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REPORT

on the nomination of ten candidates for Membership of the Court of Auditors
(C5-0197/2004 – 2004/0809(CNS))
(C5-0198/2004 – 2004/0809A(CNS))
(C5-0199/2004 – 2004/0809B(CNS))
(C5-0200/2004 – 2004/0809C(CNS))
(C5-0201/2004 – 2004/0809D(CNS))
(C5-0202/2004 – 2004/0809E(CNS))
(C5-0203/2004 – 2004/0809F(CNS))
(C5-0204/2004 – 2004/0809G(CNS))
(C5-0205/2004 – 2004/0809H(CNS))
(C5-0206/2004 – 2004/0809I(CNS))

Committee on Budgetary Control

Rapporteur: Diemut R. Theato

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PROCEDURAL PAGE

By letter of 3 May 2004 the Council consulted Parliament, pursuant to Articles 247(3) of the EC Treaty and 160b of the EAEC Treaty on the nomination of ten candidates for Membership of the Court of Auditors:

1. Mr Jan KINŠT
2. Ms Kersti KALJULAI
3. Mr Constantinos KARMIOS
4. Mr Igors LUDBORZS
5. Ms Irena PETRUŠKEVIČIENĒ
6. Mr Gejza Zsolt HALÁSZ
7. Mr Josef BONNICI
8. Mr Jacek UCZKIEWICZ
9. Mr Vojko A. ANTONČIČ
10. Mr Július MOLNÁR

At the sitting of 3 May 2004 the President of Parliament announced that he had referred the nominations to the Committee on Budgetary Control as the committee responsible (C5-0197/2004, C5-0198/2004, C5-0199/2004, C5-0200/2004, C5-0201/2004, C5-0202/2004, C5-0203/2004, C5-0204/2004, C5-0205/2004, C5-0206/2004).

The committee had appointed Diemut R. Theato rapporteur at its meeting of 8 March 2004.

At its meetings of 8 March, 6/7-19 April and 3 May 2004 it considered the Council's nominations and the draft report.

At the latter meeting it adopted the proposals for decisions by secret ballot and adopted the report as a whole.

The following were present for the vote: Diemut R. Theato, chairman and rapporteur; Herbert Bösch and Freddy Blak, vice-chairmen; María Antonia Avilés Perea, Juan José Bayona de Perogordo, Miroslav Benes, Mogens N.J. Camre, Helmut Kuhne, Emmanouil Mastorakis (for Paulo Casaca), Ole Sørensen, Bart Staes, Gabriele Stauner, Rijk van Dam and Michiel van Hulten.

The report was tabled on 4 May 2004.

1. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Jan KINŠT in the quality of Member of the Court of Auditors
(C5-0197/2004 – 2004/0809(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0197/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Jan KINŠT in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

2. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Kersti KALJULAID in the quality of Member of the Court of Auditors
(C5-0198/2004 – 2004/0809A(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0198/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Kersti KALJULAID in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

3. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Constantinos KARMIOS in the quality of Member of the Court of Auditors
(C5-0199/2004 – 2004/0809B(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0199/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a negative opinion on the appointment of Constantinos KARMIOS in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

4. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the nomination of Igors LUDBORZS in the quality of Member of the Court of Auditors (C5-0200/2004 – 2004/080C(CNS))

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0200/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Igors LUDBORZS in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

5. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Irena PETRUŠKEVIČIENĖ in the quality of Member of the Court of Auditors
(C5-0201/2004 – 2004/0809D(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0201/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Irena PETRUŠKEVIČIENĖ in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

6. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Gejza Zsolt HALÁSZ in the quality of Member of the Court of Auditors
(C5-0202/2004 – 2004/0809E(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0202/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Gejza Zsolt HALÁSZ in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

7. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the nomination of Josef BONNICI in the quality of Member of the Court of Auditors (C5-0203/2004 – 2004/0809F(CNS))

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0203/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Josef BONNICI in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

8. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Jacek UCZKIEWICZ in the quality of Member of the Court of Auditors
(C5-0204/2004 – 2004/0809G(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0204/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Jacek UCZKIEWICZ in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

9. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

**on the nomination of Vojko A. ANTONČIČ in the quality of Member of the Court of Auditors
(C5-0205/2004 – 2004/0809H(CNS))**

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0205/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a favourable opinion on the appointment of Vojko A. ANTONČIČ in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

10. PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the nomination of Július MOLNÁR in the quality of Member of the Court of Auditors (C5-0206/2004 – 2004/0809I(CNS))

The European Parliament,

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the EAEC Treaty, pursuant to which the Council consulted Parliament (C5-0206/2004),
 - whereas at its meeting of 6 April 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and at its meeting of 3 May 2004 considered the nominee's qualifications in the light of the criteria laid down by Articles 45b of the ECSC Treaty, 247(3) of the EC Treaty and 160b of the EAEC Treaty,
 - having regard to Rule 35 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A5-0283/2004),
1. Delivers a negative opinion on the appointment of Július MOLNÁR in the quality of Member of the Court of Auditors;
 2. Instructs its President to forward this decision to the Council and, for information, to the Court of Auditors, the other institutions of the European Communities and the Audit Offices of the Member States.

**ANNEX: REPLIES TO QUESTIONNAIRE AND CURRICULUM VITAE OF THE
CANDIDATES IN THE QUALITY OF MEMBERS OF THE COURT OF AUDITORS**

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1. CZECH REPUBLIC - Mr Jan Kinšt

A. Replies to questionnaire

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

The whole of my professional career to date (since 1988) has been devoted to the subject of public finances and the external audit of the Government. I have worked at the Ministry of Finance of the Czech Republic for a total of approximately 11 years and for around five years at the Supreme Audit Office of the Czech Republic.

(a) From 1988 to 1998 I worked at the Czech Ministry of Finance, most of which time was spent in the State Budget Department, where I was Deputy Director for approximately five years up to 1998. My main responsibilities included:

- coordinating the preparation of the state budget;
- continuous monitoring of the implementation of the state budget;
- budgetary methodology and the assessment of the implementation of the budget, including 'performance budgeting';
- budgetary classification;
- representing the Ministry of Finance in its relations with international and foreign institutions on fiscal matters (European Union, IMF, World Bank, OECD, etc.).

I again worked at the Ministry of Finance from March to July 2003 as an adviser to the Minister. I took part in preparing the Czech Republic's public finance reform. I was responsible in particular for preparing the part of the public finance reform aimed at implementing medium-term budgeting and fiscal targeting in the Czech Republic.

(b) From 1999 to March 2003 I worked at the Supreme Audit Office of the Czech Republic. During that time I was director of the department responsible for quality assurance at the Office, for processing analyses of the Office's activities and their effects, and for providing methodological support, particularly for the performance audit.

Since July 2003 I have been a Member of the Supreme Audit Office. I am also a Member of the Board of the Supreme Audit Office, its highest body. As a holder of this post I conduct audits entrusted to me by the Board in which I concentrate above all on the evaluation of the economy, efficiency and effectiveness (the three 'E's) of the Government's subsidy programmes.

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

1. CZECH REPUBLIC - Mr Jan Kinšt

A. Replies to questionnaire

I consider the three most important decisions to be the following:

- (a) **Implementation of the new budgetary classification, drafted by myself, in the Czech Republic from 1997.** This budgetary classification is an important component of the system of continuous control, accounting and reporting of public finances at national and regional level in the Czech Republic. With some modest adjustments it is still in use today. The previous classification, which it replaced, did not provide sufficient transparency of financial data and was incompatible with international standards (particularly GFS).
- (b) **Implementation of a system of medium-term budgeting and fiscal targeting in the Czech Republic.** The current system of drawing up and implementing the budget in the Czech Republic is no longer satisfactory. The Czech Parliament is currently discussing an amendment to the law on budgetary rules (Organic Budget Law) which, if passed, would fundamentally change the way in which the state budget is drafted. It is intended in particular to lead to a markedly more programmed medium-term approach in terms of the drawing up and implementation of the budget, tightening the Government's fiscal discipline and increasing its accountability. It is built on a system of medium-term fiscal targeting and medium-term expenditure and programming frameworks established by the Government and by individual ministries and submitted by the Government, together with the draft state budget, to Parliament for examination and approval. I was the head of the team at the Finance Ministry that prepared these measures.
- (c) **Preparation and adoption of the auditing standards of the Supreme Audit Office.** These standards were approved by the Board of the Supreme Audit Office in February of this year. As is the case in other supreme auditing institutions (SAIs), these standards represent a key element of quality assurance in the preparation and execution of auditors' activities. Particularly in the context of a supreme auditing institution (SAI) led by a board, they are an indispensable common 'quality benchmark' for Members of the Office and for auditing teams. I took part in preparing and adopting these standards both as director of department and as a Member of the Supreme Auditing Office.

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?**

I understand the principle of independence in the performance of the duties of a Member of the European Court of Auditors on these levels:

- (a) **institutional independence** – independence from the government of a Member State or from any other European or national institution (including SAIs): I may not be influenced by these institutions in the performance of my duties;
- (b) **independence from country of origin** – to perform one's duties impartially where an audit investigation concerns a particular Member State or other country and to do so even where the investigation concerns one's own country of origin;

1. CZECH REPUBLIC - Mr Jan Kinšt

A. Replies to questionnaire

- (c) **political independence** – not to advocate any political view in the performance of one’s duties, not to act on behalf of a particular political grouping within the European Court of Auditors and to avoid all assessments that could be construed as one political point of view taking precedence over another;
- (d) **financial and legal independence** – to relinquish all other legal activities and financial rewards arising therefrom during one’s term.

I believe the following principles to be inextricably linked to the principle of independence:

- moral and ethical credibility;
- performing one’s duties within the bounds of the rights and obligations of Members as laid down by the Treaty and related Community legislation, and conforming with the standards and other internal rules approved by the European Court of Auditors.

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

I am currently performing my duties as a Member of the Supreme Auditing Office of the Czech Republic and am completing the commitments arising from the post.

The current procedure for terminating one’s activities as a Member of the Supreme Auditing Office in the Czech Republic in this situation is to submit one’s resignation to the Speaker of the Lower House of Parliament. Were I to be appointed a Member of the European Court of Auditors, I would of course resign from my post in the Czech Republic before taking up my duties. The two posts (Member of the European Court of Auditors and Member of the Supreme Auditing Office) are mutually incompatible under Czech law.

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 such as referred to in the question that might conflict with my prospective duties. I am therefore prepared to disclose transparently all my financial interests and commitments to the President of the European Court of Auditors and make them public. I am not involved in any current legal proceedings.

1. CZECH REPUBLIC - Mr Jan Kinšt

A. Replies to questionnaire

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?

Yes, I am stepping down from my position as Member of the Supreme Audit Office of the Czech Republic (see also my answer to Question 4). I do not hold any other active function.

I am not now, nor have I ever been, a member of any political party.

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?

I would deal with a major irregularity or even fraud and/or corruption involving actors in the Member State of my origin in exactly the same way as if I were to discover such activities involving actors from any other Member State (see also my answer to Question 3).

Performance of duties

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

I shall attempt to summarise briefly my answer in a number of points:

1. **Clear definition of the objectives, policies and programmes of the institution in question, and of the results to be achieved by its activities;**
2. **Unambiguous definition of the responsibilities of employees within the management structure**, i.e. defining their governing powers (in relation to Point 1), responsibility for the handling of financial resources, and responsibility for the results to be achieved (as appropriate, setting measurable objectives to be achieved).
3. **Definition of powers when handling finances** (authorising individual employees according to seniority and character, for example). Decentralised auditing procedures on the handling of finances. Every payment would be 'cross-approved' by at least two people; i.e. responsibilities would be divided between a manager responsible for the matter in hand and a financial official. The existence of transparent written rules guiding employees in the handling of finances.
4. **Effective information and communication system** (accounting, reporting) allowing continuous monitoring of financial flows as well as of results achieved by activities and programmes. Traceability of the flow of every financial transaction (audit trail). The ability to pass information between different levels of management in the interests of providing continuous information and exercising executive control over objectives attained and the effects and the correct use of finances. The existence of transparent written rules.
5. **Effective functions of the internal audit**. Clear separation from the responsibilities of management. Sufficient powers to carry out its duties in terms of personnel and technical equipment in order to guarantee sufficient scope. Active communication between the highest-ranking manager of the institution and the auditor.

1. CZECH REPUBLIC - Mr Jan Kinšt

A. Replies to questionnaire

6. In collaboration with the internal audit, **continuous detection and evaluation of potential risks** and taking steps to remove them.
7. **Support of preventative systems** (of information and control) to detect irregularity or fraud. Support for internal ethics and a culture of openness in the organisation helping to provide warnings of possible irregularity and fraud.
9. **In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?**

Before answering this question specifically, I have to mention that, unfortunately, financial control systems have for a long time been undervalued in the Czech Republic, as is no doubt the case in other acceding countries. This has led to a generally low standard of morality and responsibility in the use of budgetary resources. Budgetary resources were, and in many places still are, considered by managers in government institutions to be 'soft money', as much from the point of view of allocating them with economy, effectiveness and efficiency in mind as, sadly, from the point of view of the legality of their use. The practical aspects of the idea of a 'system of financial control' are interpreted and carried out differently: different government institutions use quite different manuals implementing this system.

The institutional framework for auditing currently has only a very recent tradition in the public sector, in terms of both internal and external auditing.

With preparations for accession to the European Union, a whole range of steps has been taken to improve the situation, particularly to ensure that the Czech Republic is 'prepared to receive EU funding'. This is no doubt sound, but at the same time it is paradoxical. The volume of expected aid from European funds is of course much smaller than the amount of funding redistributed from domestic taxation by public finances. At least the same level of vigilance should therefore be devoted to the financial monitoring of these funds, should it not?

I shall again attempt to summarise the most fundamental steps that need to be taken:

1. **Greater budgetary restrictions on the Government**, individual ministers and government institutions, which is the best and most effective form of pressure to find the most effective managerial approaches and ways of using budgetary funds.
2. **Decentralisation on the one hand.** Clear definition of managerial responsibility and the power of ministers and government institutions over the management of the budgetary funds entrusted to them, achievement of maximum economy and effectiveness and fulfilment of the programmed objectives for which they are to be used. Clear definition of responsibility of management for proper financial proceedings and control, ongoing monitoring and assessment of economy, effectiveness and efficiency.

1. CZECH REPUBLIC - Mr Jan Kinšt

A. Replies to questionnaire

3. **A stronger role for the Finance Ministry on the other.** The Ministry should have the role of watchdog, carrying out continuous monitoring and assessment of whether the payment systems used by ministries and their agencies guarantee quality financial management and control. If they do not, the Ministry should suggest reallocation of budgetary funding. It should also have the role of ‘central harmonisation unit’, setting uniform and transparent standards and other detailed guidelines including specimen checklists to ensure a sound culture of financial management, as set out in the answer to Question 9.
 4. **Fulfilling the role of internal and external audit units in practice**, in terms of their mandate and provision of staff as well as the substance of their activities. These units are often not viewed as independent from management. Often they are a substitute for continuous managerial monitoring, and yet the scope of their inspection activities often does not cover key systems where there are significant risks of irregularity. In my activities as an auditor at the Supreme Audit Office, I have encountered a range of obvious system weaknesses at managerial level leading to considerable irregularity or poor economy in the handling of finances, or at least to the risk of such. Where there was an internal auditor active in an organisation, such weaknesses remained completely outside the sphere of his or her investigations. Here, too, the Ministry of Finance can play an important role, setting standards and specific guidelines for the work of internal auditors.
 5. **More effective definition of the role of the external audit institution (SAI).** This step has an objective and a subjective side. On the one hand, the SAI must have a sufficient legal mandate to carry out its duties detecting weak points in financial management and control. In the Czech Republic, for example, the SAI does not have the power to monitor the administration of regional autonomous authorities, which are funded with around 15–20 % of public funds. On the other hand, the SAI must, in my opinion, reallocate more effectively its activities and material and human resources. It needs to be more active in applying pressure to create effective systems of internal control and internal audit in order not to have to carry out such activities itself in terms of the detection of often elementary irregularity. It should concentrate its attention on managing the execution of the legal financial audit of the final balance sheet of the Government on the one hand and of thematic performance audits on the other. It should also be more communicative with Parliament and parliamentary committees and should seek to intervene in order to ensure that its findings lead in the end to the rectification of shortcomings.
10. **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?**

In every democratic society, the parliament is the main partner of an independent external audit institution, as should also be the case with the European Court of Auditors and the European Parliament. The objective of the activities of the European Court of Auditors should not be simply the detection of illegal activities and of other lapses, but it should also involve

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carrying through its work to ensure the desired rectification of shortcomings. However, it is not

capable of doing so on its own, but only in collaboration with other European institutions, particularly with Parliament. Its most natural partner among the parliamentary committees is of course the Committee on Budgetary Control.

As a Member of the European Court of Auditors I would be required, with the Court's authorisation, to present to the European Parliament, and in particular to the Committee on Budgetary Control, the findings of audits entrusted to me by the Court of Auditors and to justify these audits. This means paying particular attention not just to detected infringements of the law and shortcomings in terms of the economy, effectiveness and efficiency of the handling of EU budgetary funds, but also paying attention to systematic risks that could in future lead to wrongdoing or other lapses, and which would generally go against the financial interests of the Union.

I do not know how mutual cooperation between the two institutions is currently governed on a formal and organisational level. I presume that regular (periodical) contact meetings are held at which the Court reports to Parliament on the findings of its audits and provides the President and individual Members with oral information and recommendations. In addition to this regular contact, the European Court of Auditors and its Members no doubt provide, on request, clarifications on specific questions arising from audits. I also presume that Parliament may request the opinion of the European Court of Auditors or of its Members on its initiatives (legislative and others) concerning the improvement of the management and administration of the budget, particularly when it comes to rectifying shortcomings or removing risks about which the European Court of Auditors had previously warned.

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

As far as I know, the essence of the change to the European Commission's accounting system is the changeover from a cash-based system to an accrual-based system. This is a highly rational step; indeed, it is a step in the same reforming direction as the trend over recent years in the public sector of advanced countries. It will certainly help strengthen managerial judgement and improve the administration and monitoring of the management of Union funds.

An accrual-based accounting system provides its users (managers, stakeholders and auditors) with information of fundamentally more usefulness on the economic processes at an organisation and the results achieved by the way in which they are managed, because it places a transaction in the time period when it actually took place rather than in the period when the cash was received or paid. Above all, it monitors costs, not payments, and it indicates correctly how much of the resources awarded to an organisation have actually been used in a given period, such as labour, material and services, as well as capital assets, which are recorded under costs according to their depreciation over their lifetime.

There are positive benefits to the accrual-based accounting on an overall level and also in terms of the assessment of individual programmes and policies.

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On an overall level, for example, the stakeholders (Parliament) will receive more accurate

information on budget management results over the past year (as a key indicator of budget management). Instead of comparing cash receipts and payments, which would not have to be objectively connected with the given budget year, receivables and costs are recorded that actually arose from the economic operations of the year in question. Users are also provided with information on cash flows, because reports of an accrual-based accounting system include a cash-flow statement.

The accrual principle also provides for more accurate monitoring of actual costs in terms of individual programmes and policies and therefore gives an assessment of their advantages and performance compared with costs. The first advanced countries to change to accrual-based accounting (e.g. Australia and New Zealand) justified the change precisely by the need to monitor actual costs and thereby to evaluate the effectiveness of government programmes. The ability to monitor actual costs also tends to lead to a more economical use of capital assets.

The European Commission can also be expected to benefit from this if an accrual-based system is introduced there. However, the countries that have already changed over to the accrual-based system have all referred to the need for coordination and careful preparation for this change, particularly in the area of personnel training and amending automatic information systems.

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

On the issue of the creation of the post of European Prosecutor, I do not have sufficient information to be able to answer unequivocally. I know that serious discussions have been held on the issue, which have also involved important, as yet unresolved legal questions. However, on the basis of the information available to me, I consider moves to create the post of European Prosecutor as a step in the right direction.

As an auditor I have no doubt that the protection of the European Union's financial interests and the fight against economic criminality are vital key priorities. The European Court of Auditors and national SAIs are also active in these discussions, having set up a working party on the protection of the Communities' financial interests through the Contact Committee of the Presidents of the SAIs of EU Member States and of the European Court of Auditors.

The European Anti-Fraud Office (OLAF), which works together with national bodies belonging to AFCOS (including the Supreme Audit Office of the Czech Republic), is active in the field of prevention and detection of fraud and corruption. However, the current system is not sufficiently effective in terms of the law in the area of economic criminality. It is, of course, all the more urgent to find a solution providing more effective protection of the European Communities' financial interests in the light of the accession of the new countries, both in terms of the risk of a higher level of unlawful activity and of further fragmentation in

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the area of the enforcement of laws on economic criminality. A solution to this may be the

creation of the post of European Prosecutor, who would investigate and prosecute criminal activities directly and defend directly the financial interests of the Union over national legal institutions.

If a European Prosecutor's Office were set up, an effective solution would need to be agreed with the other institutions above all to prevent an overlapping of powers and activities of the various institutions, for example, with those of OLAF itself. Before a European Prosecutor's Office can be set up, questions of the areas of competence of both institutions and mutual cooperation between them need to be resolved.

The European Court of Auditors itself must also have a direct relationship with both institutions. It should have a duty to inform the European Prosecutor's Office directly when, in the course of its auditing activities, it uncovers the suspicion of criminal activity. It should cooperate with OLAF (or with its representative organisation) on risk detection in the systems of financial control that could give rise to the risk of corruption and fraud.

Answer to Question 13:

I believe that I am sufficiently qualified to be a Member of the European Court of Auditors. If Parliament's opinion was unfavourable, I would consider its objections carefully and would probably withdraw my candidacy, because I consider that a Member of the European Court of Auditors should have the confidence of Parliament.

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B. Curriculum vitae

I. Education and Training:

II.1. University Degree:

Prague University of Economics, graduated in 1987

II.2. Other Courses Completed:

Public Accounting and Audit (CIPFA, London, 1991)

Privatisation and Public Finance (JICA, Tokyo, 1992)

Public Finance Management (IMF, Vienna, 1993)

Government Finance Statistics (IMF, Washington D.C., 1994)

Development Aid For Corporate Sector (JICA, Tokyo, 1998)

II. Professional Experience:

III.1. Work History:

| Institution | Position | Period |
|---|--|------------------------------|
| Supreme Audit Office of the Czech Republic (CR) | Member of the Office | July 2003 - present |
| Ministry of Finance of the CR | Adviser to the Minister | March 2003 – July 2003 |
| Supreme Audit Office of the CR | Director, Department of Analyses | January 1999 – March 2003 |
| Ministry of Finance of the CR | Deputy Director, State Budget Department | January 1994 – December 1998 |
| | Senior Official, State Budget Department | March 1990 – December 1993 |
| | Official, Department of Financial Analyses | October 1988 – February 1990 |

III.2. Expert assignments:

| Organisation | Assignment | Period |
|---|---|---------------|
| European Organisation for Nuclear Research (CERN) | Member of the Finance Committee | 1993 – 1996 |
| International Monetary Fund (IMF) | Expert on a Mission to Uzbekistan | 1995 |
| World Bank | Evaluation of the Central Budget Control and Transparency in the CR (report) | 1999 |
| | Establishing External Audit in Post Communist Countries (presentation at the seminar for the republics of the former Soviet Union - Budapest) | 2001 |

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B. Curriculum vitae

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|--------------|--|---------------|
| OECD (SIGMA) | Adviser for Public Expenditure Management and Performance Budgeting: | |
| | - FYROM | 1997 |
| | - Slovakia | 1998 |
| | - Albania | 1999 and 2000 |

III. Publications:

J. Kinšt: Budgetary Classification (Prague, 1996, 1997, 1999, 2000, 2002, 2003).

D. Prokúpková, J. Kinšt: Practical Exercise of Accounting and Budgetary Classification of Municipalities (Prague, 2001).

IV. Teaching Experience:

Prague University of Economics – external professor for Public Expenditure Management and Budgetary Classification courses (2000 – present);

Lecturing the Czech central, regional and local government staff on budgetary classification and reporting (1996 – present).

V. Professional Affiliations:

Member of the Scientific Board, Prague University of Economics.

VI. Other skills:

VII.1. Languages:

English – fluent

Russian – passive

French – beginner

VII.2. IT:

MS Word, Excel, PowerPoint, Internet.

Additional information

After graduating from the Prague University of Economics in 1987 and completing the service in the Czech Army I started to work at the Ministry of Finance of the Czech Republic in 1988 – first in the Financial Analyses Department, then moving to the State Budget Department in 1990. My main duties were compiling, analysing and evaluating the execution of the state budget.

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B. Curriculum vitae

In 1994 I was appointed Deputy Director of State Budget Department and Head of General Budget Affairs Division. My principal responsibilities comprised:

- coordination of preparation and compilation of the Draft Annual Budget;
- management of budgetary reserves;
- budget performance analyses and its revision proposals;
- representation of the Ministry of Finance in negotiations with the EU, international institutions (IMF, World Bank, OECD, etc.) and foreign rating agencies about fiscal matters;
- control of budgetary classification and fiscal reporting;
- organisation of training and workshops for the government officials concerning budgeting methods;
- expert assignments (IMF, OECD – see part III.2.).

In 1999 I joined the Supreme Audit Office (SAO) of the Czech Republic where I held the post of Director of Department of Analyses for four years. I was responsible for:

- preparation of analytical documents for the SAO President;
- methodological, legal and IT support for auditors;
- preparation of auditing standards and manuals;
- drawing up of the SAO opinion on the state closing account;
- representation of the Czech SAO in the Working Group of ECA, SIGMA and Candidate Countries experts for Audit Manuals;
- expert assignments (World Bank, OECD – see part III.2.).

With the SAO President's consent, I went back to the Ministry of Finance in March 2003 for a period of four months to work as an adviser to the Minister. I was responsible for designing the system of medium-term budgeting and fiscal targeting within the public finance reform in the Czech Republic, which came into effect in January 2004.

Upon proposal by the late SAO President Dr. Voleník and its subsequent approval by the Chamber of Deputies in May 2003, I was appointed Member of the Supreme Audit Office in July 2003.

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Professional experience

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

Management- and financial auditing: while working at Hansabank, my responsibilities concerned mostly Mergers&Acquisitions' advisory work, including buy-side advice in privatization processes, corporate recovery and sale of the companies in difficulties as ongoing businesses. All these activities included Due Diligence and company valuation procedures.

Public finance: in 1999, the after-effects of the Russian financial crisis were still felt in the economy, and the budget revenue estimates were failing to materialize dramatically. The government decided to cut back on non-compulsory public expenditure. My role in this process was to negotiate with the line ministers for the prime minister to guarantee that the expenditure targets set were met and co-ordinating the process with the Ministry of Finance.

Together with the Minister of Finance and the Minister of Social Affairs, I participated in the planning process for the pension reform (shift from pay as you go to partially pre-funded system). As the reform committee did not include a minister from the Prime Minister's party, but did include the ministers from other coalition parties, it was left to me to negotiate for the Prime Minister in the reform committee.

Management: as the financial manager of Iru Power Plant, the third largest power plant in Estonia, I had to indicate and correct the weaknesses in the management and controlling system of the company to guarantee that all transactions were legal, regular and efficient.

Later, already under my management as the director of the plant, the company has adopted the principles of TQM and is now in the auditing process for ISO9001/ ISO14001. Iru PP has also been selected for EMAS activities by Estonian authorities as a pilot project in Estonia. We have applied for EU aid to rebuild the plant so that it would be able to comply with the environmental regulations, the technical aid for the project has already been granted.

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

1. I have already described my participation in Estonian pension reform. Participation in the decisions taken in the planning phase of this reform must be the decisions with widest spread consequences I have ever been part of.

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2. While working in the Prime Minister's Office I proposed to reform the public system of entrepreneurship promotion in Estonia. I noticed that this system was divided between numerous entities governed by several ministries and operated without clear definition of the results they were to obtain. They were all setting individual rules for funding applications, making it costly for the SME's they were meant to support to apply. My proposal was to create one-stop shop for the businesses, also consolidate the entities under the management of ministry of economy and to define the results expected from this entity. The government accepted my proposal; this single entity was actually created and is nowadays more and more concentrating on promoting knowledge-based entrepreneurship in Estonia.
3. As the director of Iru Power Plant, I took the decision to attempt drastic job reductions (by 24% of the whole workforce) together with appropriate investment program to raise efficiency and therefore be able to pay higher salaries to the workers – and make the Trade Union to see this as a step in the right direction. The company has found (through TQM implementation) possibilities to build more efficiency into the production process; its ROIC is now above 8% (up from 4% two years ago). I had to plan and lead the change in an environment where the change was initially very much feared.

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 stipulated by the Article 247 of the Treaty:

- I do not seek nor take instructions from any government or any other body
- I refrain from any action that is incompatible with my duties
- I will not be engaged in any other occupation, whether gainful or not
- Also, after the end of my term in the Court, I will behave with integrity and discretion as regards the acceptance of certain appointments and benefits.

But independence must never mean indifference. I will always make sure that all parties to a certain audit undertaking will feel totally involved and also well-informed of the ongoing process, understand and accept the aim of the audit. I appreciate the opinion voiced by the SFM Audit Advisory Group advising the ADAR sector of ECA: "the no surprises approach should be the norm for relations with the auditee for the results of the audit to be most productive". Of course, considering all above mentioned, the line between losing independence and "no surprise" consultation has to be drawn very clearly.

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

The procedure similar to discharge procedure, as understood in Community, has not applied

to my activities. However, the power plant under my management has received favourable annual internal and external audit reports.

- 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 am not involved in any legal proceedings. I am ready to disclose all my financial interests and other commitments. I am aware that the current procedure for the Members of the Court of Auditors is to file their financial interest reports with the President of the Court, and I will definitely abide by this procedure in the forthcoming years.

- 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?**

Yes, I have already done so.

- 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?**

As a Member of the Court of Auditors I will act in the general interest of the Community. I would deal with the fraud or corruption case in Estonia in the same way as with a case from any other Member State.

Concerning this topic, I would like to point out the following:

Firstly, wherever reference is made to “fraud”, it has to be mentioned that this is a legal term applied to certain fact and only a court of law or equivalent jurisdiction can determine whether a particular transaction is proven fraud.

Secondly, every Member State has to report to OLAF about such a major irregularity where it can give rise to the suspicion of fraud. I will remind the authorities in the Member State about that – be it my country or any other. Also, if I were involved in an audit case which lead to such suspicion, I will make sure that the irregularity/suspicion of fraud is duly documented and reported, following the procedures laid down by the Court.

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Thirdly, the INTOSAI auditing standards recommend that if the auditor feels he/she is in a situation where the objectivity is or can be considered to be under threat, he/she should withdraw from the audit. It may not always be necessary with a case from Estonia, but I would consider it and consult my colleagues on that.

And finally, if I have been involved in an audit procedure, which led to a discovery of major irregularities in Estonia and chose not to withdraw from the said audit, I would make very sure that my communication with the problematic institution would be transparent. I would engage a colleague to participate in both written and oral communication.

Performance of duties

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

Firstly, I do really appreciate the wording of this question, implying that sound financial management is not only the issue of legality and regularity of transactions; it is also a cultural issue. I would describe the culture we should aim for in the most general principles as follows:

- Transparency
- Defined set of rules and regulations for management and control
- An atmosphere of management supporting the rigorous implementation of these rules (no corner-cutting even in the relatively minor issues)
- General open management culture, level field for any member of the organisation to voice their opinion, thus helping to protect against deviations from the rules and updating the rules where there is room for improvement
- Willing disclosure of the financial and management reports, audit results and environmental (or working-conditions) auditing reports
- Readiness to work with the weaknesses discovered in the organisation by any kind of audit work.

Secondly, as of more detailed approach, sound financial management should be assured by providing that expenditure is to be duly justified and certified, and by linking payments to compliance with essential responsibilities as to the monitoring of planning, financial controls and the application of the law. It is the duty of the head of every entity to ensure that the principles of transparent and effective financial management are implemented. Effective financial management is based on the following prerequisites:

- Observance of the principle of separation of duties and responsibility
- Documentation and preservation of all business transactions

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| 2. ESTONIA - Ms Kersti Kaljulaid A. Replies to questionnaire |
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- Limitation of access to resources and information to authorised persons only who are responsible for the resources and information (an extremely important issue in small communities like Estonia!)
- Clearly defined measures for the removal of detected irregularities and for the management of risks.

And thirdly, already on the technical, documentation and accounting level – each entity's accounting system, to form the necessary basis for sound financial management, must ensure:

- Recording of all economic transactions and submission of documents to the accounting department
- Timely registration of transactions and activities
- Classification of transactions and activities as required
- Completeness of documentation, its compliance with the requirements and preservation
- Existence of necessary authorisations and adherence thereto.

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

The *acquis* on financial control consists mostly of internationally agreed and EU-compliant principles of public internal financial control that need to be transposed into the control/audit systems of the entire public sector to cover all public and EU funds. The need for a clear distinction between ex-ante control and ex-post control is stressed and this principle primarily arises from the requirement to establish a clear division of tasks. Rules for ex-ante control and independent internal and external audit should be laid down in primary legislation.

From the remarks of the last Monitoring Report I gathered that the accession countries should concentrate on the following issues:

- Internal audit facilities should be established in all income/spending centers and their functional independence has to be protected
- In the field of external audit, framework legislation needs to guarantee functional independence of the NAI
- An anti-fraud co-ordination service, capable of co-operating with OLAF, is to be designated
- Central unit to ensure the harmonised methodology for ex-ante control should be clearly defined (as is in DG Budget, where Central Harmonizing Unit is formed to give methodical guidance on control procedure). This unit should prepare guidelines for ex-ante control general principles
- Public procurement procedures have to be enhanced. Most procurement legislation is approaching EU standards, but the real worry is the application of these procedures

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- Management accounting systems have to be improved to produce also performance related information.

The principle set by the Treaty that EU funds need to be protected as carefully as the national public resources are is worth stressing as most accession countries will for the time being qualify as the net receivers of the EU finances, making it extremely important to gain the trust of the Community that the donor funds are regularly, legally and effectively spent.

10. 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?

The main objective of the Member's duty is to assist the Parliament and its Committee on Budgetary Control in exercising its powers of control over the implementation of the EU budget. This objective is fulfilled through different processes of which reporting is one of the most important ones. Article 248(4) of the Treaty stipulates that the Court has to draw up its rules of procedure, to be approved by the Council. According to these rules, every member, responsible for a certain area of auditing activities, is reporting on his/her area of work to the Court, the reports of the Court being approved collectively.

I feel there is the need to explain neutrally, objectively and in the compact and easily understandable way, the opinion of the Court and the opinion voiced by the audited institution/organisation. If the audit, when presented as the part of the Audit Plan for the year by ECA, has been receiving suggestions from the Parliament, for example on the aim of said audit, I would make sure that these suggestions have been addressed during the audit work and also in the report.

The procedures of reporting to the Parliament have been developed between the Court and the Parliament to suit the changing needs of the Community to understand not only if the resources have been legally and regularly spent, but have they also been effectively spent. I will certainly do my best together with my would-be colleagues to continuously improve the reporting process in line with the development of new accounting system and budgeting/management accounting improvements, for example ABB.

Being the first ever candidate from Estonia, I am aware that I do lack the deeper understanding of this co-operation between the Court of Auditors and The Parliament. I am taking the forthcoming experience of the hearing before the Committee on Budget Control as a learning experience to understand better what will be expected of me from the Parliament's point of view.

2. ESTONIA - Ms Kersti Kaljulaid

A. Replies to questionnaire

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

The main objectives of the change are (in addition to comply with international accounting standards):

- Changeover from cash-based accounting to accrual-based accounts (but application of the accrual principle to the general accounts only – the dual system is created where the payment appropriations and budget receipts will remain a disbursement/collection budget). This will allow to fulfill the requirement of annuality (set by Financial Regulation) of the financial statements, as events are recorded in the accounting records and recognized in the financial reports of the periods to which they relate. The elements recognised under accrual accounting are assets, liabilities, revenue and expenses.
- Integrated IT accounting systems, allowing single entry of any item and formulation of all reports from the sole source of information. This can be done and is done by integrating central accounts first (hopefully by 2005) and local systems over a longer period.
- Including all the elements needed to draw up financial statements into the accounting system (e.g. fixed assets, depreciation, guarantees) with the aim of automatic establishment of a balance sheet and the reconciliation of the off-accounts inventory with the data from the accounting system.

Therefore, there are three different streams of reform – accounting framework, IT architecture and user requirements. They are interdependent and can only be moved ahead together, as the accounting framework supported by IT system will have to form the basic layer of financial information, allowing with minimum additional work and expenditure to respond for the different needs of the different “owners” of the budget process from planning, implementation to internal control and auditing.

It should also create an opportunity to easily access differentiated expenditure reports, for example to derive from the general accounts a report on all Community resources spent on certain functional or even geographical area etc. I feel that this possibility to group initial data in the accounting systems to form different reports over all Community Budget is the most important practical outcome of this reform, as it so much adds to the transparency of the financial decisions.

The community is not only changing its accounting system, but switching to Activity Based Budgeting (from 2004). Its main objective is to assure that the allocation of resources is a politically driven process whereby resources of all types are distributed in a manner that is consistent with pre-defined political priorities and objectives. ABB will add to the transparency of the actions, but the full benefit of the ABB will be felt if the accounting system reform will be completed, as only then will we have a tool to analyze all types of expenditure against the political priorities set.

2. ESTONIA - Ms Kersti Kaljulaid

A. Replies to questionnaire

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

The financial interest of the Community should be protected as effectively as possible. It is clear that both Member States and the Commission must take necessary measures to prevent and combat fraud, corruption and any other illegal activity that is affecting the Communities' interest. Fraud can be tackled by several different means, criminal law being one such method.

As I understood from the Commission's follow-up report to the Green Paper, the Commission, having analyzed the views expressed on the Green Paper, remains of the opinion that the creation of a European Prosecutor is necessary, because it is sure that the fragmented nature of the European judicial area hampers the effectiveness of criminal prosecutions, especially in connection with the fight against fraud. As most of the comments on the Green Paper were supportive to this proposal, I am sure it is the right way forward.

On the co-operation between a European Prosecutor and other control bodies on the same field, like OLAF, Eurojust and Europol, I agree with the view expressed during the discussion of the Green Paper that, in case European Prosecutor is created, OLAF should be given the power of criminal investigation to assist European Prosecutor in the investigations.

The co-operation level between Eurojust and European Prosecutor seems to be more closely linked to the ongoing discussion of creating a European law-enforcement area. In the current situation of the three-pillar Community with quite different levels of co-operation in the separate areas of the community action, it seems logical to accept the Commission's proposal that Eurojust and EP are separate and complementary bodies, the first being a center of judicial co-operation between the Member States and the latter a Community authority with its own detention and prosecution powers in the special field of protection of the Community's financial interests.

Other questions

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

I would consider it very seriously, as good relations and trust have always been very important to me in my career. I do not believe into unwilling co-operation. My aim in the hearings before the Committee on Budgetary Control will be to gain the trust necessary for my work in the Court of Auditors to be useful and add value to the co-operation between the Court and the Parliament.

2. ESTONIA - Ms Kersti Kaljulaid

B. Curriculum vitae

Education

Kersti Kaljulaid graduated from the University of Tartu in 1992 with a BSc in biology (genetics), obtaining an MBA from the same university in 2001. Her MBA dissertation focused on the efficiency of the public sector with particular reference to improving the system of administration and financial control in independent State firms.

Professional experience

In 1999 she left Hansapank Markets (investment banking department where she had been the assistant manager) for the public sector, joining the office of the Prime Minister where she became the Prime Minister's economic policy adviser.

While working at Hansapank, her main responsibilities were advising on mergers and acquisitions, including the privatisation process. Within the team of advisers, she was responsible for pre-purchase analysis and company evaluation. For example, pre-purchase analysis and evaluation of Läänemaa Electricity, a distribution network (advising Vattenfall on privatisation of the network). During the financial crisis in Russia in 1998 when some of the bank's clients went bankrupt because of market losses, she twice represented the bank on the creditors' committee as an adviser on corporate recovery plans and the potential sale of the firms (two firms were successfully relaunched, found new owners and are still in operation).

In the Prime Minister's office, one of her main responsibilities as adviser to the Prime Minister was coordination between the Prime Minister's office and the Bank of Estonia, the Ministry of Finance, the Ministry of the Economy, the Ministry of Communications and Transport and the Ministry of Agriculture. This was in 1999 when the economy was still feeling the impact of the Russian crisis and the high budget revenue characteristic of a pre-election period had failed to materialise. The government decided to cut non-compulsory public spending for 1999 by 5% and one of Kersti Kaljulaid's tasks was to conduct negotiations with ministers on budget cutbacks and advise the Prime Minister on those negotiations, coordinating the process with the Finance Ministry. When the budget for the following year was being drafted, she represented the Prime Minister in discussions with the ministers concerned on the more technical issues and drew the Prime Minister's attention to problems requiring his intervention in the budget negotiations. She also had a duty to keep the Prime Minister abreast of the budgetary process (from the budget drafting stage to its implementation and audit); she advised the Prime Minister on the efficiency of the public sector. For instance, she was behind an initiative involving the reorganisation, consolidation and more effective administration of the support system created by the State to promote a spirit of enterprise in Estonia.

As far as the Bank of Estonia is concerned, Kersti Kaljulaid's responsibilities as adviser to the Prime Minister were to be aware of the Bank's opinion on the monetary and fiscal situation and to advise the Prime Minister on such matters. When the Bank decided to put forward proposals to the government on fiscal issues, it was her task to discuss these views with the Bank's deputy governors and to draft the Prime Minister's replies. She kept the Prime Minister up-to-date on the Bank's activities in the international sphere.

2. ESTONIA - Ms Kersti Kaljulaid

B. Curriculum vitae

She also coordinated the work of the Prime Minister's office with the IMF and other multilateral financial institutions (BERD, NIB). She met the six-monthly IMF audit missions before they started work in the ministries concerned, so as to keep abreast of the mission plans and to discuss the preliminary analyses of the country's fiscal and monetary situation. The IMF mission frequently sought her advice on how to raise difficult issues with members of the government and was open to suggestions as to their audit plan.

Along with the ministers of finance and social affairs, she took part in preparatory work on pension reform. As the reform committee did not include a member of the Pro Patria Union, the Prime Minister's party, but ministers from other parties in the coalition, it was up to her to report back to the Prime Minister and his party on the reform committee's development plan and its calculations of the cost of the reform. She also briefed the Prime Minister on the various alternative options discussed by the reform committee and helped to explain the committee's decisions.

Following the change of government in 2002, having worked as the Prime Minister's adviser for three years, she moved to the Estonian State energy company, starting as finance director of the Iru power station, which is the third-largest power station in Estonia. Since September 2002 she has been employed as administrative director of the Iru power station.

As finance director, her first task was to set up an accounting system to give all those responsible easy access to the company's financial results and a good grasp of all the relevant information. The directors now receive monthly reports on the fifth of each month with the results for the previous month, together with an analysis showing deviations from the budget and their likely causes. Her other task was to identify and remedy shortcomings in the company's administrative and control system to ensure that all transactions were legal, regular and effective.

Under her guidance, the company adopted TQM principles and is currently undergoing the audit process for ISO9001 et ISO14001 certification (certificates for quality management and environmental management). The power station has also been selected for EMAS (the environmental management system supported by the EU). As the power station, which is a nationalised entity, has to meet the criteria for public invitations to tender, it will be necessary to put in place routines and checks to ensure that its tenders are drafted with the necessary attention to detail and with effective outcomes. The return on capital invested is now more than 8%, whereas it was previously around 4%. These results have been achieved by introducing an open management culture and through the rapid implementation of staff suggestions on how work procedures can be improved.

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| <p style="text-align: center;">2. ESTONIA - Ms Kersti Kaljulaid B. Curriculum vitae</p> |
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Kersti Kaljulaid represents the government in the Estonian Genome Foundation; she is involved in the work of the State television programming committee. She is also well known as a regular participant in a radio programme on domestic politics and the Estonian economy.

Spoken languages:

English (fluent)

Russian and Finnish (intermediate level)

3. CYPRUS - Mr Constantinos Karmios

A. Replies to questionnaire

Professional experience

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

Since February 1980, when I was first appointed to a position in the public sector, I have been employed as follows in chronological order:

- Until January 1991, I was employed in the Audit Office of the Republic of Cyprus, which, in accordance with the Constitution, is an independent organisation not subordinate to any Ministry. Under the Constitution, the Audit Office is responsible for auditing the statements of income and expenditure, all accounts of monies and other assets administered by the Republic and liabilities incurred by the account of the Republic. During my period of service with the Audit Office, I took part in auditing the accounts of various Ministries, Government Departments and other bodies such as the Ministry of Labour and Social Insurance, the Ministry of Finance, the Department of Welfare, the Department of Government Purchasing and Supply, the Central Bank of Cyprus, the Annual Holiday with Pay Fund and the Termination of Employment Fund etc.
- From February 1991 until December 1996, I was Head of the Internal Audit Division at Treasury Headquarters of the Republic of Cyprus, which constitutes the central auditing service through which the Treasury Headquarters of the Republic audits and supervises public expenditure and revenue. The fundamental objective of the Internal Audit Division, which became an independent service of the Republic from September 2003 as part of the process of harmonisation with the *acquis communautaire*, was and is to strengthen internal audit systems throughout the State apparatus, principally by means of carrying out proactive checks aimed at achieving better use of public money and ensuring the legality, validity and regularity of public transactions.
- During the period 1997-1999, I served as senior accountant in the Ministry of Defence as Head of the Budget and Financial Management Division. The main responsibility of the Division, which at that time numbered some 40 staff, is to draw up the annual budget for the Ministry and to monitor its implementation in accordance with the relevant budgetary provisions and related provisions of law concerning the budget.
- Since January 2000 to the present time, I have been Head of the Directorate of Accounting and Financial Services of Treasury Headquarters, which has some 50 staff, the responsibility of which is the proper functioning of the accounting system applied throughout government departments and the provision of information concerning financial management. In addition, the Directorate is also responsible for drawing up the final accounts of the Republic and submitting them through the Minister of Finance to the House of Representatives. The National Fund has also been set up within this Directorate; this is a special unit given responsibility for financial management of pre-accession aid granted to Cyprus under the pre-accession Regulation No 555/2000.

3. CYPRUS - Mr Constantinos Karmios

A. Replies to questionnaire

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

- The purchase, development and, since 1 January 2004, the use of the new public accounting system which, in essence, is an integrated administrative and financial information system based on modern information technology.
- The creation in 2003 of an independent internal government audit division by means of special legislation, as part of the process of strengthening financial control and harmonisation with the *acquis communautaire*.
- The closure of the Cyprus Oil Refinery from 1 May 2004 and its conversion into a fuel storage terminal.

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?

- Firstly, I should like to point out that as a professional accountant, a member of an internationally recognised body of chartered accountants and auditors, I am required to comply with certain standards of ethical and professional conduct concerning integrity, objectivity and independence in the performance of my profession either as accountant or as auditor. As regards the obligation to be 'completely independent' in the performance of my duties;
- I would submit my resignation from my current post in government service,
- I would avoid having any indirect or direct financial interest in any organisation which might at any time be entitled to Community resources under any form of action, project or works,
- I would not undertake any other remunerated or non-remunerated activity,
- I would resign from all boards and committees of which I am currently a member,
- I would avoid any action which might jeopardise my integrity and independence and I would inform the Court of Auditors of any attempt at corruption or any other action designed to influence my integrity,
- I would be prepared, for the purposes of transparency, to make public/disclose all financial interests or other commitments.

3. CYPRUS- Mr Constantinos Karmios
A. Replies to questionnaire

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

Neither the Constitution of the Republic of Cyprus nor any other legislation provides for a discharge procedure.

However, there is a legal framework and the institutional and administrative bodies are in place to take administrative and/or criminal proceedings against civil service accountants in the event of maladministration, irregularities and/or fraud and, in general, abuse of power during the performance of their duties as a public servant or official.

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 have no business or financial holdings or any commitments which might conflict with my prospective duties. I am prepared to disclose all my financial interests and other commitments to the President of the Court and make them public. I am not involved in any current 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?

I do not hold any elected office or any active function with responsibilities in a political party. I am in fact not a member of any party.

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?

Irrespective of who is involved in a case of irregularity or fraud or corruption and regardless of their country of origin, as a member of the Court of Auditors my paramount duty is to protect the financial interests of the European Community and, by extension, of Community taxpayers. Therefore, in such a case, I would refer the matter to the Court of Auditors and would follow the prescribed procedure for informing the Commission's Anti-Fraud Office (OLAF) for it to take action within its sphere of competence. I would also inform the national auditing body of the Member State. Naturally, beyond that, the entire matter would have to be monitored through to a final settlement and be included in the Court of Auditors' annual report to Parliament.

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| 3. CYPRUS - Mr Constantinos Karmios A. Replies to questionnaire |
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Performance of duties

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

The main features of a sound financial management culture should be:

- the existence of legislative and regulatory financial provisions concerning the drawing up and implementation of the budget, the collection of revenue and disbursement of funds;
- the existence of a sound accounting system consistent with generally accepted accounting principles with appropriate auditing systems to ensure the correct recording of all operations, the protection of assets and the prevention and detection of fraudulent practices;
- the existence of procedures for decision-making, planning and target-setting, execution, control and evaluation in relation to efficiency, economy and effectiveness in the use of public resources to achieve the objectives set;
- the existence of independent internal and external auditing authorities to verify the legality and regularity of budget revenue and expenditure and to establish to what degree and at what cost management objectives have been achieved;
- the legislative power exercising scrutiny over the executive power (parliamentary control).

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

In the cases in question, priority should be given to support measures, some of which may speed up the process of harmonisation with the *acquis communautaire*. I believe that the Community should be prepared to assist the new Member States, with all the means available to it, both before and after their accession to the Community. Depending on the nature of the problem, Community support could take the form of financial aid from resources available from various pre-accession finances (Phare Funds) or could be provided under the various programmes [SIGMA Support, twinning (light), projects, TAIEX training seminars, peer assistance] as provided by the Transition Facility.

3. CYPRUS - Mr Constantinos Karmios

A. Replies to questionnaire

10. 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?

The main task of the European Court of Auditors is to control the Union's finances and to identify those areas in which measures should be taken to improve their management. All the Court's observations as they arise from auditing are summarised in the annual report on the accounts for the previous year, which is submitted every year to the European Parliament after adoption in November. This report, together with the Statement of Assurance and any other special audit reports on particular areas of management represent the foundation for the decisions taken by the European Parliament on granting discharge to the Commission.

It is obvious from the foregoing that the reports of the Court of Auditors are the basic tool for exercising effective parliamentary control over the acts of the Community's executive body. I believe therefore that those reports must be precise and objective, not give rise to any ambiguity regarding the findings of the audit and must be drawn up and submitted at the correct time.

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

- (a) Better information on the Community's finances and the possibility of drawing up economic status reports in line with the international accounting standards for the public sector, as laid down by the International Federation of Accountants.
- (b) The strengthening of the various audits, administrative, financial, accounting and others, to ensure the correctness, the legality and regularity of the European Community's financial transactions;
- (c) A reduction in bureaucracy as a result of automated, decentralised and simplified accounting procedures;
- (d) An improvement in the operation of the existing accounting system, particularly in regard to the security and safekeeping of information and the possibility of providing up-to-date integrated information by means of cross-networking the various computerised accounting systems currently in operation;
- (e) An improvement in the quality of the services provided both to the Executive (Commission), and to the legislative power (Parliament, Council).

3. CYPRUS- Mr Constantinos Karmios
A. Replies to questionnaire

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

As observed and assessed, offences against the Community budget are increasingly cross-border in nature and a large proportion of the cases of fraud against the Community are also international. The international nature of these cases and the lack of uniform or harmonised criminal legislation governing such offences creates problems in terms of prosecution and deprives the Community of the opportunity to defend and invoke its rights. I would therefore say that I am in favour of the creation of a European Prosecutor as an independent Community institution. His main responsibilities should be to investigate, prosecute and bring to justice those who offend against the financial interests of the Community and to bring proceedings before the Member States' costs.

In my opinion the European Prosecutor should, in carrying out his duties, be supported by OLAF (the Anti-Fraud Office), which is in essence an administrative police force/investigative authority within the Commission with an independent status, while at the same time OLAF should be subject to scrutiny by the Court of Auditors.

Other questions

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

Taking into account:

- (a) my academic and professional qualifications and my almost 25 years' experience of public finance, particularly in the area of financial management and independent auditing, both internal and external, and
- (b) the fact that that very same State which I have served for such a long period has decided, on the basis of my qualifications, my conduct and devotion to duty, and my performance of the duties entrusted to me, to nominate me as a candidate for membership of the Court of Auditors,

it is my view that I have the qualities and the character required and I am confident in my abilities successfully to discharge the duties and the requirements of the appointment concerned; moreover I do not see why Parliament's opinion on my appointment as a Member of the Court of Auditors should be unfavourable. I would therefore not withdraw my candidacy.

3. CYPRUS - Mr Constantinos Karmios
B. Curriculum Vitae

EDUCATION/QUALIFICATIONS

- 1965 – 1971 Secondary Education, Pancyprian Gymnasium – School Leaving Certificate, Science Section.
- 1982 Five months specialized course in computer audits and computer programming which was held in London and provided by the Commonwealth Foundation and the Government of Cyprus
- 1985-1988 The Chartered Association of Certified Accountants, United Kingdom – Graduated December 1988 – Member as from April 1989.
- 1993 Five weeks residential program on advanced Computer applications in Finance which was held in Madras, India and provided by the Commonwealth Fund for Technical Cooperation.
- 1994-1996 Master of Public Sector Management (M.P.S.M.) – Cyprus International Institute of management.

EXPERIENCE

- November 1973 to
January 1980 **Kaimakli New Co-operative Credit Society**
Employed as accounts clerk in the accounts section of the society with main duties the keeping of the records of current accounts, loan accounts and assisting in the preparation of the monthly accounts

The main activity of Co-operative Credit Societies in Cyprus is the granting of loans on favorable terms (low interest rates, long-term repayment period) for self-housing to low-average Income families.
- February 1980 to
January 1991 **Audit Office of the Republic of Cyprus**
Employed as examiner of accounts with major responsibility in auditing the accounts of various government departments and statutory organizations.

The Audit Office of the Republic is the National Audit Organization with primary responsibility on behalf of the Republic to control all disbursement and receipts and audit and inspect all accounts of moneys and other assets administered, and of liabilities incurred, by or under the authority of the Republic.

3. CYPRUS - Mr Constantinos Karmios

B. Curriculum Vitae

During my employment I was engaged in the audit of the accounts of Central Bank of Cyprus, Social Insurance Fund, Annual Holiday with Pay Fund, Ministry of Labour and Social Insurance and its Departments, Ministry of Finance, Department of Government Purchasing and Supply, Government Lottery, Cyprus Red Cross (UNHCR projects).

February 1991 to
December 1996

Ministry of Finance – Treasury Department.

Accountant in charge of the Internal Audit Division at Treasury Headquarters

The Internal Audit Division was the Central agency through which the Accountant General of the Republic was exercising his constitutional responsibility for the supervision of all accounting operations in respect of all moneys and other assets administered and of liabilities incurred by or under the authority of the Republic.

Internal Audit Division, as part of the process of harmonization with the acquis and for the purpose of strengthening financial control, became an Independent Service through an act of parliament in 2003.

January 1997 to
September 1999

Ministry of Finance – Treasury Department.

Senior Accountant in charge of the Budget and Financial Management Division of the Ministry of Defence.

Main Responsibility of the division is the preparation of the annual budget for the Ministry of Defence, the co-ordination of its implementation and the keeping of all accounting records relating to income and expenditure, assets and liabilities.

October 1999 – today

Ministry of Finance – Treasury Department.

Chief Accountant in charge of the Directorate of Accounting and Financial Services of Treasury Headquarters.

The Directorate is responsible for the proper functioning of the Government's Central Accounting System and the provision of monthly and yearly management reports. In addition the annual financial Statements (Financial Report) are prepared by the Directorate and laid before parliament through the Minister of Finance. Under the direct Supervision of the Head of the Directorate operates also the National Fund which has been established for the financial management and control of pre-accession aid granted by the European Union to Cyprus within the meaning of Regulation no. 555/2000.

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| <p style="text-align: center;">3. CYPRUS - Mr Constantinos Karmios B. Curriculum Vitae</p> |
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MEMBERSHIP TO VARIOUS BOARDS AND COMMITTEES

- Member of the Board of Directors of the Nicosia Water Board as from October 1999.
- Member of the Management Committee of the Game of Fund, as from October 1999.
- Member of the Board of Directors of the Central Holiday with Pay Fund, as from 4 February 2000.
- Member of the Board of Directors of the Cyprus Petroleum Refinery Ltd. from 31 October 2001 to 3 July 2003, and for a 2nd term as from 10 December 2003.

4. LATVIA - Mr Igors Ludboržs

A. Replies to questionnaire

Professional experience

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

The main aspects of my professional experience are:

- in public finance: advisor to the minister of economics, participation in the working groups to improve and/or create the accounting, tax and company law, providing courses on the International Public Sector Accounting Standards;
- in management: financial director of an joint venture, audit manager in the “Big six” accounting firm, deputy head and head of the largest national bank’s internal audit department and the managing director of the accounting firm.
- in management auditing: consultant in the “Big six” accounting firm, deputy head and head of the bank’s internal audit department.

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

The three most important decisions to which I have been party in my professional life are:

1. Participated in the creation of the independent professional association of the sworn auditors.
2. Started and continued to participate in the development of the national accounting standards.
3. Started and continued to work as an academic at the University of Latvia.

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?

I would apply this obligation to my prospective duties in a way briefly described in article 247 of the Treaty and specified in articles 11 – 16 of the Staff Regulations (with possible changes in these articles later this year). In addition, I should apply the Court policies and standards in respect of independence.

4. LATVIA - Mr Igors Ludboržs
A. Replies to questionnaire

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

I have not received a discharge for the management duties I carried out previously, because such a procedure does not apply.

5.1. Do you have any business or financial holdings or any other commitments, which might conflict, with your prospective duties?

I have business and other commitments, which might conflict, with my prospective duties.

5.2. Are you prepared to disclose all your financial interests and other commitments to the President of the Court and make them public?

Yes, I am prepared to disclose all my financial interests and other commitments to the President of the Court and make them public, if such a procedure would be applicable to me.

5.3. In case you are involved in any current legal proceedings, would you please give details?

I am not involved in any current 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?

Yes, I am prepared to step down from any elected office or give up any active function with responsibilities in a political party after my appointment as Court Member.

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?

I would deal with a major irregularity or even fraud and/or corruption case involving actors in the Member State of your origin like in any other case, in accordance with article 280 of the Treaty and the Court policies and standards No. 14 and 15. In addition I would consider possible change in article 22 of the Staff Regulations.

Performance of duties

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

The main features of a sound financial management culture in any public service are:

4. LATVIA - Mr Igors Ludboržs
A. Replies to questionnaire

1. Clearly defined tasks.
2. Knowledge and understanding of their responsibilities by every member of the public service organisation.
3. Performance controls built into management processes, which provide information necessary for decision-making.
4. Proper ways of dealing with the deviations from the defined tasks.
- 9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?**

The analysis of the Comprehensive Monitoring Report on the accession countries indicates that the following measures should receive priority in the countries concerned:

1. Enhanced efforts in the area of control over structural action expenditure, framework and implementing legislation (Czech Republic, Latvia, Lithuania, Hungary, Poland and Slovakia).
2. Enhanced efforts in the field of the protection of EC financial interests (Estonia, Latvia, Hungary, Poland and Slovakia).
3. Enhanced efforts in the area of public internal financial control (Czech Republic, Cyprus, Hungary and Poland).
- 10. 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?**

The Court duties, briefly defined in article 248 of the Treaty, with regard to reporting to the European Parliament and its Committee on Budgetary Control (responsibilities of this standing committee stipulated by the Rules of Procedures of European Parliament, Annex VI, Part III), in particular, are more specifically described in articles 143, 144, 146 and 147 of the Council Regulation No. 1605/2002 on Financial Regulation.

4. LATVIA - Mr Igors Ludboržs

A. Replies to questionnaire

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

The added value of such a change to the accrual accounting for the general accounts in the Commission accounting system “will give a global view of the “economic situation” of the Commission over and above implementation of the budget, to take into account the value of assets and other elements”. At the same time change in the accounting system, established by the articles 132 - 135 of the Council Regulation No. 1605/2002 on

Financial Regulation will improve public sector financial management and accountability.

12.1. Are you in favour of the creation of a European Prosecutor?

Yes, I am in favour of the creation of a European Prosecutor.

12.2. What should be the nature of its relations with other control bodies on the same field, like OLAF?

The nature of the European Prosecutor’s relations with other control bodies on the same field, like OLAF, should be organised in the way it is suggested in the Green Paper on the criminal – law protection of the financial interests of the Community and the establishment of the European Prosecutor with taking into account the report on this Paper by the Committee on Budgetary Control.

Other questions

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

Having regard to article 247 of the Treaty and Rule 35 of the Rules of Procedure of European Parliament (Chapter VI) it is the Council’s decision to nominate or not other candidacy on a request from President of European Parliament. If Parliament's opinion on my appointment as Member of the Court were unfavourable, I would consider withdrawal of my candidacy in case I would know the reasons of such opinion and agree with it.

4. LATVIA - Mr Igors Ludboržs
B. Curriculum vitae

Education:

| Years | Name and location of institution | Academic Degrees and Certificates | Main field of Study |
|---------------------------|---|-----------------------------------|---|
| 1981-1985 | University of Latvia Department of Accounting | Grad. Diploma | Accounting and Operating Analysis |
| 1986-1989 | University of Vilnius Department of Accounting Doctoral course | Dr. Oec. | Development of Accounting of Non-productional expenses and losses |
| June-July 1992 | Harvard University Graduate School of Business Administration CEETP | Certificate | General Management Program |
| September 1992-June 1993 | KPMG Bohlins in cooperation with University of Latvia | Certificate | Study program for auditors |
| June-August 1993 | University of Pennsylvania Wharton Emerging Economies Program, Stanford University Graduate School of Business CEETP | Certificate | Corporate Finance and Managerial Accounting |
| December 1993 | Coopers & Lybrand Latvia Audit I | | Study program for auditors |
| April - May 1994 | Ministry of Finance, Accounting Methodology Council | Certificate | Examination of Latvian Sworn Auditors |
| October 1994 -August 2003 | Association of Chartered Certified Accountants (ACCA) | ACCA member | Study program for certified accountants |
| July 1994 | Coopers & Lybrand Latvia Bank accounting | | Study program for auditors |
| September 1994 | Coopers & Lybrand Latvia Audit II | | Study program for auditors |
| September 1995 | Coopers & Lybrand Latvia Management Skills I | | Study program for auditors |
| November 1997 | European Institute for Advanced Management Studies | Certificate | Study program for doctoral students |
| April 1999 | Euromoney Training | Certificate | Internal Audit – Principles and Practice |
| September 1999 | Euromoney Training | Certificate | Using Risk Assessment to Build Annual Audit Plan |
| September 2000 – May 2001 | Institute of Internal Auditors | Certificate | Study program for certified internal auditors |

4. LATVIA - Mr Igors Ludboržs
B. Curriculum vitae

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|-----------------------|---|-----------------------|--|
| March 2000 | Euromoney Training | Certificate | International Tax & Offshore Planning |
| February 2001 | Euromoney Training | Certificate | IT Audit School |
| July 2001 | Robert Kennedy University | Diploma | Post Graduate Diploma in International Tax Law |
| October 2001 | European Institute for Advanced Management Studies | Certificate | Study program for doctoral students |
| August 2003 - Present | Association for Investment Management and Research (AIMR) | CFA I Level Candidate | Study program for chartered financial analyst |
| December 2003 | European Institute for Advanced Management Studies | Certificate | Study program for doctoral students |

Other skills: fully computer literate.

Audit/accounting qualifications:

Latvian Sworn Auditor – since 24.01.1994;

Certified Internal Auditor – since 16.08.2001;

ACCA – since 24.09.2003.

Membership of professional bodies:

Member of Latvian Association of Sworn Auditors,
Member of Association of Chartered Certified Accountants,
Member of ISACA Latvian Chapter,
Member of European Accounting Association,
Member of Accounting Council,
Former member of Consultative Council of Republic of Latvia Accounting Standards,
Former member of Financial Accounting Standards Technical Committee

Language skills:

| <i>Language</i> | <i>Reading</i> | <i>Speaking</i> | <i>Writing</i> |
|-------------------|----------------|-----------------|----------------|
| <i>Latvian</i> | 5 | 5 | 5 |
| <i>English</i> | 5 | 5 | 5 |
| <i>Lithuanian</i> | 5 | 5 | 4 |
| <i>Russian</i> | 5 | 5 | 5 |

4. LATVIA- Mr Igors Ludboržs
B. Curriculum vitae

Employment:

| Time | Employer and position |
|--------------|--|
| 1985-1986 | University of Latvia, Department of Accounting, Engineer |
| 1989-1992 | University of Latvia, Department of Accounting, Assistant Professor |
| 1989-1990 | Latvian Television, Latvian Audiovisual Marketing Association "LAMA", Accountant |
| 1992-2003 | University of Latvia, Institute of Accounting, Associate Professor |
| 1990-1993 | Latvian-German joint venture "IP Riga", Financial Director |
| 1993-1995 | Coopers & Lybrand Latvia, Auditor |
| 1995-1997 | Coopers & Lybrand Latvia, Audit Manager |
| 1997-1999 | Parex Bank, Deputy Head of Internal Audit Department |
| 1999- 2001 | Parex Bank, Head of Internal Audit Department |
| 2003-Present | University of Latvia, Institute of Accounting, Professor |
| 2003-Present | Sworn auditors' Igors Ludborzs office, Managing director |

Publications (most recent or relevant ones):

1. Recognition of non-material assets in accordance with European Union Requirements.- Inga Būmane, Igors Ludborzs , Humanities and Social Sciences Latvia. University of Latvia, 2001;
2. Accounting and Audit in Latvia. - Transition in the Baltic States Micro-level Studies, Edited by N. Hood, R. Kilis and J.-E. Vahlne, Macmillan Press LTD, 1997).

Management experience:

Deputy Chairman of Accounting Council;

Member of the fund's financial committee established by the University of Latvia and "The Nippon Foundation";

Former Member of Financial Accounting Standards Technical Committee;

Former advisor to Minister of Economics;

Former Member of Consultative Council of Republic of Latvia Accounting Standards;

Former member of the working group on the laws of the groups of companies

Former Deputy Chairman of Latvian Association of Sworn Auditors.

5. LITHUANIA - Ms Irena Petruškevičienė
A. Replies to questionnaire

Professional experience

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

I have gained my experience relevant to the prospective duties mainly in my current job with PricewaterhouseCoopers and in activities in professional bodies. I would like to highlight the main aspects of my professional experience by way of presenting a summary of my responsibilities.

Head of the Audit Department in PricewaterhouseCoopers' Lithuanian practice:

Client portfolio management, assigning of practice development responsibilities to members of the management team, staff planning and performance evaluation, supervision of compliance with professional standards and audit methodology requirements, leading the team of the new audit methodology implementation in the Lithuanian practice, preparation of internal policies and procedures, etc.

Engagement leader of audit assignments:

Audit planning and supervision of execution, preparation and signing of auditor's reports, other reports, recommendations on improving clients' accounting systems and internal control procedures, presentation of audit findings and reports to management and shareholders. My client portfolio includes major state-owned and private energy companies, companies producing consumer products, services companies, non-profit organisations and charity funds.

Deputy of the head of administration: dealing with matters of administrative nature.

PricewaterhouseCoopers quality control assignments in the region: taking part in international audit quality review teams that carry out audit quality reviews in overseas practices.

Member of the Quality Control Committee at the Lithuanian Chamber of Auditors: Participation in the preparation of quality review programmes, organising training of audit quality reviewers, reviewing, summarising and presenting results of quality reviews to the Committee.

Other: preparation of replies to enquiries about accounting treatment, lecturing at training courses organised by the Lithuanian Chamber of Auditors, providing training to clients, supervision bodies and other organisations, publishing articles and interviews on accounting and auditing development matters, representation of PricewaterhouseCoopers as a founder of the Lithuanian Accounting Institute.

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

In order to make a judgment on whether I qualify for the prospective duties, I would like to present decisions in which I demonstrated a personal initiative. I would consider the following as important:

5. LITHUANIA - Ms Irena Petruškevičienė
A. Replies to questionnaire

As a member of the Board of the Audit and Accounting Institute, in 1997 I convinced the Board to initiate the preparation of National Audit Standards in line with International Standards on Auditing.

When leading the audit team of a major state-owned company, I proposed to issue a disclaimer of opinion (auditor's report stating that the auditor is unable to express an opinion on the financial statements).

When leading the audit team of a public company, I proposed to resign as the company's auditor because the management of the company resisted disclosing information in respect of significant transactions made by the company.

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?

The professional Code of Ethics requires independence both *in mind* and *in appearance*.

With reference to *independence in mind*, I will make professional judgments and will give opinions using professional scepticism without being affected by influences that might compromise my judgment.

With reference to *independence in appearance*, I will neither seek nor take instructions from any government or from other body, I will not be engaged in any other professional activity and will refrain from actions or activities in my professional and private life that might affect or give a pretext to suspect that my or independence of the Court of Auditors is compromised.

In situations of concern I will consult with other Members of the Court of Auditors.

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

There is no formal procedure of a discharge for the management duties I carry out currently.

5.1. Do you have any business or financial holdings or any other commitments, which might conflict, with your prospective duties?

No, I do not have any business or financial holdings or any other commitments, which might conflict with my prospective duties.

5.2. Are you prepared to disclose all your financial interests and other commitments to the President of the Court and make them public?

Yes, I am prepared to disclose all my financial interests and other commitments to the President of the Court and make them public. I have been following similar procedures of disclosing all my financial interests and other commitments to my employer at my current job.

5. LITHUANIA - Ms Irena Petruškevičienė

A. Replies to questionnaire

5.3. In case you are involved in any current legal proceedings, would you please give details?

I am not 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?

I am not and have never been a member of any political party.

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?

In the case of a major irregularity or even fraud and/or corruption involving actors in the Member State of my origin, I would deal with it in the same way as in the situation involving actors from other countries. I would act in the way prescribed by the Rules of Procedure and Court Audit Policies and Standards, i.e. if fraud were suspected or detected in the course of audit in the area under my supervision, I would report on it without delay to the President of the Court of Auditors, and follow other administrative procedures to enable the Court to communicate it to the European Anti-Fraud Office, OLAF.

Performance of duties

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

Sound financial management represents seeking to use funds: effectively – spending funds to achieve objectives of the public service, economically – seeking to achieve objectives of the public service at the lowest cost, efficiently – getting the best value of what the money is spent on.

To achieve the above, the public service has to have clearly defined objectives, careful plans of expenditure, high-quality information for decision-making purposes, control procedures in place, a performance measurement system and competent personnel.

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

The last Comprehensive Monitoring Report of the European Commission on the state of preparedness for EU membership of the accession countries states that the Czech Republic, Cyprus, Hungary and Poland are required to make further efforts to optimise public internal financial control and that external audit should be strengthened in Latvia.

5. LITHUANIA - Ms Irena Petruškevičienė

A. Replies to questionnaire

I am not in a position to propose measures to be taken by a specific country. Such measures may include continuous training of financial controllers and internal auditors, implementing International Auditing Standards in the work of supreme audit institutions, improving the quality of internal control, co-operation with OLAF, etc.

10. 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?

I would contribute to the Statement of Assurance by giving an opinion on the reliability of the financial statements and the legality and regularity of underlying transactions in the area of my responsibility, and to the Annual Report by presenting observations and issues to be brought to the attention of the European Parliament. At the request of the Committee on Budgetary Control, I would prepare reports or opinions on specific questions and initiate the preparation of special reports on the matters of concern should they be observed in the area of my responsibility.

Since the Court of Auditors is organised and functions in accordance with the principle of collective responsibility, first of all I would report the Court of Auditors and, after opinions and reports have been adopted by the Court, the reports and opinions would be presented to the European Parliament and its Committee on Budgetary Control in accordance with appropriate procedures.

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

The accountancy framework reform foresees shifting the old public accounting concepts towards a system similar to a company's accounting system, while retaining the specific features of the public sector. The main elements of the reform are changes from a cash-based accounting system to an accrual-based system, introduction of a uniform chart of accounts and integrated accounting system, greater scope of consolidation, and linking actual accounting data to budgetary information.

As a result of the reform, it will be possible to produce at any time a document needed by internal and external control authorities. Also, the quality and reliability of information contained in the financial statements will improve so that the financial statements will provide a more accurate picture of the financial position and results. All this subsequently will lead to the improvement of control and decision-making processes when planning the budget and monitoring budget execution.

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

I am aware of the debate on the establishment of a European Prosecutor, the main objective of which would be protection of the EU's financial interests. I have studied the Green Paper on criminal-law protection of the financial interests of the Community and the establishment of a European Prosecutor, the Follow-up Report and other publicly available information on this subject.

In general, I am in favour of the creation of a new body and taking any other measures to prevent, detect or prosecute fraud, but at this stage I am not in a position to form my own considered opinion regarding the body's structure, its powers, way of operation and relationship with other bodies, like Eurojust, Europol, OLAF and judicial bodies at the Member States' level.

Other questions

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

Yes, I would.

5. LITHUANIA - Ms Irena Petruškevičienė
B. Curriculum vitae

EDUCATION AND TRAINING

Institution: The Association of Chartered Certified Accountants, UK
Date: 2001
Degree(s) or Diploma(s) obtained: Certificate and Admission to ACCA Membership

Institution: Lithuanian Chamber Of Auditors
Date: 1996
Degree(s) or Diploma(s) obtained: Certified Auditor

Institution: School of Accountancy at Depaul University, Chicago, USA
Date: 1993
Degree(s) or Diploma(s) obtained: Certificate of completion courses on Accounting Principles, Cost and Managerial Accounting and Financial Management

Institution: The Centre of International Accounting Development, The University of Texas at Dallas, USA, Vilnius University, Lithuania, and The Soros Foundation, New York, USA
Date: 1993
Degree(s) or Diploma(s) obtained: Certificate with Distinction of completion an intensive program for “Training the Trainers” in international accounting, auditing, information systems and corporate finance

Institution: Vilnius University, Lithuania
Date: 1980
Degree(s) or Diploma(s) obtained: Diploma of Economics

LANGUAGE SKILLS

| | |
|------------|--------------------|
| Lithuanian | Native |
| English | Advanced level |
| Russian | Advanced level |
| French | Currently studying |

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| <p style="text-align: center;">5. LITHUANIA - Ms Irena Petruškevičienė B. Curriculum vitae</p> |
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WORK EXPERIENCE

2003–to date PricewaterhouseCoopers, Vilnius, Head of Assurance Services, Deputy of Director;
2001–2003 PricewaterhouseCoopers, Vilnius, Senior Audit Manager;
1998–2000 PricewaterhouseCoopers, Vilnius, Manager;
1994–1998 PricewaterhouseCoopers, Vilnius, Senior Auditor;
1987–1994 Vilnius College of Economics, Instructor;
1983–1987 Computing centre in Statistics Lithuania, Vilnius, Head of the Industrial Division;
1980–1983 Lelija, garment manufacturing company, Vilnius, Accountant.

MEMBERSHIP OF PROFESSIONAL BODIES

Member of the Association of Chartered Certified Accountants, UK

Member of the Lithuanian Chamber of Auditors

Member of the Audit Quality Control Committee at the Lithuanian Chamber of Auditors

6. HUNGARY - Mr Gejza Halász

A. Replies to questionnaire

Professional experience

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

I have 20 year long experience in the domain of auditing public finance as well as audit management. As a senior auditor for the government control organisation of Hungary I organised and I audited different financial institutions and also in the field of government finances between 1984-1989.

With the reestablishment the State Audit Office I was appointed deputy auditor general in 1990, then auditor director general in 1996. My responsibilities included the audit fields of state-owned companies, privatisation, social and health security funds, major project funded by the state budget, state owned properties, finances of political parties as well as non-profit organisations supported from state funds. I introduced the audit of Phare Assistance in Hungary as a consequence of fortnight long study trip to the European Commission in 1992. This was the basis to introduce the other pre-accession funds auditing.

Having had former executive training experience, my temporary joining the U.S. General Accounting Office in 1990 established me on solid foundations in terms of audit management.

I have been open to up-to-date audit approaches, methodologies since the very beginning of my professional career. Since I had started my career with the Central Statistical Office, the professional experience I gained there for 14 years proved to be a useful basis later.

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

- (1) In 1989 I challenged the political and executive management at the highest level for my solid attitude as temporary leader of a movement to establish an independent and modern supreme audit institution instead of the old-fashioned one. It happened on the eve of the political and economic change of system that took place in Hungary. This was an exceptional situation when a civil servant could pass the limit of the code of conduct that faded away.
- (2) The issue of the audit report on the privatisation of Budapest Bank. The Hungarian Government sold the third largest Hungarian Bank to a big, multinational US company for a very underestimated price, and moreover, all the losses and outstanding debts were payable by the central budget. As it was foreseeable, the findings and conclusions caused a great scandal.
- (3) The issue of the audit report on the privatisation of the most important electric power stations. Our findings and conclusions pointed out that the Government had sold the companies concerned at a loss, and the selling deals made impossible to maintain a secure and effective government energy policy in the long run. This report resulted also a big scandal.

6. HUNGARY - Mr Gejza Halász
A. Replies to questionnaire

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?**

A Member shall act in a completely independent manner, in the general interest of the European Union. It implies that as a Member must not seek nor take instructions, advice, from any government or from any other body. I do not have, and I have to refrain from any other gainful, or not remunerated occupation for these acts are incompatible with this post. The same applies to politics. I will take the maximum care of avoiding any incompatibility.

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

This question cannot be fitted to my position, i.e. I am civil servant he who should resign in due time, and I shall act so.

- 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 have no business or financial holdings or commitments, and I am not involved in any current legal proceedings. I am ready to disclose these issues to the President.

- 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?**

I do not hold any elected office or function except for one. I am a member of the Ethic Committee of the Hungarian Association of Financial and Economic Auditors. I will resign from that post. I am not a member of any political party.

- 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?**

I have to act independently and impartially. My future duties derive from the Treaty and other rules and standards. When a case of suspected fraud, corruption or other illegal activity is reported, the procedures laid down by the Court of Auditors should be followed. (I do not know this document yet.) In case of sufficient evidence/proof (after consultation with the legal advisers, etc.) these findings should be communicated as quickly as possible to OLAF. However the rules of procedure is in details, the actors involved in serious irregularities in the Member's State of origin should be treated as any other persons committing crime or negligence.

Performance of duties

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

My quick assessment on the topic is that it should be transparent, effective (value-for-money, in other way: the money should be spent not only by conformity to rules but well), and protecting the taxpayers' interests.

As far as I know this issue forms a part of the reform within the Commission. In my judgement the sound financial management culture includes a transparent budget, the financial rules must be relatively simple, one has to know that who decides in what and when, who reports whom what and when, how clear the financial control and audit (both internal and external) system, whether the accountability and control tools form a coherent system including self-assessment and monitoring, how the weaknesses are tackled. A kind of quality management concept is understood here.

My experience with EU has been of a newcomer's attitude, as a representative of an acceding country I have found extensive bureaucracy accompanied by sometimes-exaggerated requirements; and one can believe sometimes that the administrators responsible for authorising expenditure are excessively faultfinding. It may be an exaggeration; the main concern is on the lack of the effective reporting and controlling system despite of the detailed rules introduced in the late nineties.

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

Further efforts are required to strengthen public internal financial control and audit. It includes a sufficient organisational arrangement, the increase of the staff concerned, the ability of the staff to control/audit should be enhanced through further training, clear system of the responsibilities should be created, etc. This applies mostly to the financial management and control in relation with the implementation of the Structural and Cohesion Funds. There is also an example where the external audit function needs to be strengthened, however, this is the most developed segment overall of this issue. To ensure the protection of the EU's financial interests should be taken into consideration more seriously in half of the acceding countries at least. (An anti-fraud co-ordination service at an operational level is to be designated and properly operated.)

(I have to add to this that the mentality of the officials concerned should be changed too. Many politicians and high-ranked officials speak much more of how to obtain more budget allocations from the EU rather than of how these financial supports ought to spend in a way according to the regulations, and effectively.)

6. HUNGARY - Mr Gejza Halász

A. Replies to questionnaire

The question of independence of the internal auditors deserves more attention; it is my understanding that EU should deal with this issue on a level of recommendation in the near future.

10. 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?

We have taken into consideration that the Court of Auditors is a collegiate body. "It shall assist the European Parliament and the Council in exercising their powers of control over the implementation of the budget." (Art 248 – EC Treaty). EC Treaty stipulates in Art 276 that the Council and the European Parliament shall examine the annual report by the Court of Auditors together with the replies of the institutions under audit to the observations of the Court of Auditors, the statement of assurance referred to in article 248(1), second subparagraph and any relevant special reports by the Court of Auditors."

According to the Rules of Procedure of the EP the Committee on Budgetary Control considers the reports of the Court of Auditors, and, what is important enough, is responsible for maintaining the relations with the Court of Auditors.

As a consequence of the quoted stipulations, a Member of the Court of Auditors shall act within his/her sphere of activity according to the division of labour within the Court, and without prejudice to the powers of the President of the Court. As regards me, I am aware of the role of the European Court of Auditors whose independence implies the close co-operation with the Committee on Budgetary Control of the European Parliament among others. My future work will support the work of the Parliament through COCOBU, let them be related to the annual report, or any other special reports, or other kind of works. In other words, I regard the European Parliament as one of the most important end-users of the results of the audits performed by the Court. Therefore I want to make use of the maximum possibility to contact MPs who are rapporteurs of COCOBU when it will be suitable with regard to the timetable of the Parliament (COCOBU) and the coordination of the working programs between the COCOBU and ECA.

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

Introducing the accrual accounting i.e. the recording of accounting events when they occur, instead of when the cash is received or paid, or what is worse, at the end of the year means a step to modernisation of great importance.

6. HUNGARY - Mr Gejza Halász

A. Replies to questionnaire

As far as I know the modernisation of the accounting system includes the compliance with the updated internationally accepted accounting principles for the public sector, integration of the different informatics platforms used by different places so far, improvement of the security and consistency between data from different sources. These segments of the modernisation will hopefully result in a well-functioning system. It means a considerable added value in every respect from the point of view of the sound financial management, the user-friendliness, and data security and consistency, which are indispensable for a quick statistical and controlling system.

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

Yes, I am in favour of this proposal. Without going into details combating fraud against the financial interests of EU is a top priority. The major concern is how the cross-border criminality could be pursued efficiently in this respect. It would mean a slight disclaimer of national competencies. I mean slight only for the European Prosecutor would co-operate with the national or regional prosecution authorities. I think it is an absolute necessity because of the different freedom rights, i.e. if persons, capital etc. can move without restriction within EU, why “European” criminal investigation would be stopped at the borders? All in all I am in favour of this proposal as a part of the Commission’s anti-fraud strategy with close ally with the Parliament.

If the European Public Prosecutor would be an independent judicial authority, which would be empowered to conduct investigations and prosecutions anywhere in EU, and the trial and judgments would be in the hands of the national courts, and moreover this institution would be organised on a decentralised basis, the evidences they gather may come directly from the Court of Auditors inter alia. The same applies to OLAF. Notwithstanding to that, there is a need to overview the future role of OLAF. I only guess that the outcome of the ongoing debate would be in favour of the European Prosecutor, and the powers of OLAF should be modified. The European Public Prosecutor should be able to use OLAF’s findings for his own purposes. This is the decisive factor in this issue.

I want to add to this topic that only the European Court of Auditors is in the position to reveal system weaknesses in their entirety. Therefore the co-operation between the concerned parties can be easily anticipated for the benefit of the European common interests.

Other questions

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

Yes, certainly.

6. HUNGARY - Mr Gejza Halász
B. Curriculum vitae

**EUROPEAN
CURRICULUM VITAE
FORMAT**



WORK EXPERIENCE

- | | |
|---|--|
| <ul style="list-style-type: none">• Dates (from – to)• Name and address of employer<ul style="list-style-type: none">• Type of business or sector• Occupation or position held• Main activities and responsibilities | <p>1 January 1990 - State Audit Office, H-1364 Budapest, Pf.: 54 Supreme audit institution Associate Secretary General (1 January 2002 -) Auditor Director General (1 November 1996 – 31 December 2001) Deputy Auditor General (1 January 1990 – 31 October 1996) <u>As Associate Secretary General</u>: international relations including organising the XVIII Congress of International Organization of Supreme Audit Institutions (INTOSAI). <u>As (Deputy) Auditor Director General</u>: Auditing state-owned companies, privatization, social and health security funds, major investment projects, foreign assistance (e.g. EU pre-accession funds), state-owned properties, finances of political parties and non-profit organizations. 1996-2000: Chief coordinator and head of an interdepartmental working group for financial control under the auspices of the European Integration Interdepartmental Commission and the Ministry of Foreign Affairs in the course of the accession to the European Union. <u>In general</u>: overall experience in international co-operation between supreme audit institutions.</p> |
| <ul style="list-style-type: none">• Dates (from – to)• Name and address of employer<ul style="list-style-type: none">• Type of business or sector• Occupation or position held• Main activities and responsibilities | <p>1 July 1984 – 31 December 1989 Government Control Commission Supreme control institution Senior auditor Auditing financial institutions, government finances.</p> |
| <hr/> <ul style="list-style-type: none">• Dates (from – to)• Name and address of employer<ul style="list-style-type: none">• Type of business or sector• Occupation or position held• Main activities and responsibilities | <p>15 September 1970 – 30 June 1984 Central Statistical Office Public statistics Different posts from assistant administrator to head of department Demography, international relations, planning and reporting, Head of the President's Cabinet Office, coordination of data collections, systems development, review editor.</p> |

6. HUNGARY - Mr Gejza Halász
B. Curriculum vitae

EDUCATION AND TRAINING

- Dates (from – to) 20 June 1990 – 20 December 1990
- Name and type of organisation providing education and training U.S. General Accounting Office
- Principal subjects/occupational Skills covered International Auditor Fellowship Program
- Title of qualification awarded Graduation

- Dates (from – to) January – December 1978
- Name and type of organisation providing education and training National Centre for Management Sciences
- Principal subjects/occupational Skills covered Public executive training
- Title of qualification awarded Graduation

- Dates (from – to) September 1972 – June 1974
- Name and type of organisation providing education and training Postgraduate Institute of Karl Marx University of Economic Sciences
- Principal subjects/occupational Skills covered International economics relations
- Title of qualification awarded Leaving without certification (owing to military service)

- Dates (from – to) September 1996 – September 1970
- Name and type of organisation providing education and training Karl Marx University of Economic Sciences
- Principal subjects/occupational Skills covered Finances field of study
- Title of qualification awarded Diploma

- Dates (from – to) September 1961 – May 1965
- Name and type of organisation providing education and training State Petőfi Sándor Secondary Grammar School
- Title of qualification awarded General Certificate of Education

6. HUNGARY - Mr Gejza Halász
B. Curriculum vitae

**PERSONAL SKILLS
AND COMPETENCES**

MOTHER TONGUE
OTHER LANGUAGES

HUNGARIAN

ENGLISH

- Reading skills Excellent
- Writing skills Excellent
- Verbal skills Excellent

GERMAN

- Reading skills Good
- Writing skills Good
- Verbal skills Good

FRENCH

- Reading skills Good
- Writing skills Basic
- Verbal skills Basic

ADDITIONAL INFORMATION

PUBLICATIONS:

Author and fellow-author of books and articles mainly of financial and performance audit character: © Nemzetközi szervezetek (International Organisations), Statisztikai Kiadó Vállalat, Budapest, 1974; © Ellenőrzési kézikönyv I-II. (Handbook for Auditing - co-author), SALDO, Budapest, 1994; Európai Unió Fogalomtár- Glossary of European Union – co-author, Szaktudás Kiadó Ház, Budapest, 2001. Different papers and articles in professional periodicals and dailies (e.g. Ellenőrzési Figyelő /Audit Observer) 1-2 pieces on a yearly average.

OTHERS:

- Delivering lectures mostly in the topics of European integration (Phare, structural funds, financial control), audit of privatization, internal control.
- Member of the Hungarian Financial Auditors' Association as well as member of the Ethic Committee.

7. MALTA - Mr Josef Bonnici
A. Replies to questionnaire

Professional experience

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

I have had extensive experience in public finance and management during my term of office as Minister for Economic Services, as Parliamentary Secretary in the Ministry of Finance, and previously as economic advisor to the Prime Minister. The breadth of the portfolio of responsibilities provided a very wide spectrum of activities, and included presenting the accounts of various public sector corporations for debate in parliament. As Minister I have been involved in the preparation and supervision of business plans for the various entities, and the development of a number of restructuring exercises, such as at the Malta Shipyards, the Malta Development Corporation and the setting up of the National Statistics Authority, Malta Enterprise, the Competition Office and the Consumer Affairs department. I also managed successfully an operations review of the entire Ministry in preparation for the requirements of adopting the Acquis Comunitaire.

As Minister responsible for trade, I have overseen the complete liberalisation of the Maltese economy, removing over a period of time which will end on May 1, 2004, all the protective levies in a gradual process which avoided any undue shocks to the economic operators.

As Minister responsible for Industry, I developed an Industrial Strategy for Malta, and piloted through parliament the Business Development Act, intended to provide the main incentives for established businesses to upgrade their investment and for new ones to find an attractive economic climate in Malta. Some successes in this area include the attraction of a new operation by Lufthansa Technik to service commercial aircraft in Malta, the attraction of a subsidiary plant of De La Rue Ltd - the printers of security paper - from Singapore to Malta, and the significant expansion of ST Microelectronics, which has in Malta the largest and most advanced testing plant for semiconductors in Europe and provides 60% of Malta's export earnings.

In the auditing function, I have participated for a number of years in the Public Accounts Committee in parliament, which is the major committee involved in auditing public accounts through the work of the autonomous National Audit Office.

If required, I would be able to expand further on the various relevant activities that I was responsible for during the hearing at the European Parliament.

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

As a cabinet minister for 7 years, I have been involved in many important decisions, both in areas that I was directly responsible for as well as in broader areas relating to government in general. As I am not fully at liberty to disclose information I will mention what is available in

7. MALTA - Mr Josef Bonnici
A. Replies to questionnaire

the public domain. During my period as economic advisor to the Prime Minister, I was the chief architect of a wide ranging income tax reform which saw the top marginal tax rate reduced from 65% to 35% and, amongst other changes, introduced separate assessments for married females,

which acted to increase significantly the participation rate of females and hence the wealth generating capacity of the country. This tax reform was accompanied by an increase in the overall tax revenue in the subsequent years, despite the tax reduction involved. This exercise which was conducted in the early 1990s heralded a significant expansion in the economy, with GDP growth reaching over 8% in real terms, and employment generation at record levels. Inflation was largely subdued at around the 3% level at that time.

A second area in which I had a significant input was the establishment of an Incomes Policy agreement which saw the diffusion of conflict between the three social partners with regards to the system of wage increases and collective bargaining, and the establishment of a Malta Council for Economic Development to enable a better exchange of views amongst the various elements in the economy and the avoidance of dilapidating conflict amongst the social partners.

A third area was the establishment of an industrial policy for Malta and the publication of *Prosperity in Change*, which not only analyses the current industrial scenario and provides a programme for its further advancement, but provides an overall strategy for the future development of the Maltese economy.

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?

The Court of Auditors has been entrusted with a crucial function which has its basis in the complete independence from other bodies. This obligation has to be observed in a strict and effective manner as otherwise the whole scope of the Court would become questionable. My experience with the Public Accounts Committee of the Maltese parliament, and the various autonomous institutions, such as the National Statistics Office, provide me with experience in handling this important element.

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

No, I have not received a discharge for the management duties that I carried out. Such a procedure does not apply.

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?

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| <p style="text-align: center;">7. MALTA - Mr Josef Bonnici A. Replies to questionnaire</p> |
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I do not have business and financial holdings or any commitments which might conflict with my prospective duties. I am prepared to disclose all my financial interests and other commitments to the President of the Court and make them public. This is a procedure that I have already been following in terms of the Ethics Code that currently is in force for Maltese members of parliament, and previously that governing Ministers and Parliamentary Secretaries of the Maltese government.

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?

Yes I am prepared to resign my parliamentary seat and give up any active function with responsibilities in a political party after my appointment as a Court Member.

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?

I would deal with such a case with due severity and impartiality, without any consideration to the origin of a member state, including my own.

Performance of duties

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

This is a very broad question and a lot has been written on it. Briefly, a sound financial management culture in any public service would ensure that there is effectiveness and value for money, plus the necessary control mechanisms that not only monitor continuously, but provide a method of managing public funds. Also a serious audit function is necessary to ensure an independent assessment of the proper use of public funds.

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

I find the requirements of the acquis in this area as a good model for increased financial control, including with respect to the protection of the EC financial interests. I can say that in my own country, Malta, the latest Commission monitoring report found a high level of alignment with the acquis. This applies particularly in the case of both public internal financial control and external audit but also with respect to the protection of EC financial interests. With respect to control over structural action expenditure, the Commission pointed out the need to strengthen the administrative capacity of the Directorate General of Contracts, in particular, its EU department. Malta was also invited to continue with its efforts to implement the extended decentralised implementation system (EDIS) for ISPA and PHARE. I am informed that Malta has since registered solid progress on both these counts.

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| <p>7. MALTA - Mr Josef Bonnici A. Replies to questionnaire</p> |
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10. 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?

Apart from my almost 14 years experience in the Maltese Parliament, I have also actively pursued my duties during the past year as an Observer at the European Parliament. This provided a crucial insight into the workings of the European Parliament, its ability to improve legislation in a way which reflects better realities and characteristics across the Union, and also its limitations in some instances. I am particularly struck by the increased importance that has been granted to the Court and to its reports, particularly by the European Parliament. I therefore believe that there must be a healthy exchange and mutual respect between the Court

and Parliament. Essentially, both Parliament and the Court have the same agenda, namely stamping out any abuse, increasing efficiency and adding value for money for the various programmes of the EU. I believe that a full dialogue is required to build on these common goals.

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

In moving to an accruals accounting system, the Commission will be able to manage its budget much more effectively, and also enable it to monitor and adjust where necessary much earlier in the phase of implementation of a programme, rather than as often happens with the present system, where awareness often creeps in only after the problem has mushroomed. I believe that the new system is indicated to be introduced during 2005. This time table needs to be rigorously ensured.

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

The concept of a European prosecutor is valid and certainly worth pursuing since the protection of EC financial interests – and ultimately taxpayers' money – should be treated as a high priority area where effective action and remedies are available. I am, in principle, favourable to the Commission's proposals in this respect. However, bearing in mind the diverse reactions to these proposals, I remain open-minded on the issue. I certainly believe that, on the basis of the principle of subsidiarity, before a new office is created, one must make sure that current structures cannot cater effectively for this function. Throughout, the ultimate objective must remain clear, namely of allowing adequate and effective financial control and a high degree of protection to EC financial interests.

Other questions

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

I cannot see why this should be the case, but if there were to be a valid reason for an unfavourable position, than I would withdraw my candidacy.

**7. MALTA - Mr Josef Bonnici
B. Curriculum vitae**

**EUROPEAN
CURRICULUM
VITAE
FORMAT**



WORK EXPERIENCE

- 1988 – present
- Name and address of employer
 - Main activities and responsibilities

PROFESSOR OF ECONOMICS

University of Malta, Msida, MSD 06 Malta

Lecturing in Macroeconomics, Monetary Economics and Econometrics at both introductory and advanced level.

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| <ul style="list-style-type: none"> 1998 -2003 • Main activities and responsibilities | <p>MINISTER FOR ECONOMICS SERVICES</p> <p>Responsible for Small Business and the Self-Employed, Industry, Malta Development Corporation, Institute for the Promotion of Small Enterprises, Malta Freeport Corporation, Economic Development Policy, Technical Assistance, Malta Standardisation Authority, National Statistics Office, Import and Export Trade, Consumer Protection, Competition Policy, Government Investments, including, Maltapost p.l.c, Bank of Valletta p.l.c, Air Malta p.l.c., Maltacom p.l.c., Malta International Airport p.l.c., Sea Malta, Tug Malta, Gozo Channel p.l.c. Drydocks and Shipbuilding, Water Services Corporation and Enemalta Corporation.</p> |
| <ul style="list-style-type: none"> 1995 -1996 • Main activities and responsibilities | <p>MINISTER FOR ECONOMICS SERVICES</p> <p>Responsible for Industry, Malta Development Corporation, Malta Freeport Corporation, Malta Standardisation Authority, National Statistics Office, Import and Export Trade, Consumer Protection, Competition Policy, Government Investments, (including, Mid-Med Bank and Bank of Valletta), Air Malta.</p> |
| <ul style="list-style-type: none"> 1994 -1995 • Main activities and responsibilities | <p>PARLIAMENTARY SECRETARY IN THE MINISTRY OF FINANCE</p> <p>Central Office of Statistics, Economic Policy Division and other duties related to the Budget Office.</p> |
| <ul style="list-style-type: none"> 1988 -1994 • Main activities and responsibilities | <p>ECONOMIC ADVISOR TO THE PRIME MINISTER OF MALTA</p> <p>Economic Policy in general and Income Tax Reform which reduced the top marginal rate from 65% to 35% and introduced a separate tax assessment for married females, amongst other changes.</p> |
| <ul style="list-style-type: none"> 1980 – 1988 • Name and address of employer • Main activities and responsibilities | <p>SENIOR LECTURER IN ECONOMICS</p> <p>Deakin University, Victoria, Australia,</p> <p>Lectured in Macroeconomics, Monetary Economics and Quantitative Management Methods at both undergraduate and MBA level.</p> |

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| <p>7. MALTA - Mr Josef Bonnici</p> <p>B. Curriculum vitae</p> |
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| <ul style="list-style-type: none"> 1975 – 1980 • Name and address of employer • Main activities and responsibilities | <p>TEACHING ASSISTANT</p> <p>Simon Fraser University, Burnaby B.C., Canada V5A 1S6,</p> <p>Lectured in Economics and Business Statistics.</p> |
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EDUCATION AND TRAINING

- | | |
|---|---|
| <ul style="list-style-type: none"> • Dates (from – to) • Name and type of organisation providing education and training • Principal subjects/occupational skills covered • Title of qualification awarded • Thesis | <p>1977 – 1980</p> <p>Simon Fraser University, Canada</p> <p>Microeconomics, Macroeconomics, Monetary Economics, Econometrics, Development Economics, Portfolio Theory, International Finance, International Trade, Quantitative Techniques, Regional Economics,</p> <p>Doctor of Philosophy</p> <p>“Integrating Input-Output and Keynesian Models: A case study of Malta.”</p> |
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- Dates (from – to) 1976 – 1977
- Name and type of organisation providing education and training Simon Fraser University, Canada
- Principal subjects/occupational skills covered Microeconomics, Macroeconomics, Econometrics, Labour Economics, Business Statistics,
- Title of qualification awarded Master of Arts
 - Dissertations “Money, Stock Prices and the Efficient Market Hypothesis”
“The Use of Pesticides – A case study of Malta”

- Dates (from – to) 1972 – 1975
- Name and type of organisation providing education and training University of Malta
- Principal subjects/occupational skills covered Microeconomics, Macroeconomics, Statistics, Public Finance, Development Economics, Growth economics, Industrial Economics, Industrial Relations, Political Theory, Philosophy, Logic, Sociology, Economic History, Management Accounting, Management Systems, International Trade,
- Title of qualification awarded Bachelor of Arts (Hons) Economics
 - Dissertation “The Economics of Pesticide Use in Malta.”

HONOURS AND AWARDS

- Date 1996
- Name and type of organisation Rikkyo University, Tokyo, Japan.
- Title of qualification awarded Doctor of Humanities, Honoris Causa.
 - Motivation of Award “For setting an example on how social scientists should relate to society” and “for applying scholastic learning to the creation of national policy, the improvement of public welfare and the advancement of the nation.”

7. MALTA - Mr Josef Bonnici B. Curriculum vitae

PARLIAMENTARY WORK

- Dates (from – to) 1992 – Present, Elected member of parliament
- Name and type of organisation House of Representatives, Malta
 - Committees Public Accounts Committee(1995-1998, 2003-2004), Foreign and European Affairs Committee (2003-2004), Malta-EU Joint Parliamentary Committee (1995-2004)
- Dates (from – to) 2003- present
- Name and type of organisation European Parliament, Observer.
 - Committees Economic and Monetary Affairs Committee; Regional Policy, Transport and Tourism Committee.
- Dates (from – to) 1992 – 1995
- Name and type of organisation Parliamentary Assembly of the Council of Europe.

MOTHER TONGUE

MALTESE

OTHER LANGUAGES

- Reading skills
- Writing skills
- Verbal skills

ENGLISH ITALIAN

excellent, good

excellent, basic

excellent, basic

ANNEX

List of Publications

7. MALTA - Mr Josef Bonnici

B. Curriculum vitae

Annex

List of publications

BOOKS

Prosperity in Change: The Way Forward, Ministry for Economic Services, 2003

Macroeconomics 3rd Australian edition, Addison, Wesley Longman Australia Pty Ltd, with Waud, Maxwell & Hocking, 1996.

The Impact of Fiscal Reform on Income Distribution in Malta Ministry of Finance, Malta, 1994.

The effect on labour relations of new forms of work in firms Council of Europe, 1994.

Malta in the European Community: Some Economic and Commercial Perspectives, with M. Frendo, Chamber of Commerce, Malta, 1989.

Why is Canada's Unemployment Rate so High?, with H.G. Grubel, The Fraser Institute, Vancouver, 1986

Quantitative Management Methods (MBA891) - 1983, Deakin University Press

Business Economics II (MBA882) - 1982, 1984, 1986, 1987, Deakin University Press.

ARTICLES "Labour Market Trends: European Perspectives" Bank of Valletta Review, Autumn 1990.

"Imports in Keynesian Models", Economic Record, December 1987.

"Indexing Income Tax", Deakin Business Journal, December 1987.

"A Factor Analytic Investigation of the Pay Satisfaction Questionnaire" with C. Orpen, Journal of Social Psychology, 1987, Vol. 127, pp. 391-92.

"The Effect of Perception of Pay Equity on Employee Motivation, Involvement and Performance", with C. Orpen, Perceptual and Motor Skills, (1986).

The Relevance of Input Substitution in the Inter-Industry Model", European Economic Review, 22 (1983), pp. 227-296

"The Causes and Consequences of Pay Satisfaction: A Test of Lawler's Model", with C. Orpen, Psychology, (1983).

8. POLAND - Mr Jacek Uczkiewicz

A. Replies to questionnaire

Professional experience

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

Details of my professional experience are given in the document 'Additional information regarding professional experience', enclosed with my CV.

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

- (a) The decision taken by the directors of the Supreme Chamber of Control (SCC) in 1996 to submit a motion to the Polish Parliament on the summoning of three successive ministers for foreign economic cooperation to appear before the State Tribunal in connection with irregularities found during an audit of the abolishment of the Export Development Fund between 1990 and 1993. The motion was submitted after the audit uncovered gross irregularities in the way in which the law on abolishment of the fund had been implemented and the way in which money from the fund had been managed. The issue was complicated by the fact that the three ministers represented different political groups. Although the SCC indicated and provided evidence of numerous irregularities during the course of a long parliamentary procedure, the Polish Parliament did not ultimately approve the motion (this decision was taken by the Parliament shortly before new parliamentary elections). However, this case made it possible to emphasise the complex nature of relations between the supreme body of state control and the Parliament.
- (b) The decision taken by the directors of the SCC in 2000 to carry out a peer review of the SCC together with SIGMA experts. I initiated this review with the aim of formulating goals and practical methods for reforming the Supreme Chamber of Control. The review was a major success. A broad team of experts from the SCC was specially appointed for the peer review, and under my leadership this team worked together with the SIGMA experts. After much work, an extremely thorough and detailed analysis of the SCC's activities was drawn up and proposals for the future were formulated. The implementation of these proposals was one of the factors which made it possible for the European Commission to issue an opinion in 2003 stating that the SCC fulfilled the EU's standards for supreme control bodies.
- (c) The decision taken by the Council of Ministers in June 2003 to approve and refer to the Polish Parliament the draft law on the revenue of local self-government bodies. Although there had been a thorough reconstruction of the system of local self-government in Poland in 1999, the appropriate changes had not been made to the system for funding such bodies. As a result, local governments were funded on the basis of temporary regulations which did not form a cohesive system. Many attempts were made to draft appropriate legislation, but these ended in failure, mainly because they were not accepted by the local governments. The law adopted in 2003 and subsequently passed by the Polish Parliament was finally accepted by representatives of local governments, and not

8. POLAND - Mr Jacek Uczkiewicz

A. Replies to questionnaire

only implemented comprehensive solutions, but was also an important part of the reform programme for public finance in Poland and a genuine step towards decentralising public finance.

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?

During my six years as Vice-President of the SAI (Supreme Audit Institution) I learnt that the greatest potential threat to the independence of public officials (including auditors) is their personal susceptibility to external influences, whether from political or business circles, other informal pressure groups or the mass media. The independence of public officials is not automatic and must be constantly and consciously safeguarded by these officials. To this end it is helpful to consistently observe a number of simple rules, namely:

- (a) not becoming a member of political parties or other hierarchical community or economic organisations;
- (b) maintaining a clear separation between the sphere of family, friends and acquaintances and professional matters;
- (c) using the knowledge and experience of subordinates as a basis for professional activities;
- (d) avoiding informal meetings with representatives of bodies which could have an interest in gaining influence over my activities or the activities of my institution;
- (e) conducting a sensible and active media policy;
- (f) firmly defending my position if I believe that it is correct.

As has been the case to date, applying these rules enables me to hold the views of an independent official who is not subject to external influences.

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

My professional duties to date have not required a formal discharge to be granted in order to continue with their performance. However they were always subject to regular public assessment (e.g. the annual report on the activities of the SCC submitted to the Polish Parliament).

8. POLAND - Mr Jacek Uczkiewicz

A. Replies to questionnaire

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?

- (a) I do not have any holdings in commercial companies or hold shares or other securities;
- (b) I do not have any commitments or derive any financial benefits from employment which could conflict with the duties of a member of the Court;
- (c) I am prepared to disclose all my financial affairs to the President of the Court and I believe that such a procedure should be carried out annually for high-ranking public officials;
- (d) Proceedings to establish the rights to my father's estate are currently pending before a civil court, and I am involved in these proceedings as one of the potential heirs. In January of this year, like all employees of the Ministry of Finance involved in work on the draft amendments to the law on games of chance between 2001 and 2003, I made a statement to the public prosecutor's office, which is carrying out investigations after allegations made by a Member of Parliament that another Member accepted bribes in connection with work on the draft law in the Polish Parliament.

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?

At present I do not hold any elected office. I am also unable to give up a function in a political party, as I do not belong to any political party.

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?

In the course of my professional duties over the past eight years, I have been successfully involved in uncovering irregularities and crimes committed by my fellow citizens. As General Inspector of Financial Information, and head of the Polish Financial Intelligence Unit (FIU), I sign around 150 notifications to the public prosecutor's office each year, mainly regarding organised criminal groups. The issue of citizenship should not have any influence on the evaluation and assessment of a deed.

Performance of duties

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

8. POLAND - Mr Jacek Uczkiewicz

A. Replies to questionnaire

The general culture of public financial management is determined by the following factors:

- (a) the transparency and comprehensiveness of legislation;
- (b) good practice principles;

- (c) a code of ethics for officials responsible for public finance;
- (d) awareness of the above among officials.

With regard to external assessments of the culture of public financial management, I believe that priority should be given to assuring the public that:

- (a) the actions of officials are in compliance with and based on law;
- (b) public financial management is transparent;
- (c) public funds are spent in an economical and effective manner;
- (d) financial reporting is reliable.

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

Priority should definitely be given to management control and internal auditing, and this was also the view I held during my time as Vice-President of the Supreme Chamber of Control. The quality of internal control mechanisms is important because it is possible to carry out such controls in closest proximity to the incidents under investigation and within a short space of time (which is also important in the case of ex-ante control). This makes it possible for management to react quickly and minimise the damage caused by irregularities. Reliable internal auditing also has a positive influence on the quality of external auditing, as more time can be spent on tasks properly forming part of an external audit if it is not necessary to carry out procedures which should be carried out as part of an internal audit.

10. 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?

My personal experience has shown that in order for Parliament and the Supreme Audit Institution (SAI), as a body answerable to Parliament, to be able to properly carry out their constitutional duties relating to state control, both parties must correctly understand these duties. In short, if Parliament wants to effectively carry out its control tasks, it is in its own interest for there to be no doubt as to the independence of the SAI. In addition, attempts by

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| 8. POLAND - Mr Jacek Uczkiewicz A. Replies to questionnaire |
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Parliament or its committees to politically downgrade or discredit the results of audits by the SAI are a waste of public money. When fulfilling my duties towards the European Parliament,

I shall therefore endeavour to maintain an appropriate balance between the two institutions. It is also key for an effective audit process that dialogue takes place between the Parliament and the SAI as equal partners, particularly with regard to the risk of irregularities and audit standards. I consider my most important duty towards Parliament and the Court to be ensuring the professionalism of the audit process and the maximum reliability of audit findings.

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

The Council Financial Regulation of 1977 was modified not only because of the changes which had accumulated over many years as a result of successive amendments, but also as a result of the crisis within the Commission in 1999, which was related to accusations of nepotism and fraud, ambiguity in the principles by which tasks were delegated to executive bodies, inefficient internal financial auditing and the concealment of negative audit results. Financial Regulation No 1605 is intended to both simplify and consolidate legislation and to implement a series of solutions improving the quality of the EU's financial management. These include the fundamental principle that the budgetary rules contained in the Regulation take precedence over all provisions relating to execution of the budget in other legislation. Other new principles introduced include the principle of transparency, appropriate financial management and mandatory evaluation, and important solutions include provisions increasing the individual responsibility of officials taking financial decisions.

It is to be expected that the new Financial Regulation will give rise to a series of positive changes in the preparation and execution of the EU budget, including a transition from means-based management of EU funds to result-oriented management, improved monitoring of expenditure of EU funds, increased responsibility for decision makers and increased transparency of the whole EU financial system. The solutions adopted should also increase the quality of the work of the Court of Auditors, if only because the simplification and systematisation of financial regulations will make it possible to draw up clearer final evaluations and conclusions. Finally, these solutions should contribute to a more economical and effective expenditure of funds, and overall to greater public confidence in the EU institutions.

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

I believe that the EU should further coordinate its activities in many fields, and set up the institutions necessary to do so. I therefore believe it would be useful to create the office of European Prosecutor, provided that this is part of a wider plan to reform EU institutions, and not a matter of particularism or individual ambitions. In particular, I find it difficult to envisage the coexistence of two institutions as similar as the European Prosecutor and OLAF. The creation of the office of European Prosecutor should therefore accompany a reorganisation of OLAF, with its staff being transferred to the European Prosecutor's office.

8. POLAND - Mr Jacek Uczkiewicz
A. Replies to questionnaire

However, as we say in Poland, the devil is in the details. The scope of the actual powers of a European Prosecutor will determine whether it would be wise to appoint such an individual.

Other questions

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

The main priority in these proceedings must be the authority, professionalism and independence of the Court. If Parliament were to hold an unfavourable opinion on my appointment which was legitimately motivated by the threat that my candidacy could pose to these values, then I would undoubtedly withdraw my candidacy.

8. POLAND - Mr Jacek Uczkiewicz
B. Curriculum vitae

Education

1968 – 1973 Wrocław University of Technology, M.Sc.
1977 Wrocław University of Technology, Ph. D.

Professional Experience

- from 2001 - Ministry of Finance, Undersecretary of State,
General Inspector of Financial Information in charge of:
- financial information
 - local government financing
 - gambling
 - guaranty (till 20.01.2003)
- from 2000 – member of Working Group for Anticorruption Strategy for Poland at World Bank Agency in Warsaw.
- 1995 – 2001 - Vice-President of the Supreme Chamber of Control (NIK), in charge of:
- economy,
 - ownership transformations,
 - public administration,
 - European integration.
- Cooperation with European Court of Auditors and SIGMA Program
- Representative of NIK in INTOSAI Working Group for Privatisation Control, and in Standing Committee INTOSAI to Electronic Data Processing
- 1993 – 1995 Member of Polish Parliament , member of Sejm Legislative Committee;
- Member of Polish Parliament delegation to Parliamentary Assembly of Council of Europe

Additional Skills

English – advanced – level B-2
German – working knowledge
Russian – working knowledge

8. POLAND - Mr Jacek Uczkiewicz
B. Curriculum vitae

Additional Information regarding professional experience

1. In the years of 1993-95, I was a member of the Polish Parliament. Among others then I was the rapporteur on the Draft of the Act on the Supreme Chamber of Control (SCC). As a leader of the whole legislative process, I acquired a profound knowledge of legal and organizational aspects of the functioning of supreme audit institution in Poland and in other European countries. One of the aims of the above-mentioned Act was to bring the Polish external audit system in line with the European and the INTOSAI standards.
2. Being a member of the Polish Parliament, I was the member of the Legislative Commission, which gave me the opportunity to learn the wide characteristics of Polish transformation, especially from the legislative side.
3. As a member of Polish Parliament, I was the Polish Delegate to the Parliamentary Assembly of the Council of Europe in Strasbourg. I was employed in the Commission on Commerce and Development. During the elections (Macedonia 1994 and Belarus 1995) I was a member of the Council of Europe Observatory Teams. Working for the Council of Europe gave me the possibility of learning about the European Union institutions, the problems of EU enlargement and the parliamentary mechanisms.
4. During 1995–2001 I was Vice-president of the SCC. During my presidency I contributed to its development, for example I was dealing with implementing new audit methodologies (including audit of IT investments for public administration) and with extending international cooperation. In the scope of this cooperation I supervised the preparation and the execution of international parallel audits.
5. My duties as the Vice-president of the SCC included for example organizing the cooperation between the SCC and the European Court of Auditors (ECA) as well as the SIGMA program, one of the elements of which was creating the conditions to bring the Supreme Audit Institutions (SAI) to the EU standards.
6. The cooperation with the ECA concerned organizing and supervising the SCC participation in audits carried out in Poland by the ECA, coordinating audit plans of the SCC and the ECA, exchanging audit results and organizing trainings for the SCC staff to the ECA. This activity helped me particularly to learn the work of the ECA, including planning and methodology, audit standards and procedures, the ECA and EU institutions relationship.
7. Cooperation with the ECA took the form of regular meetings held by the ECA with Presidents of SAIs from Candidate Countries (CC). During one of these, in 1998 in Warsaw, a Task Force was created for preparing legal and organizational recommendations for SAIs from CC, related to the accession process. I was the Head of this Task Force and the document, which was prepared by our team, was adopted during the next meeting in Prague 1999.

8. POLAND - Mr Jacek Uczkiewicz
B. Curriculum vitae

8. On my initiative in 2000, the SCC asked SIGMA to carry out a Peer Review of the SCC. This Review was in place during October 2000-February 2001 and was carried out by SIGMA and SCC experts (I was the head of the Polish team). The Review's recommendations were in the very large extent taken into account during the further development of the SCC.

The implementation of these recommendations resulted in the European Commission recognizing in 2003 the SCC as a fully fulfilling international auditing standards institution.

9. Being Vice-president of the SCC I was involved in the INTOSAI activities, particularly in its Working Group for Audit of Privatization, in the scope of which I was involved for preparing "INTOSAI Guidance for Audit of Privatization", and latter I put those recommendations into practice in the SCC. I was also the SCC's representative to the INTOSAI Permanent Committee for IT Audit. This work gave me the possibility of knowing the problems of state audit outside European countries.

10. Being Vice-president of SCC I also supervised the preparation of the programs and implementation of 296 audits in the area of budget execution; economy, privatization, European integration and public administration.

11. In October 2001, I was appointed by the Prime Minister to the position of General Inspector of Financial Information (GIFI), who is the Head of the combating money laundering unit (FIU – Financial Intelligence Unit). When in this position I was responsible for bringing the Polish legislation to EU standards, strengthening staff and equipment of the unit, enhancing the role of the GIFI in the state protection and fighting against criminality. The GIFI sends to the prosecutor offices 150 cases per year, which are mostly connected with activities of organized crime groups. I enforced Polish FIU to the Egmont Group. During the last meeting of the Special Committee of Council of Europe (MONEYVAL) in December 2003, a report about Poland was considered by the experts of MONEYVAL and FATF. The final conclusion was very positive, in contrast with the evaluation carried out in 1999.

12. In the Ministry of Finance I was responsible (2001 – 2003) for giving guarantees of State Treasury, for example decisions concerning bank credit guarantees (World Bank) for shipyard industry, Polish Railways and other entities.

13. Since 2001 I supervise Department of Games of Chance and Betting in the Ministry of Finance, holding legal duties of the Minister of Finance. Thanks to that I have the possibility to create rules and cooperation between appropriate agencies, which helps with fighting money laundering.

14. Since 2001 I am also responsible for local government financing and I dispose of part of a 5.000.000.000 EUR Budget. During this time I conducted one of the most important reforms concerning public finance and decentralization of public power, a new act about income of local government units.

8. POLAND - Mr Jacek Uczkiewicz

B. Curriculum vitae

15. I have access to state secret at the level TOP SECRET, and Security Certificate from European Union at the level SECRET EU.

Professional experience

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

I have some experience in all three areas mentioned. However, I have more experience in management and auditing.

Regarding management I have considerable experience from my roles as Director of the Institute of Social Sciences at the University of Ljubljana and as President of the Court of Audit of the Republic of Slovenia. In these positions I was required to manage resources and staff in order to deliver the work of the institutions. Lately my management achievement relates to the Court of Audit. When I was appointed as President there was no Court of Audit in existence. I, together with colleagues, had to create a wholly new institution from scratch. That was a demanding task which involved designing an organisational structure, setting up internal procedures for administrative and audit processes, planning and obtaining budget funds, recruiting staff, assigning responsibilities for functions and tasks.

Regarding auditing I have had experience of various types of auditing during my Presidency of the Slovene Court of Audit. For example, I have developed and set up the model for the audit of the execution of the state budget.

By virtue of being the head of a national supreme audit institution that must and does carry out various types of auditing I have, of course, been involved in the development of management auditing, too. This type of auditing is also called *performance auditing*. I believe that it is particularly important and at the same time difficult to implement effectively. In recent years I have attempted to develop an approach for the review of *results based budgeting* which has recently been introduced in Slovenia.

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

In answering this question I am restricting myself to the last nine years of my professional life, i.e. to the period of my Presidency of the Slovene Court of Audit. Accordingly, I consider the following three decisions in my professional life as (the most) important:

- *Decision to improve quality of audit work done by the Court:* In the first years of existence of our Court of Audit the audit reports that were produced by the Court indicated that the standard of audit work was not high enough. In order to address this issue I, and some colleagues, took the decision that a number of measures needed to be taken to improve the quality of work. These measures included a proposal for a new law on the Court of Audit to clarify the nature of audit to be undertaken, the qualifications to be possessed or acquired by auditors and the quality standards for audit. The other measures that we decided to take included defining the audit concepts and processes that should be applied by the Court, developing an audit manual and other audit tools to embody the way the

9. SLOVENIA - Mr Vojko Anton Antončič

A. Replies to questionnaire

concepts and processes should be implemented and also to have training courses for auditors. In addition we decided to introduce mechanisms for quality assurance.

- *Decision to create a profession of public sector auditing:* There was no public sector auditing profession in Slovenia. It was important to create a profession to ensure that there were auditors with the appropriate skills and also to raise the profile of the control and audit in the public sector. To this end the professional titles of *state auditor* and *certified state auditor* were designated in the Law on the Court of Audit and, in the last years, we have developed a curriculum and qualification scheme for these titles.
- *Decision to undertake an audit of all Government Ministries (direct budget users):* There is a legal obligation for the Slovene Court of Audit to provide a report on the audit of the state budget. As there is one consolidated budget report one could interpret this obligation as a single audit opinion on the overall budget report. However, we decided that it was important to provide our Parliament with information about the individual Government Ministries (direct budget users). So our Court of Audit now provides information and an opinion on each Government Ministry as well as an opinion on the overall state budget report. This ensures that our Parliament have information about individual ministries.

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 I apply this obligation to my prospective duties?**

Perhaps independence is the most frequently mentioned issue in the discussions of public sector auditing. It is elaborated in the well known Lima Declaration. It was chosen as the main topic of the EUROSAI Congress in Paris in 1999. It is regulated in several precepts determining the status of supreme audit institutions. In sum, it is often touched upon in formal and informal discussions. However, independence is not an end in itself. In other words, it is not a final but rather an instrumental value. Namely, it is a precondition for fairness: auditors must be independent in order to be fair in their judgements. This leads us to the notion of impartiality: the fair judgement is an outcome of the impartial judgmental process. According to Rawls¹, social actors can be impartial only if they are behind a 'veil of ignorance', i.e. if they are deprived of information about their social positions and preferences. Of course, this 'veil of ignorance' has nothing to do with real situations, it is merely a theoretical construct, introduced to define impartial social actors. All we have in a real situation is more or less satisfactory approximation of 'veil of ignorance'². In audit process it is approximated by the auditor's independence.

¹ Rawls, J. (1971): *A theory of justice*, Harvard University Press, Cambridge.

² A well known empirical approximation of 'veil of ignorance' and consequently an approximation of the settings providing impartiality is the rule of anonymity used for example by editors of scientific journals (the author of article is not revealed to the reviewer of the respective article and vice versa).

9. SLOVENIA - Mr Vojko Anton Antončič
A. Replies to questionnaire

As a Member of the European Court of Auditors (ECA) I would be fulfilling the requirement of independence primarily *by avoiding (by not entering into) situations which might compromise my independence*. And let me assure you that there is nothing in my background that might preclude my independence.

Furthermore, in order to be respected as an impartial auditor, it is not enough that a Member of the ECA is independent. In addition, a Member of the ECA must be seen as independent. In sum, the perception of independence is of the same importance as independence itself. Therefore, as a Member of the ECA I would be *applying the principle of transparency in my decision making*. I believe that if one is open and keeps records of decisions taken, then there is evidence available for others to evaluate whether he/she has made decisions in a rational and unbiased manner.

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

The procedure of discharge did not apply.

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?

In line with my support of the principle of transparency I think that such disclosures are very important. However, I have no business or financial holdings or other commitments which might conflict with my prospective duties. I am happy to disclose all my financial interests and other commitments to the President of the ECA and make them public. I am not 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?

I do not have any active function with responsibilities in a political party and I do not hold any elected office.

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

I would deal with it in the same way as a major irregularity or fraud from any other country. I would seek to ensure that the matter was investigated and reported in a professional way in line with the role and rules of the ECA. In such cases the cooperation with the OLAF office

seems to be important. It is worth emphasizing that the task and duty of an ECA Member is to defend the financial interest of the EU and not the national interest.

Performance of duties

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

The sound financial management in public service refers to the pattern of financial management which ensures that public resources are used regularly, economically, efficiently and effectively. In short, it ensures regularity and value for public money. Accordingly, the main features of a sound financial management culture in any public service should be:

- the principle of public accountability is fully implemented;
- the SMART¹ objectives - operationalising the mission of the public service concerned - are set whenever applicable;
- the work of the individual units is planned to meet the objectives set;
- tasks and responsibilities for the achievement of objectives are clearly defined and effective human resource management exercised;
- the internal controls are existential and operational (management does not tend to override the internal controls);
- procurement is carried out through tendering procedures (which are not empty rituals carried out for the sake of formal compliance with law);
- sound management information system including a comprehensive resource accounting is put in place providing accurate, reliable, complete and timely information on the resources allocated to the public service concerned;
- adequate reporting schemes are applied;
- evaluation of activities is undertaken (showing whether objectives have been met, whether costs were low enough or outputs high enough); and
- the use of funds is audited and reported to Parliament in a timely manner.

In addition, a sound financial management in public service assumes a proper supportive environment, i.e. the appropriate regulations and a sound budget preparation system.

¹ The acronym SMART denotes **S**pecific, **M**easurable, **A**chievable, **R**elevant and **T**imely objectives.

9. SLOVENIA - Mr Vojko Anton Antončič
A. Replies to questionnaire

9. In its last Monitoring Report on the accession countries the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

In my opinion there are a number of priorities for these countries. I believe that the highest priority should be assigned to the improvement of the systems of internal financial and management controls. These internal controls should be continuously reviewed and improved accordingly because they are fundamental for the effective use of public resources. In sum, the priority should be the improvement of these controls. External audit in Slovenia for example shows that the internal controls are generally weak. However, the mechanisms for improving the controls are varied. In some countries the introduction of new financial regulations is required, while in some countries processes and functional responsibilities must be redesigned. Internal audit should also be used as a mechanism to improve the internal controls.

10. According to the Treaty, the Court shall assist Parliament in exercising its powers of control over the implementation of the budget. How do I see my duties with regard to reporting to the European Parliament and its Committee on Budgetary Control, in particular?

According to the Treaty, the ECA has to deliver to the Parliament and the Council an Annual Report and a Statement of Assurance. Other Special Reports and Opinions might be delivered in addition. The main duty of the ECA Member in this respect is to ensure that the audit observations in the report are factually correct and in compliance with the international auditing standards (INTOSAI, IFAC). The ECA report should also include clear recommendations on how to address the problems identified. A constructive "dialogue" between the Parliament and the ECA about expectations and audit results can contribute significantly to the efficiency of the control over the implementation of the EU budget. This implies that the ECA presents its annual working programme to the Parliament and, when establishing the programme, gives due consideration to the requests from the Parliament without neglecting its own risk analysis and long term audit programme. Also, when presenting the audit observations, the ECA Member should not restrict his/her presentation to the written one, but should also present and discuss it with representatives of the Parliament, either in meetings of the Committee on Budgetary Control or in the specialised Committees.

11. The Commission is changing its accounting system. What could be the added value of such a change?

According to my understanding, the new Financial Regulation (effective since 1 January 2003) brought in, among other changes, *provision for the transition from the cash basis of accounting to the accruals accounting*. The added value of accruals accounting will be that it will provide more useful information to the Commission and external users. It will record the full costs of the activities rather than just the cash paid out and received (comprehensive cost

9. SLOVENIA - Mr Vojko Anton Antončič
A. Replies to questionnaire

accounting). Furthermore, it will record the use of assets as well as the cash spent. It will therefore allow the Commission to have, at all times, a clear picture of their assets and liabilities¹. This will enable them to better secure and manage their assets and liabilities and to provide a genuine balance sheet². With that information the users of the accounts will be able to assess more easily whether they are getting value for money.

12. Am I in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

In my opinion the Prosecutor should be one of the EU institutions. It seems safe to claim that the establishment of a European Prosecutor, i.e. the establishment of an institution prosecuting (under the criminal law) the abuse of public funds in a consistent way throughout EU, would be beneficial for the protection of the EU financial interests. Of course, I would tend to see the Prosecutor and the other control bodies as independent of each other. The control bodies, such as OLAF, have their (separate) roles and functions and should not duplicate or compromise the role of the prosecutor. However, the Prosecutor should be able to use and rely on the work of the other control bodies in undertaking investigations of abuse of public resources.

OLAF undertakes investigations of possible fraud cases and a lot of cases to be followed-up by the Prosecutor will come from OLAF. OLAF might also investigate possible fraud cases at the request of the Prosecutor, however should remain independent and at same time closely co-operate and exchange the information with the Prosecutor.

Other questions

13. Would I withdraw my candidacy if Parliament's opinion on my appointment as Member of the Court were unfavourable?

If Parliament's opinion on my appointment as Member of the Court were unfavourable, I would certainly reconsider my candidacy. A combination of weights assigned to four principles, presented below, will govern my decision whether to step down. The four principles are:

- *the principal of formality* (The nomination procedure is clearly defined in the EC Treaty. It has to be respected by all parties involved.)
- *the principal of rationality* (With an unfavourable opinion from the Parliament my chances for the appointment by the Council would be significantly diminished, in fact would probably be close to zero.)
- *the principal of functionality* (An unfavourable opinion from Parliament may indicate a lack of trust or that I am seen as a candidate not to be trusted. As stated earlier, the ECA

9. SLOVENIA - Mr Vojko Anton Antončič
A. Replies to questionnaire

¹ Balance sheet liabilities of about 50 billion Euro and off-balance sheet commitments of about 300 billion Euro

² Already now the Commission provides a form of balance sheet, however it is not derived directly from their accounting system.

has to assist the Parliament in its control over the implementation of the EU Budget. Consequently, the lack of trust might cause problems in the day-to-day relations between the Parliament and ECA and the performance of my prospective duties might be difficult.)

- *the principal of fairness* (The Parliament will give an opinion on each of the ten candidates. If the evaluative comparison of the explanatory statements supporting the respective opinions would show that I was fairly treated, then an unfavourable opinion from Parliament would certainly push me toward withdrawing my candidacy).

9. SLOVENIA - Mr Vojko Anton Antončič
B. Curriculum vitae

I was born on 14 October 1946 in Temnica which is in the Kras region of Slovenia. I attended grammar school in Postojna and obtained a BA degree from the Faculty of Social Sciences at the University of Ljubljana. I later obtained a doctorate (PhD) from the University of Zagreb.

After graduation I worked in various research institutions. In the middle of 1979 I became a researcher at the Institute of Sociology at the University of Ljubljana and in 1982 I was appointed as the Director of the Institute. I was head of the Institute of Sociology until 1991. In 1991, after the creation of a new institute by merging the Institute of Sociology with another institute, I became Director of the newly created Institute for Social Sciences (ISS) at the University of Ljubljana. The ISS is a multidisciplinary institute with several scientific research units, conducting both basic and applied social research. Besides being the head of the institute I also undertook research work, gave lectures and edited a scientific journal (*Družboslovne razprave*). I remained in the position of the Director of ISS until I joined the Slovene Court of Audit.

At the beginning of 1995 I became the President of the Court of Audit of the Republic of Slovenia (CARS). This was not a standard job appointment because the CARS had yet to be created. And it was not created by converting a previously existing functionally equivalent institution into the new supreme audit institution as it was done in some other post-socialist countries. We set up a wholly new institution from scratch. If I apply IT language I can say that it was necessary to establish or create both the institutional hardware and software. The software of the CARS consists of the audit doctrine, audit methods and techniques, audit tools (guidelines and manual), procedural schemes and audit conceptual apparatus which is built into procedural schemes.

I believe my career has been characterised by three types of endeavour:

- the design and implementation of methodology;
- the management of professional institutions; and
- the development of international cooperation and partnerships.

The design and implementation of methodology

During my time as a researcher, in addition to articles in which I presented the results of my research, I also published several articles on mathematical statistical methods which are being applied in social science research. In addition, I gave lectures in the capacity of associate professor of methodology in social science research.

The audit methodology is a simplified version of the scientific research methodology. In other words, the underlying methodological paradigm of auditing is the same as the methodological paradigm of research. Thus, during my time as president of the CARS, I, in a sense only changed the field and way of applying my knowledge of methodology. For example, whilst at

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| 9. SLOVENIA - Mr Vojko Anton Antončič B. Curriculum vitae |
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the CARS I set up a model for the audit of the state budget in Slovenia and have implemented it through an audit process and audit tools. The model is illustrated in the attached paper “*The audit of the execution of the state budget – How we do it in Slovenia*”. I prepared it for, and presented it at the EUROSAI Congress in Moscow in 2002.

In addition I was very interested to develop the Court in such a way that the auditors would acquire the skills for all types of audits including the most demanding which is performance audit (sound financial management). As far as performance audit is concerned, we may claim that the following is true: the greater its similarity to applied social research the better it is. This implies that performance audit requires special methodological knowledge. Needless to say, we cannot expect each auditor to be qualified for performance audit. Therefore I was trying to introduce some audit specialisations. In this particular attempt I was only partly successful. In recent years I have attempted to develop an approach for the review of *results based budgeting* which has recently been introduced in Slovenia.

The management of professional institutions

I have been responsible for the management of professional institutions for over 20 years. The institutions that I have managed have been at different stages of development and brought with them specific challenges. Needless to say, managing an institution where the core group of employees are university professors or researchers with PhD differs from managing a newly established institution accompanied by creating the corresponding profession. The years in which I was heading the CARS can be to a great extent characterised as a time of building the foundations of a supreme audit institution with all the attendant challenges. Amongst other things I drafted the law on the Court of Audit which became effective in 2001.

The development of international cooperation and partnerships

I was also very keen on promoting the development of international cooperation at a professional level. I was involved in international cooperation in my research work and lecturing as well as in heading the Slovene supreme audit institution.

A significant portion of my research work was on international projects. I also gave lectures for postgraduate studies that were carried out by the University of Ljubljana in association with several other European Universities under the TEMPUS programme, which was co-financed by the European Union.

The development of the Court was also supported by the transfer of knowledge from the international professional environment. To this end I involved the Court in several projects and other ad hoc forms of bilateral and multi lateral cooperation. In particular two international (twinning) projects were significant. The first was carried out with one partner, the UK National Audit Office. The second was carried out with several parties – the UK National Audit Office, the Spanish Tribunal de Cuentas, the UK Audit Commission and the Danish National Audit Office.

10. SLOVAKIA - Mr Július Molnár
A. Replies to questionnaire

Professional experience

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

a) Centre for International Relations of the Ministry of Education of the Slovak Republic, 4 Levická, 821 08 Bratislava. Director of the Centre (as its statutory organ) in the years 1999 - 2000 (subordinates 84 persons), responsible for planning, administration, budget management and internal audit of international relations of the Ministry of Education of the Slovak Republic.

b) Institute for Language and Academic Preparation for Foreign Students, Comenius University of Bratislava, 4 Šoltésovej, 811 08 Bratislava. General director of the Institute (as its statutory organ) in the years 1991 – 1997 (subordinates 186 members of staff), responsible for management of organisation (its administration, budget, teaching processes, recruitment of foreign students, internal audit...),

c) Supreme Audit Office of the Slovak Republic - 2 Priemyselná, 824 73 Bratislava. In the years 1997 – 1999 and from 2001 – to present. Director of the Department for European cooperation and International Relations (subordinates: 4 persons). Responsible for management of international bilateral relations and multilateral activities with international organizations - INTOSAI, EUROSAI, ECA. Member of Working Committee for EU integration at the Office of Government. Sector coordinator for Acquis communautaire. Coordinator for Peer review processes in SAI SR. “Liaison Officer” for the Meetings of the Presidents of Supreme Audit Institutions of Central and Eastern European countries, Cyprus, Malta, Turkey and the ECA.

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

a) Author of PHARE Project SR 9813 0101 003 -”The Fight against corruption and organised crime” (1,032.000EUR), realized during 1998-2001 under umbrella of the Supreme Audit Office of the SR (thereinafter “SAO SR”) - trained 1200 Slovak auditors....

b) Coordinator of “Peer review” processes in SAO SR (participating in the implementation process of its recommendations into the internal rules of the SAO SR), co-author of the Strategic Plan of the SAO SR for the years 2003-2005.

c) Elaboration of the New Strategy (organisational structure, managing system, strategic development plan, statute, internal rules and pedagogical methodology and modern teaching facilities) for the Institute for Language and Academic Preparation for Foreign Students at Comenius University of Bratislava.

10. SLOVAKIA - Mr Július Molnár

A. Replies to questionnaire

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?**

In conformity to the article 247, point 4 to the Treaty establishing European Community (last amended by the Treaty of Nice) I shall perform my duties and responsibilities in the general interest of the Community, respecting "Code of good administrative conduct for staff of the European Court of Auditors" and the "Court audit policies and standard", being fully independent from any political, governmental, commercial, entrepreneurial activity or other influences.

I shall accept no function in another public authority body, make no other employment relations (or a similar labour relation) with an entrepreneurial body or a membership in the governing or control body of a legal person, or other economic or gainful activities, or action incompatible with my duties.

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

No, such procedure was not applied

- 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?**

Not, I have no business or financial holdings, no other commitments which might conflict with my prospective duties. I am prepared to disclose all my financial interests or other commitments to the President of the Court and to make them public. I am not involved in the current 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?**

Yes, I do.

- 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?**

After identification of major irregularity, fraud or corruption I shall deal (regardless if involving actors will be from the member state of my origin or not), by the legal way and in conformity to the law.

10. SLOVAKIA - Mr Július Molnár

A. Replies to questionnaire

Following the procedures laid down by the European Court of Auditors (stated in articles 14/01-04 of the Court audit policies and standards) I shall inform about such events immediately the European Antifraud Office - OLAF.

Performance of duties

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

The main features of a sound financial management culture in any public institution should be:

- good governance of the organisation (with clearly defined strategic plan, detailed annual working plan, status, internal rules and prescriptions, clearly defined management, division of duties as well),
- transparent accounting,
- good internal audit and control system (regularly monitoring legality and regularity of the underlying transactions, evaluating the data, assuring that relevant transactions have been correctly undertaken (regarding to economy, efficiency and effectiveness) completed, passed, paid (or received) and recorded.

Sound financial management has to ensure that the public accounts are transparent and reliable and that the operations are legal, the management operations achieved economically and efficiently.

9. In its last Monitoring Report on the accession countries, the Commission indicated delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit. What measures should receive priority in the countries concerned?

Comprehensive monitoring report of the European Commission on the state of preparedness for EU membership of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia {SEC (2003) 1200 - 1209} reproaches certain deficiencies in public internal financial system, in the fight against fraud, corruption and money laundering, in the integrated administration and control system (IACS), in the control over structural action expenditure and the protection of EC financial interests in the area of financial control...

The following measures should receive the priority (where necessary):

- Accelerate adoption of the necessary measures into the national (mainly budgetary) legislation,
- Enhance the staff's training in the Paying Agencies,
- Designate a central contact point of the EU financial interests and through this contact point start co-operation with OLAF,

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| <p style="text-align: center;">10. SLOVAKIA - Mr Július Molnár A. Replies to questionnaire</p> |
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- Create effective co-operation between the antifraud co-ordinating service and other relevant national institutions,
- Establish the internal audit and control units in all budget-spending centres (where don't exist) and strengthen the public ex-ante financial control function,
- Elaborate necessary manuals and guidelines, and continue in the special training process for internal auditors to ensure their best professional practice,
- For external audit is recommended to enhance the overall operational capacity of the Supreme Audit Institution in the field of the protection of the EC financial interests, EU Pre-accession funding and future Structural Action expenditure (support of Winding up body),

Fight against corruption and fraud... Important is to harmonize the audit methodology with IFAC and INTOSAI Standards and to elaborate separate manuals for external audit in different fields.

10. 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?

The Court's main task consists of conducting an external, independent audit of the Community's accounts (which is not of a judicial nature, since the Court of Auditors has no powers of sanction). My duties with regard to reporting to the European Parliament and its Committee on Budgetary Control will target on my active participation in drawing up and presenting:

- its annual report on revenue and expenditure under the general budget, the European Development Fund (EDF) and the European Coal and Steel Community (ECSC), which largely consists of its observations on sound financial management;
- the statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions involving both revenue collected from taxable persons and payments to final beneficiaries;
- special reports setting out the findings of controls which are usually conducted over a number of years and cover specific areas of management.

As member of the Court, in conformity to the “Rules of procedures of the Court of auditors” – articles 12, my other responsibilities will consist from:

- Assignment to an audit group at the proposal of the President, accountable to the group and to the Court for the performance of the duties entrusted to me,
- Ensuring that the overall workload is shared out as evenly as possible, in adoption of decisions of the court, reporting and referring the matter to the court,
- Suspecting that fraud(s) or irregularities have occurred, to forward the information obtained as soon as possible to [OLAF](#), so that the appropriate measures can be taken.

10. SLOVAKIA - Mr Július Molnár

A. Replies to questionnaire

11. As you know, the Commission is changing its accounting system. What could be the added value of such a change?

This change will effect that the new accounting system will operate on full accrual principle which will facilitate to detect the hidden debts and obligations and to clean up the all accounting system step by step. Its introduction in the praxis will cause that all financial flows will become transparent.

12. Are you in favour of the creation of a European Prosecutor? What should be the nature of its relations with other control bodies on the same field, like OLAF?

The creation of a European Public Prosecutor, having his judicial investigation power within the Communities institutions and bodies, is necessary for the criminal-law protection of the Community's financials interests and would add considerable value to the criminal-law fight against fraud.

The European Public Prosecutor would operate in the Member States via Deputy European Public Prosecutors exercising a European function. As “Central contact point of all cases” he

would have by this way access to a wide range of national investigation measures and would be able to call on the national or regional prosecution authorities, such as criminal investigation police forces, without necessity to establish a separate European criminal code.

After completing the investigation the European Public Prosecutor would prosecute in the competent criminal courts of the Member States.

Mutual cooperation in criminal matters in the territory of European union with member states authorities as EUROJUST (European Judicial Cooperation Unit), EUROPOL (European Police Unit – preventing and combating organised crime) and OLAF will be necessary. The obligations to transmit their findings and information to the European Public Prosecutor will be necessary to specify in their valid legislation and status.

Other questions

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

I don't see reason for such solution.

10. SLOVAKIA - Mr Július Molnár
B. Curriculum vitae

**EUROPEAN
CURRICULUM VITAE
FORMAT**



WORK EXPERIENCE

2001 – to present

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

SUPREME AUDIT OFFICE OF THE SLOVAK REPUBLIC
2 Priemyselná, 824 73 Bratislava

21 Audit, 41 Relations with EU institutions, 23 Institutional capacity building,
Director of the Department for European cooperation and International Relations
(subordinates : 4 persons)

- Cooperation with international organizations - INTOSAI, EUROSAI, ECA,....
- Responsibility for EU integration (member of working committee at the Office of Government)
- Sector coordinator for *Acquis communautaire*
- Peer review processes in SAI SR (implementation of European Auditing Standards, Strategic Plan...)

1999 - 2000

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

**CENTRE FOR INTERNATIONAL RELATIONS OF THE MINISTRY OF
EDUCATION OF THE SR, 4 Levická, 821 08 Bratislava**

32 Training/Culture, 21 Audit
General Director of the Centre – (Statutory Organ - subordinates: 84 persons)

- Planning, administration, budget management and audit,
- International relations of the Ministry of Education of the Slovak Republic
- Cooperation with governmental bodies, universities, schools, ministries and embassies,
- Realisation of the Policy concerning of Slovak language and culture in abroad (departments of Slovak language at international universities and schools, contacts with unions of Slovak minorities in abroad, policy and budget),
- Responsibility for Slovak Students in abroad and international students in Slovakia
(Including their fellowships).

1997 - 1999

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

SUPREME AUDIT OFFICE OF THE SLOVAK REPUBLIC
2 Priemyselná, 824 73 Bratislava

21 Audit, 41 Relations with EU institutions, 23 Institutional capacity building
Director of the Department of international relations (subordinates: 5 persons)

- Managing and administration of the international relations in the field of audit,
- Cooperation with international organizations - INTOSAI, EUROSAI, ECA, UNDP...

Author of PHARE Project SR 9813 0101 003: "The Fight against corruption and crimes in Slovakia", realized during 1998-2001 (1,032.000EUR – participating 1200 Slovak auditors...)

10. SLOVAKIA - Mr Július Molnár

B. Curriculum vitae

1997

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

1991 - 1997

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

1978 - 1991

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

1974 - 1978

- Type of business or sector
 - Occupation or position held
 - Main activities and responsibilities
- 1972 - 1974

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

1969 - 1972

- Type of business or sector
- Occupation or position held
- Main activities and responsibilities

ACADEMIA ISTROPOLITANA, BRATISLAVA

5b Hanulova, 841 01 Bratislava

32 Training/Culture

Head of department for advanced studies and foreign relations (subordinates: 5 persons)

Creation of new postgraduate studies programs,

INSTITUTE FOR LANGUAGE AND ACADEMIC PREPARATION OF FOREIGN STUDENTS

AT COMENIUS UNIVERSITY, BRATISLAVA

4 Šoltésovej, 811 08 Bratislava

32 Training/Culture

General director of the Institute (Statutory Organ - subordinates: 186 members of staff).

- Planning and managing (responsibilities for administration, budget, teaching processes, recruitment of foreign students, internal audit),
- Cooperation with Slovak ministries, Embassies and Universities,
- Cooperation with international universities and institutions (FLSC Paris, ALECSO Tunis, Salezius University Katowice, Warsaw University, Moscow, Kyjew, Saint-Petersburg, Budapest, MEI Amman....),
- elaborating of the new study programs (author of the accredited 1-year study course for Slovak Students - "Society and communication"),

MINISTRY OF EDUCATION OF THE SLOVAK REPUBLIC, BRATISLAVA

1 Stromova, 813 30 Bratislava

32 Training/Culture

Responsible Officer

- Managing of the international relations of Slovak universities with Africa and Asia countries,
- Relations of the Ministry with international non-governmental organizations such WHO, UNESCO, BIE, ILO...
- Participation as member of Czechoslovak delegations in official bilateral and multilateral negotiations (with UNESCO, Ministries of foreign affairs or Education in Paris, Warsaw, Damascus, Tripoli, Sana, Aden, Paris, Tunis, Alger, Kabul, Cairo...),

CENTRAL COMMITTEE OF THE SLOVAK UNION OF ANTIFASCISTS COMBATANTS, 811 6 Štúrova, 811 02 BRATISLAVA

Other

Officer

Coordination of activities in departmental committees of the Union,

CENTRE FOR INTERNATIONAL RELATIONS OF THE MINISTRY OF EDUCATION OF THE SR, 4 Levická, 821 08 Bratislava

32 Training/Culture

Secretary of the Committee of Friendship

- Policy and methodology for cooperation with Unions of international students in Slovak universities,
- Coordination of the activities of their unions,

MINISTRY OF EDUCATION OF THE SLOVAK REPUBLIC, BRATISLAVA

1 Stromova, 813 30 Bratislava

32 Training/Culture

Officer

- Managing and administration of the Slovak universities relations with the countries of Africa, Asia and Latin America.

10. SLOVAKIA - Mr Július Molnár

B. Curriculum vitae

EDUCATION AND TRAINING

- Dates (from – to) 1965 – 1969
- Name and type of organization providing education and training COMENIUS UNIVERSITY IN BRATISLAVA
PHILOSOPHICAL FACULTY
- Principal subjects/occupational skills covered ARABIC – FRENCH
- Title of qualification awarded MSc

PERSONAL SKILLS AND COMPETENCES

38 Legal linguistic revision

Sworn translator for Arabic and French language, nominated since January 24, 1977 by the Court of Justice in Bratislava (number SPR 2524/77)

MOTHER TONGUE OTHER LANGUAGES

SLOVAK

- Reading skills
- Writing skills
- Verbal skills

| ARABIC | ENGLISH | FRENCH | RUSSIAN | GERMAN | SPANISH |
|-----------|-----------|-----------|-----------|--------|---------|
| Excellent | Excellent | Excellent | Excellent | Good | Good |
| Excellent | Excellent | Excellent | Excellent | Good | Good |
| Excellent | Excellent | Excellent | Excellent | Good | Good |

STUDYING AND WORKING
EXPERIENCE IN MULTICULTURAL
ENVIRONMENT.

DURING ALL MY PROFESSIONAL CARRIERE

ORGANIZATIONAL SKILLS
AND COMPETENCES
*Coordination and administration of
people, projects and budgets.*

DURING ALL MY PROFESSIONAL CARRIERE

TECHNICAL SKILLS
AND COMPETENCES
With computers.

PC Programs - Windows XP, OFFICE XP, Corel Draw, Image Folio, Adobe Premier, Sound Forge

SPECIFIC AREA OF ACTIVITY

ELABORATING NEW UNIVERSITY STUDY PROGRAMMES, STRATEGIC PLANS FOR DEVELOPMENT AND INSTITUTIONAL BUILDING.