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## **REPORT**

on the nomination of Kikis Kazamias as a Member of the Court of Auditors  
(C6-0116/2004 – 2004/0811(CNS))

Committee on Budgetary Control

Rapporteur: Szabolcs Fazakas

## CONTENTS

	<b>Page</b>
PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION.....	3
ANNEX: REPLIES TO QUESTIONNAIRE AND CURRICULUM VITAE OF KIKIS KAZAMIAS .....	4
PROCEDURE.....	14

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

### **on the nomination of Kikis Kazamias as a Member of the Court of Auditors (C6-0116/2004 – 2004/0811(CNS))**

*The European Parliament,*

- having regard to Article 247(3) of the EC Treaty, and Article 160b (3) of the Euratom Treaty, pursuant to which the Council consulted Parliament (C6-0116/2004),
  - whereas at its meeting of 6 October 2004 the Committee on Budgetary Control heard the Council's nominee for the office of Member of the Court of Auditors, and considered the nominee's qualifications in the light of the criteria laid down by Articles 247(2) of the EC Treaty and 160b of the Euratom Treaty,
  - having regard to Rule 101 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A6-0015/2004),
1. Delivers a favourable opinion on the appointment of Kikis Kazamias as a Member of the Court of Auditors;
  2. Instructs its President to forward this opinion 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 KIKIS KAZAMIAS

**Mr Kikis KAZAMIAS**  
**Republic of Cyprus**  
**A. Replies to the Questionnaire**

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

My experience in these fields has been acquired during the course of my professional duties from 1977 onwards and whilst holding various public offices from 1991 until recently.

My experience in public finance and auditing was basically gained during my ten years in the Cypriot House of Representatives where I spent my entire period of office on the parliamentary Committee for Finance and the Budget. I also served as a member of the Parliamentary Committee on Trade, Industry and Tourism. For ten consecutive years, I monitored and audited - naturally together with other colleagues in the House of Representatives - the correct implementation of the annual budget, which in addition to being divided into revenue and expenditure, had a separate section for the development budget. I would point out that in Cyprus, under the system of presidential democracy, the role of parliament is not only legislative but is also to monitor the government, which is the executive power. During my last period of service as Minister of Communications and Works, whose sphere of competence includes public works, telecommunications, transport and shipping, I had the opportunity to manage and coordinate the preparation of the Ministry's budget which, apart from its operational aspects, is basically developmental. As regards management, I worked for eight years as the manager of the imports section of a large Cypriot organisation with international connections and subsequently, for six years, I had the opportunity of working as general executive manager of the largest cooperative credit organisation, which, with 135 employees and a budget of Eur 550 million, was very well placed to convert to a financial institution on the basis of European directives upon the accession of Cyprus to the EU.

As regards management auditing, my experience has been gained largely through my membership of the Council of Internal Control which was set up by law in 2003, the purpose of which was to supervise the service for internal control of the public sector. As a newly-established body, it drew up its operating rules and set up the necessary organisational structure to function on the basis of the specifications and requirements of the service.

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

Before answering the question directly, I would like to point out that I am a great believer in collective effort and team work. This is not, in any way, inconsistent with the need for each individual to try to develop his abilities and to make his contribution through various initiatives and activities in the work place and in society in general as best he can.

Some of the most important decisions to which I have been party during my career are:

- decisions to set up internal control departments. As Minister I took an active part as a member of the joint ministerial committee in setting up the service for internal control of government administration. At the same time, at my request, the internal control service of the Ministry of Communications and Works, in which I served and which is highly important as it covers the greater part of the activities associated with the implementation of the government's development budget (public works, road network, ports, airports, etc.), was substantially strengthened.

The cooperative financial organisation for which I worked was the first to acquire, on my initiative, an internal control department; the manual used as guidelines is now used as a model for many other similar, smaller organisations. My effective participation in these activities was the result of my firm belief that internal auditing is the basic tool for correct and effective management of an organisation. At my request, as General Executive Manager, the internal auditor was not primarily accountable to the general management but directly to the Board since part of the audit was to check that the management correctly implemented the Board's decisions.

- a decision to modernise the cooperative credit institutions. As the General Executive Manager of the Limassol Cooperative Savings Bank, I played a leading role in converting, over a period of seven years, the cooperative credit institutions from non-profit-making organisations into fully fledged financial institutions compliant with European banking directives, whose profits will be used for fulfilling their cooperative objectives in addition to strengthening their development, by means of modernisation, strengthening them with appropriately qualified staff and introducing scientific and technological innovations, in particular computerisation.
- decisions concerning the movement of Turkish Cypriots and Greek Cypriots from the occupied territories to the free areas of Cyprus and vice-versa.

The decision to make these transfers of population was taken in April 2003. It was not possible, however, simply to implement the decision since, not only was the road blocked, allowing only pedestrians to pass through, but there was no real infrastructure. It fell to the Ministry for Communications and Works to take and implement the relevant decisions. I and my colleagues in the Public Works Department within the Ministry, managed, in less than 72 hours during the Easter holidays, to make it possible to implement this very important political decision. Corridors were opened to allow the passage of vehicles at points which had

remained closed and abandoned for 30 years, whilst free buses were put on to transport Turkish Cypriots.

## **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?**

It is a fact that the Treaty expressly prescribes that the members of the Court of Auditors should be ‘completely independent’. Although there are many other necessary conditions which Members must fulfil, this fact alone clearly shows how much importance is attached to the independence which Members of the Court of Auditors must have and give evidence of.

Obviously, independence in itself does not fully meet the requirements and cannot be defined as an end in itself. However, it is a very important element in the correct exercise of Members’ duties which, together with a knowledge of the matter in hand and impartial judgement, will make it easier and more effective to carry out their duties.

From the time that I have the honour of being appointed a Member of the Court of Auditors, I intend to carry out my duties along the lines which I have described, i.e. completely independently, impartially and with full transparency. Transparency is an essential component of openness, which European citizens expect and the Institutions of the European Union must demonstrate.

At the same time, we must recognise that, as Members of the Court of Auditors, both our actions and our decisions will be under constant scrutiny. For the sake of argument, I would probably accept one of my measures or decisions being considered wrong on the basis of specific facts, but I will never offer anyone the opportunity of doubting my independence or, obviously, my integrity as a Member of the Court of Auditors.

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

No such procedure is provided for by any legislation or regulations.

### **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 other commitments which might conflict with my prospective duties. I am prepared to disclose all my financial interests and those of my family and other commitments to the President of the Court and to make them public, as I did when the President of the Republic of Cyprus appointed me Minister. 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 no longer hold any elected office or active function with responsibilities in a 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?**

As Caesar's wife must not only be above suspicion but must be seen to be above suspicion, I consider that in the event of a major irregularity or even fraud involving actors in the Member State of my origin, I would invoke the most stringent measures provided for by the Court and the EU in general. It is crystal clear to me that in such cases, I must exercise my duties impartially and the action taken must be determined by the type and scale of any irregularity and not by its origin or the origin of the persons involved.

**Performance of duties**

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

Before answering this question, it is extremely important to consider what each individual's vision and expectations are. If our approach is simply to be content with people conducting themselves correctly within a traditional public service culture, then we only have to study the Constitution, the laws and regulations, manuals and circulars to determine what is required. If, however, we accept that we are entitled to demand more because quite simply the public service and the events which take place within and around it concern us as citizens who belong to a society, the quality of which depends to a crucial degree on the productivity of the public service, then the requirements become broader.

Within that framework, the main features of a sound financial management culture, beyond the provisions of the Constitution, the laws and regulations, in any public service must be:

- Transparency of activities and of present and future plans.
- The service should be publicly accountable for its acts as a citizen's right on a frequent basis, in an adequate and simple manner and in a way which does not leave essential questions unanswered.
- Objectives must be set and the means to achieve the objectives defined in good time. Budgetary discipline, however, should not prevent the flexibility to change tack and adjust to unforeseen circumstances such as exceptional and sudden crises, particularly when these have a particularly

adverse and crucial impact on vulnerable sections of society.

Monitoring of the political heads of the public service should be tactful but stringent and ongoing and should not allow for deviations arising from inertia, indifference or other reasons which public servants might arbitrarily display at any level but particularly at the senior level.

- Internal control must use every available means, both quantitative and qualitative, and should be used continuously as a tool for improving management efficiency.
- A substantial part of the efficiency of the public service depends on the prompt exchange and application of experience gained in the various departments.
- It is inadmissible to repeat mistakes and failings identified and documented by the auditing service.
- It is essential to have ongoing dialogue between the executive, on the one hand, and the legislative and monitoring power, on the other. This dialogue should not be competitive but should take place in a spirit of mutual awareness that the public service should be at the service of society as a whole in order to improve its quality of life.

Last but not least, all the democratic institutions must be steadfastly protected so that any decision bringing about a change in power does not create any kind of problem for society as a whole.

**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 Commission's indications of delays in most countries' administrations in setting up proper systems of financial control, including ex-ante control, independent internal and external audit, were correct. The delays existed even though the EU made available sufficient funds to make the necessary structural arrangements and/or changes. Obviously, account should be taken of the fact that basically the measures were taken at a time of uncertainty since the situation up to that point and the mentalities prevailing in the then candidate countries differed to a greater or lesser extent.

The priorities on which attention should be focused in these countries are:

- The acceptance, as a matter of political priority, of the need for a smoothly operating, reinforced and independent internal and external auditing system.
- The operation of these institutions should be based on clear rules and regulations which are laid down in advance, while the related procedures should be swift and effective.



- Irrespective of the fact that internal auditing is a tool for improving management efficiency, the internal and external auditor should be completely accepted as independent and not be subordinate to a political authority as that authority is also subject to assessment and monitoring.

**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?**

Since under the Treaty, the Court of Auditors is responsible for monitoring the correct implementation of the EU budget, clearly great importance attaches to the reports which it is required to submit to the European Parliament and, in particular, to the Parliamentary Committee on Budgetary Control, as they form a very important part of the procedure for granting discharge to the Commission for the further management of the budget. In addition to submitting the annual report on the accounts and the statement of assurance, it is extremely important that they are accompanied by remarks and recommendations for any necessary improvement and increase in productivity in the implementation of the budget. It should also be noted to what extent, during the last use of budget appropriations, account was taken of any remarks which Parliament or the competent parliamentary committee made in examining the immediately preceding budget.

In addition to the annual report, however, it is particularly important to submit reports on special topics of major interest and special reports on certain Community organisations or Community programmes. Needless to say, all the reports and the remarks should be clear, backed up with data and be submitted on the basis of internationally accepted standards.

Apart from the prescribed procedure, effective results may be obtained through two-way, continuous communication between the competent parliamentary committee and the ECA. This will enable the ECA to take account, in its annual reports and in a wider context, of the priority policies and particular concerns of Parliament.

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

As stated in the ECA's 2002 Annual Report submitted to Parliament's Committee on Budgetary Control in 2003, the Commission adopted in December 2002 a draft action plan to modernise the accounting system, expecting that the first positive results would emerge in 2005. In presenting his report, the President of the ECA considers that scenario to be very optimistic and that the schedule for full implementation will probably have to be extended.

However, irrespective of the above approach, the decision to change the accounting basis from cash inflow and outflow to an accruals-based system will provide the assessors, whether it be the Commission itself or others, with more information by recording the cost of the activities while, at the same time, it will be easier to measure the effectiveness of each disbursement.

By way of conclusion, we can say that the added value of the change which has been launched is that it gives a clearer and more representative picture of actual events and provides more analytical information about the effectiveness of expenditure.

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

Considering, on the one hand, the size and structure of the EU and the scope of its budget and, on the other hand, the institutions needed for its smooth operation, and bearing in mind the recommendations of the European Convention on the future of Europe to confer legal personality on the Union while, at the same time, stressing the need for greater transparency, I am inclined in principle to be in favour of the creation of a European Prosecutor on the understanding, primarily, that his competence and jurisdiction will be fully clarified as well as his relationship with the institutions and other Union agencies such as OLAF. Under no circumstances should there be any overlapping of activities either within the institutional framework or at national level in the Member States of the EU when it comes to examining Community-related activities in the Member States.

**Other questions**

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

I interpret a favourable opinion from Parliament on the appointment of a Member of the ECA as evidence, in principle, of confidence in the independence and the abilities of the Member to carry out his important tasks in a proper manner. Taking into account the procedure for the appointment of Members of the ECA and the decisive importance of Parliament's opinion in regard to that decision, and taking into account the fact that the Members of the ECA must be in regular contact with the European Parliament and its Members in order to carry out their duties properly, I would withdraw my candidacy in the event of an unfavourable opinion from Parliament on my appointment.

It would not be a pleasant experience at all if I were placed under pressure in a position in which I am required to perform my duties from the outset in a strained atmosphere. We all know that a good working atmosphere is an essential condition for delivering the right quality and quantity of work.

I will not conceal the fact that, apart from being disappointed in this event, it would be of interest to me to be

**Mr Kikis KAZAMIAS**  
**Republic of Cyprus**  
**B. CURRICULUM VITAE**

Introducing oneself is not an easy task. Since, however, this is inevitable in an autobiographical presentation, I shall try to present the major stages in my life with additional information on some of my basic activities in the least subjective manner possible. If I fail my endeavour, I put myself before you requesting forgiveness. I shall try to avoid extensive references to issues, which are already dealt with in the questionnaire that preceded the C.V.

I was born in Lefkonoiko, a township of Famagusta district on 27<sup>th</sup> August 1951. My parents and I moved to Famagusta in 1954 where I graduated from the Famagusta Second Gymnasium (Economic Section) in 1969. After my national service, I went to Berlin in 1971 and studied at the High School of Economic Sciences from which I obtained the relevant degree with specialization in International Trade and International Economic Relations. During my studies, I served as president of the Cypriot students of the country where I studied.

On completing my studies, I returned to Cyprus in 1977 while serving as a member of the Council of the Pancyprian Federation of Students and Young Scientists. The same year I was employed as manager of the imports section of a large economic firm in Limassol. I resigned from this job in order to manage the family commercial business in 1984.

In 1997 I accepted the job of the general executive manager of the Limassol Co-Operative Savings Bank, the largest co-operative financial organization of Cyprus. From 1999 I was also the president of the Investments Group of the Co-Operative Societies. I resigned from both these posts when the President of the Republic of Cyprus appointed me to the Council of Ministers in 2003 as they were incompatible with my new office. For various periods of time I was actively involved as an official in a number of professional, sports and social organizations.

In 1991 and in 1996 I was elected to the House of Representative with the ballot-paper of the Progressive Party of the Working people (AKEL), and I obtained the majority of votes in the district of Famagusta. I did not run for the 2001 elections because of my belief that public officials should not hold the same post for more than two terms of office.

During my ten years in the House of Representatives, a number of gallup polls showed me as the House member who best carried out his duties in the opinion of both the public and of the parliamentary correspondents and journalists.

As a parliamentarian I have served for ten years on the Financial and Budgetary Parliamentary Committee in which one of my main tasks was the monitoring of the implementations of the annual state budget. I also served on the Trade, Industry and Tourism and on the Foreign and European Affairs Committees as well as for three years on the Communications and Works Committee. During the period from 1996 to 2001 I worked as a member of the Joint Committee of the Cyprus Parliament with the European Union where issues relating to the harmonization of Cyprus with the E U were discussed. Furthermore, I represented the Cyprus Parliament in various international meetings abroad.

In December 2001 I was elected Mayor of Famagusta and became also President of the Occupied Municipalities and First Vice-President of the Union of Cyprus Municipalities. When the President of the Republic of Cyprus appointed me Minister of Communications and Works in February 2003, I resigned from my office as Mayor. Parallel to the ministerial appointment the President of the Republic also chose me as one of the five members of the then newly-established Council of Internal Control. I resigned my ministerial post of my own volition in April 2004.

As a Minister of Cyprus I participated actively in all European Union ministerial meetings on Development, Transport, Shipping and Telecommunications.

I have been married since 1979 and have three sons of 23, 21 and 17 years of age. The two oldest sons are at University whilst the youngest is at the final year of the secondary school.

I hope that I have succeeded in giving you a short and objective picture of my activities and myself. If, however, I have failed, I do apologize and ask you to refer the matter to those who know me.

## PROCEDURE

<b>Title</b>	Nomination of Kikis Kazamias as a Member of the Court of Auditors	
<b>References</b>	C6-0116/2004 – 2004/0811(CNS)	
<b>Legal basis</b>	Articles 247(3), first subparagraph, EC and 160b (3) Euratom	
<b>Basis in Rules of Procedure</b>	Rule 101	
<b>Date of consulting Parliament</b>	16.9.2004	
<b>Committee responsible</b> Date of referral	CONT 13.10.2004	
<b>Rapporteur</b> Date appointed	Szabolcs Fazakas 22.9.2004	
<b>Previous rapporteur</b>	Diemut Theato	
<b>Discussed in committee</b>	6.10.2004	
<b>Date adopted</b>	6.10.2004	
<b>Result of final vote</b>	The proposal for decision was adopted by secret ballot and the report as a whole was adopted.	
<b>Members present for the final vote</b>	Inés Ayala Sender, Herbert Bösch, Mercedes Bresso, Mogens N.J. Camre, Paulo Casaca, Lorenzo Cesa, Petr Duchoň, Szabolcs Fazakas, Christofer Fjellner, Dan Jørgensen, Ona Juknevičienė, Rodi Kratsa-Tsagaropoulou, Nils Lundgren, Hans-Peter Martin, Edith Mastenbroek, Véronique Mathieu, Borut Pahor, István Pálfi, José Javier Pomés Ruiz, Margarita Starkevičiūtė, Alexander Stubb, Terence Wynn.	
<b>Substitutes present for the final vote</b>	Daniel Caspary, Edit Herczog, Carl Schlyter, Esko Olavi Seppänen, Ursula Stenzel, Janusz Czesław Wojciechowski	
<b>Substitutes under Rule 178(2) present for the final vote</b>	Marios Matsakis, Marco Rizzo, Nikolaos Vakalis	
<b>Date tabled – A6</b>	12.10.2004	A6-0015/2004
<b>Comments</b>		