements for appointment to the Special Audit Committee were established independence and acceptability by all Political Parties.

If I am honoured to be one of the Members of the European Court of Auditors, I will fully abide by the applicable Code of Conduct and I will not accept any kind of interference in my duties from any political or institutional sources, nor shall I be involved in any other activities that could be seen as compromising my independence. My answers to questions 2, 5, 6 and 7 are also indicative of my commitment to be independent.

**4. Have you received a discharge for the management duties you carried out previously, if such a procedure applies?**

As the Accountant General of the Republic of Cyprus, I have the constitutional and statutory obligation to prepare and sign the Annual Financial Report of the Cyprus Government and submit it, through the Council of Ministers, to the National Parliament for discharge. I also have the obligation to submit the Annual Report of the activities of the Treasury to the Council of Ministers. In addition, the operations of the Treasury are subject to audit by the National Audit Institution with findings and recommendations included in the Annual Audit Report, submitted to the President of the Republic and to the National Parliament for discharge. During my service as Accountant General, I have never encountered any problems in the above discharge procedures.

**5. Do you have any business or financial holdings or any other commitments, which might conflict, with your prospective duties? Are you prepared to disclose all your financial interests and other commitments to the President of the Court and make them public? In case you are involved in any current legal proceedings, would you please give details?**

I do not have any business or financial holdings or any other commitments which might conflict with my prospective duties. According to National income tax law provisions, I am obliged to submit periodically family net worth statements. I am prepared to disclose all my financial interests and other commitments to the President of the Court and I have no objection whatsoever to make them public in line with the Court of Auditors policy and Community rules.

I am not and have been never involved in any legal proceedings.

**6. Are you prepared to step down from any elected office or give up any active function with responsibilities in a political party after your appointment as Court Member?**

The only elected office I hold is as a member of the Council of the Association of Chartered Certified Accountants (ACCA). My service on the Council of ACCA is voluntary, in my personal capacity, without pay other than reimbursement of expenses. If am honoured to be a Member of the Court of Auditors, I will step down from the ACCA Council, provided that I am re-elected, if this poses any conflict with my prospective duties.

I am not involved and I do not have any function in any political party whatsoever.

**7. How would you deal with a major irregularity or even fraud and/or corruption case involving actors in the Member State of your origin?**

If I am honoured to be a Member of the European Court of Auditors, my mandate, responsibility and duty will be to safeguard the financial interests of the European Union and consequently the financial interests of the European citizens. I will deal with every issue in exactly the same manner, irrespective of the Member State of origin. My independence and professional conduct, judgment and effort will not be affected in any way by the origin of an

irregularity, fraud or corruption case.

Under the existing Commission rules, if in the financial management of EU funds, there is any suspicion of fraud, corruption or any other illegal activity (whether following an audit or on the basis of information received from a third party), the Member State must immediately inform the European Anti-Fraud Office (OLAF). A similar obligation exists for the European Court of Auditors. I exercise this obligation in my capacity as the Head of the Certifying Authority and as the coordinator of the National Anti-Fraud Coordination Structure (AFCOS) for reporting of irregularities or suspected fraud.

Furthermore, with regard to the spending of National Funds, a corresponding obligation exists in the course of my duties as Accountant General. Any irregularities or reasonable suspicion as to the perpetration of an offence should be reported to the relevant Authorities.

### **Performance of duties**

#### **8. What should be the main features of a sound financial management culture in any public service?**

The Treasury of the Republic of Cyprus has as its mission, the supervision and monitoring of the constitutional, legal and responsible management of the public financial operations that support the decision making process, securing the effective implementation of financial and fiscal policies in the Republic of Cyprus. Based on my experience, the main features of a sound financial management culture in any public service should include:

- Organisational structure, objectives, strategies and policies
- Lines of responsibility and accountability
- Staffing competences and skills
- Laws and regulations, procedures and internal controls
- Information systems and automation
- External and internal audit

The public service should have a formal structure which determines the mode in which it operates and performs. Its objectives should be set in writing and be updated on a regular basis by the management.

The strategic plans, and the planning process in general, are used for the allocation of economic resources to the outputs and outcomes of the public service and enable the management to reach the policy and performance objectives.

An alignment of the management and staff individual objectives is also necessary for the

achievement of the public service objectives.

Clear lines of responsibility and arrangements for accountability constitute elements for motivation of the management and staff towards good performance.

Beside all organisational arrangements in place, a major element for sound financial management culture is the quality of staff of the public service, in terms of skills, technical knowledge, experience and ethical values.

The internal control system of the public service should provide reasonable assurance that its objectives will be met with particular reference to:

- The effectiveness of operations,
- The economic and efficient use of resources,
- Compliance with applicable policies, procedures, laws and regulations,
- The safeguarding of assets and interests from losses of all kinds, including those of fraud, irregularity or corruption, and
- The integrity and reliability of information, accounts and data.

Robust information systems and automation, in general, could improve the internal control system, provided that there is a detailed and complete plan for their implementation and they can achieve the desired functionality in the public service.

Last but not least, external and internal audit functions are an integral part of a public service framework for financial management, supporting good governance, accountability, transparency and control, as well as adding credibility and boosting the soundness of the financial management culture.

A well balanced combination of all the above features enables the public service to establish and maintain a sound financial management culture, in order to achieve optimum performance, economy, efficiency and effectiveness.

**9. According to the Treaty, the Court shall assist Parliament in exercising its powers of control over the implementation of the budget. How would you describe your duties with regard to reporting to the European Parliament and its Committee on Budgetary Control, in particular?**

Article 287 of the Treaty on the Functioning of the European Union provides that the Court of Auditors shall assist the European Parliament and the Council in exercising their powers of control over the execution of the budget. The Treaty defines this assistance to both Institutions, in the form of a statement of assurance (DAS), as to the reliability of the accounts and the legality and regularity of the underlying transactions.

According to the Treaty, the Court of Auditors is responsible for examining the accounts of

all revenue and expenditure of the Union and whether the financial management has been sound. Consequently, the reports (annual or special/ad-hoc) which the Court submits to the European Parliament and, in particular, to the Committee on Budgetary Control, are of great importance.

The Court's work provides an important basis for the annual discharge procedure whereby the European Parliament, basing its decision on recommendations from the Council, decides whether the Commission has met its responsibility for the execution of the previous year's budget.

In addition, through the Court's work, the Committee on Budgetary Control can divert its focus in specific areas, in order to solve problems, minimise risk and maximise the economy, efficiency and effectiveness of the use of the EU financial resources, to the benefit of the European citizens.

Effectively, the reports of the Court must be accurate, reliable and incorporate recommendations and responses of the audited bodies, in order to best assist the Committee on Budgetary Control to fulfil its task and objectives.

Vital elements for the maximum impact of the report findings and recommendations are conciseness and the use of commonly understandable language, with the avoidance of, or the use of proper interpretation for, technical terms, as deemed necessary.

From experience, I fully appreciate the benefits and the necessity of constructive cooperation between the National Audit Institution and National Parliament, as well as the benefits from the close cooperation I have built with the National Audit Institution.

As the Accountant General, together with the Auditor General – Head of the National Audit Institution, I am a close associate of the Public Accounts Audit Committee of the National Parliament, regularly invited to attend meetings, when Ministries/Departments/Services are under parliamentary scrutiny, so as to provide my independent expertise on matters relating to Public Financial Management and Public Procurement. This cooperation has been built on mutual trust and respect and I will endeavour to form such a relationship with the Committee on Budgetary Control, if I am honoured to be a Member of the European Court of Auditors. I will work in this direction through my contribution in the Audit Groups/Chambers of the Court, the College of the Court and through personal contact, exchange of views and consultation with the Chairman and Members of the Committee on Budgetary Control.

#### **10. What do you think is the added value of performance audit and how should the findings be incorporated in the management?**

Performance audit is an external assessment of the economy, efficiency and effectiveness of public services/funds/projects in the employment of the available resources.

Performance audit is also known as an audit of 'value for money', i.e. whether best value for the money spent has been obtained by the public service.

Quality performance audits add value to both the auditor and the auditee. The auditor gets an

insight of the auditee operations and field of work, which enhances the understanding of risks and resulting in a better and more effective audit. The auditee is assisted to improve the functioning of its operations to optimise the quality of the output, by better allocation of resources, for the benefit of the citizens.

The added value of performance audit, in my opinion, is dependent on the quality of the audit work and the performance of the roles of both the auditor and the auditee, in the audit engagement, as well as on the effectiveness of their cooperation and communication.

Critical factors of success are the following:

- a) The audit should-
  - be fair,
  - be focused on the measurement and reporting of outcomes, and
  - enhance accountability and trust.
- b) The audit recommendations should be-
  - evidence-based (sufficient, relevant, reliable) and clear, and
  - capable of being implemented in a cost-effective manner.
- c) The audit report should be balanced and not have negative concentration.
- d) The audit findings should be discussed with the auditee at an early stage, by following an honest and open dialogue.
- e) There should be extensive experience and a wide variety of professional and academic backgrounds, especially in complex and sensitive audit engagements.

The incorporation of the performance audit findings and recommendations concerning the management process of the auditee, is achieved through the close cooperation and communication with the auditor. As part of the process, the management should be actively involved and should agree with the performance audit findings and recommendations and consequently accept the weaknesses and become the owner of the recommendations. This renders the management accountable and responsible to implement the recommendations promptly and effectively. Management's commitment is re-evaluated during follow up visits.

#### **11. How could the cooperation improve between the Court of Auditors, the National Audit Institutions and the European Parliament (Committee on Budgetary Control) concerning the audit of the EU budget?**

According to Article 287 of the Treaty on the Functioning of the European Union, 'the Court of Auditors and the National Audit Bodies of the Member States shall cooperate in a spirit of trust while maintaining their independence'. Besides, it is true that according to a statement



by the President of the Court, ‘closer cooperation between political (the European Parliament) and professional (the Court of Auditors) control can bring about a further improvement in the management of EU funds’.

The effective cooperation between all of the above Institutions is of paramount importance for the economic, efficient and effective deployment of the taxpayers money spent in the field of audit and parliamentary oversight. For further improvement in cooperation, the establishment of a high level cooperation committee, between the Committee on Budgetary Control, National Parliament Public Accounts Audit Committees, European Court of Auditors and National Audit Institutions, could be considered. The aim should be towards the holistic implementation of the single audit concept, dealing with the legal and administrative amendments that may be required at European and National level.

The Contact Committee, which brings together the Heads of the National Audit Institutions in the EU Member States and the Court’s President/Members, has been particularly set up in order to serve the improvement of cooperation between the Court of Auditors and the National Audit Institutions. The cooperation is already at a satisfactory level but there is always room for further improvement in a number of ways, such as:

- Further reliance on the audit work of the National Audit Institutions.

This could take the form of reliance based on national declarations, national audit reports and certificates and annual summaries.

- Avoidance of duplication or overlapping of work in the different audit engagements.

It is worth noting that although 80% of the EU expenditure is spent under shared management, the shared responsibility for the audit of the money spent is disproportionate. The implementation of the single audit concept would save audit resources, to the benefit of the EU citizens.

- Further adherence to international auditing standards and use of common audit methodologies.

The effort put towards the operation of the working group on common auditing standards should be further enhanced and the commitment of all stakeholders should be strengthened in order to achieve the consensus required.

The cooperation between the European Court of Auditors and the European Parliament is of great importance and it can bring about a further improvement in the management of EU funds. The cooperation is already at a high level and it could be enhanced by:

- Setting regulated breakthrough meetings at Member level,
- The establishment of specialised liaison committees, and
- The establishment of contacts between staff in different areas of work.

There is a mutual influence in the discharge of the duties of the above Institutions in the implementation of the EU budget. The European Parliament focuses its scrutiny taking into consideration the audit findings and recommendations reported by the Court of Auditors and the Court develops its audit programme, taking into account the observations and concerns of the Committee on Budgetary Control. The establishment and the regulation of specific ways of cooperation at all levels (Member, specialised liaison committee, staff) will add value to the work carried out by both the European Court of Auditors and the European Parliament.

If I am honoured to be a Member of the European Court of Auditors, I will be in a better position to contribute towards the improvement of the cooperation between the Court and other Institutions, especially the Committee on Budgetary Control, having regard to the principle of independence.

### **Other questions**

#### **Would you withdraw your candidacy if Parliament's opinion on your appointment as Member of the Court were unfavourable?**

It is my strong belief that in any position of authority in the public service, it is of utmost importance and a prerequisite that the Head of the Authority has the full trust and confidence of all the stakeholders, especially that of the European Parliament, otherwise his/her role is undermined to the detriment of the interests of the citizens. I have applied this throughout my public service in Cyprus and I will apply it as a nominee Member of the Court of Auditors. The trust and confidence of the Committee on Budgetary Control and of the European Parliament towards individual Members of the Court of Auditors and to the Court as an Institution is of paramount importance and a prerequisite in safeguarding the financial interests of the European citizens. I will be honoured to have your favourable opinion for appointment as Member of the Court and I will endeavour to maintain your trust and confidence during my prospective service.

I will of course withdraw my candidacy if European Parliament's opinion were unfavourable.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	27.9.2010
<b>Result of final vote</b>	<div style="display: flex; justify-content: flex-end; align-items: center;"> <div style="text-align: right; padding-right: 10px;">+:</div> <div>19</div> </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> <div style="text-align: right; padding-right: 10px;">-:</div> <div>0</div> </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> <div style="text-align: right; padding-right: 10px;">0:</div> <div>0</div> </div>
<b>Members present for the final vote</b>	Jean-Pierre Audy, Inés Ayala Sender, Zigmantas Balčytis, Jorgo Chatzimarkakis, Andrea Cozzolino, Ryszard Czarnecki, Luigi de Magistris, Tamás Deutsch, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Cătălin Sorin Ivan, Aldo Patriciello, Christel Schaldemose, Theodoros Skylakakis, Bart Staes, Georgios Stavrakakis
<b>Substitute(s) present for the final vote</b>	Monika Hohlmeier, Ivailo Kalfin