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4.12.2013

# REPORT

on the nomination of Phil Wynn Owen as a Member of the Court of Auditors  
(C7-0313/2013 – 2013/0811(NLE))

Committee on Budgetary Control

Rapporteur: Inés Ayala Sender

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## PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the nomination of Phil Wynn Owen as a Member of the Court of Auditors

(C7-0313/2013 – 2013/0811(NLE))

**(Consultation)**

*The European Parliament,*

- having regard to Article 286(2) of the Treaty on the Functioning of the European Union, pursuant to which the Council consulted Parliament (C7-0313/2013),
  - having regard to Rule 108 of its Rules of Procedure,
  - having regard to the report of the Committee on Budgetary Control (A7-0438/2013),
- A. whereas Parliament's Committee on Budgetary Control proceeded to evaluate the credentials of the nominee, in particular in view of the requirements laid down in Article 286(1) of the Treaty on the Functioning of the European Union;
- B. whereas at its meeting of 7 November 2013 the Committee on Budgetary Control heard the Council's nominee for membership of the Court of Auditors;
1. Delivers a favourable opinion on the Council's nomination of Phil Wynn Owen as a Member of the Court of Auditors;
  2. Instructs its President to forward this decision to the Council and, for information, the Court of Auditors, the other institutions of the European Union and the audit institutions of the Member States.

## ANNEX 1: CURRICULUM VITÆ OF PHIL WYNN OWEN

### Qualifications/Awards:

- Harvard Business School                      Advanced Management Programme (AMP)                      2008
- Companion of the Order of the Bath (CB)                      2008
- London Business School                      MBA with distinction                      1988-90
- University College, Oxford                      Modern History, BA Hons, MA                      1978-81

**DECC      Director General, International Climate Change and Energy Efficiency                      April 2011–now**  
**Department of Energy and Climate Change (DECC)**

Leading UK action on global climate change, including responsibility for multilateral UNFCCC negotiations towards a binding legal treaty, and bilateral and EU action with other major emitters; also working collaborating with DFID, FCO, DEFRA and HMT – e.g. on board of UK's £2.9 billion Climate Finance Initiative. Active across EU and worldwide – e.g. at Durban and Doha UNFCCC Conferences of the Parties.

Driving greater energy efficiency in the UK, with a new Energy Efficiency Deployment Office, the Green Deal, Smart Meters, Renewable Heat and Industry, and tackling Fuel Poverty.

Member of Construction Leadership Council and Birmingham's Green Commission.  
Cambridge University Centre for Science and Policy Founding Fellow

DECC Departmental Board member. Staff c.400; budgets managed c.£376m; pay £140,000

**DECC      Permanent Secretary (Acting)                      November 2012-February 2013**

Leading c.1600 staff across four sites in London and Aberdeen;  
Accounting Officer for £6.5bn = public expenditure of £3.75bn and consumer levies of £2.6bn.

**Maidstone and Tunbridge Wells NHS Trust      Deputy Chair, Non-Executive Director      March 2008–now**

Active in creating new Board, governance and culture to turn Trust of over 5000 staff around after previous C-Difficile scandal, and to oversee build and opening of new privately financed (PFI) Hospital.

Chair of Finance, Treasury and Investment Committee and Chair of Charitable Funds; drove recovery from £29m loss on £300m turnover in 2008/09 to achieve breakeven in all successive years. Member of Audit Committee.

**DECC      Director General, National Climate Change and Consumer Support      July 2009–March 2011**

Driving National Carbon Budgets management cross-Government; effective liaison with the independent Committee on Climate Change, securing Government and Parliamentary assent to ambitious 4<sup>th</sup> Carbon Budget period plans; securing responsible flagship Green Deal

measures in Coalition's 1<sup>st</sup> Energy Act and Central Government - 10%. DECC Champion for Diversity, Devolved Administrations and project management.

**DWP**      **Director General, Strategy, Information and Pensions**      **November 2004–June 2009**  
**Department for Work and Pensions (DWP)**

Led c.1000 staff; direct budget of £218m, policy oversight for £73bn pensions spend; Pensions Reform: led team supporting DWP Ministers and Prime Minister to secure adoption by government of independent Pensions Commission proposals; their translation into radical reforms via passage of Pensions Acts 2007 and 2008; and creation and stewardship of necessary delivery bodies.

Member of DWP Executive Team of 10 overseeing management and efficiency programme for Department; chaired DWP Strategy and Business Strategy Groups. LGBT Diversity Champion. Cross-Government SRO for Older People.

**DWP**      **Chair of DWP Shared Services Business**      **2008-09**

Oversight of c.4000 staff business, extending its services beyond DWP; delivered new service to Cabinet Office.

**HM**      **Director, Financial Sector**      **2003–04**  
**Treasury**

80 staff, dealing with financial services regulation in the UK and EU. Led team negotiating European Financial Services Action Plan (FSAP); member of EU Banking, Securities and Insurance Committees. Member of HM Treasury Audit Committee.

**Cabinet Office**      **Director, Regulatory Impact Unit**      **1999–2003**

70 staff, leading drive for better impact assessments in the UK and EU. Established cross-Member State 'Mandelkern Group', which successfully pressed for better regulation in EU.

**HM**      **Team Leader, Tax Policy**      **1997-99**  
**Treasury**

Responsible for major, tax reforms, including green taxes, such as Climate Change Levy.

**Team Leader, Tax and Budget**      **1996-97**

**Team Leader, Transport**      **1993-96**

Responsible for driving transport policy and negotiating financing for major projects, including key privatisations and PFI projects.

**European Investment Bank (EIB), Alternate Director**      **1994-96**

Regularly led UK delegation at EIB Board in Luxembourg; secured EIB support for key UK infrastructure projects.

**Private Secretary to Permanent Secretary (Terry Burns)**      **1991-93**

**Funding and Monetary Policy, Principal** 1990-91  
**Industry and Competition Policy, Principal** 1986-88

**Assistant Private Secretary to Chancellor (Nigel Lawson)** 1984-86

Responsible for all Chancellor's EU and international agenda work and travel.

**Graduate trainee posts** 1981-83

- Monetary policy;
- Nationalised industries, privatisation of British Telecom;
- Foreign and overseas aid and trade expenditure control.

## ANNEX 2: ANSWERS BY PHIL WYNN OWEN TO THE QUESTIONNAIRE

### Professional experience

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

I have enjoyed over 30 years professional experience working for successive UK Governments on a wide range of public finance and managerial issues, with extensive involvement with management auditing and financial supervision.

I started my career and worked for almost twenty years in H.M.Treasury, the UK Finance Ministry, dealing with a wide range of **public finance** and value for money issues. I was Tax & Budget team leader, and was responsible for assessing the individual costings and total budget balance for four successive annual Budgets. I have worked on public expenditure, tax and regulatory matters, all with significant UK and EU legislative involvement. This has included establishing and running major programmes of policy and delivery change as a Director General, on pensions reform in the Department of Work and Pensions (DWP), and on major energy efficiency programmes in the Department of Energy and Climate Change (DECC), including the establishment of a national auction platform and revenue collection under the EU Emission Trading Scheme. As DECC Accounting Officer at the start of 2013, I was the most senior executive responsible for the proper financial management of £6.5billion of annual activity, including £3.75billion of public expenditure, plus substantial consumer levies. This included an appearance before the Parliamentary Public Accounts Committee (PAC) to account for expenditure on major nuclear decommissioning programmes at the Sellafield nuclear site.

As the non-executive Chair of the Finance Committee at a major National Health Service hospital trust – a part-time role, of a few days each month, which I have been able to fulfil alongside my executive roles in central government - I have worked at the sharp end of public finance and service delivery to help restore the trust to financial balance in each of the last four years.

I have substantial **management** experience, having been an Executive Team level Director General in two major Government departments and having served as a Board member in both a hospital trust and a central department of state. As Acting Permanent Secretary of DECC, I led 1600 staff, and in DWP I was part of an Executive Team of ten responsible for over 100,000 staff. I have been instrumental in substantial management change programmes, ranging from modernising HM Treasury in the 1990s, to reshaping radically the strategy and pensions reform directorates of DWP from 2004, to rebuilding the governance and culture of a failed hospital trust as a newly appointed non-executive. In all cases, I have paid particular attention to building stronger finance functions, including most recently in DECC, where I sponsored recent improvements in our financial management systems. I also have relevant management training, with an MBA from the London Business School (LBS) and having been on the Advanced Management Programme at Harvard.

My persistent focus on improving **financial supervision** stems not only from my finance ministry background, but also from training in financial and management accounting while I studied at LBS. As a senior civil servant, I have initiated and sponsored many independent reviews of Government policy, of pensions reform, financial services issues such as improving the governance of mutuals, and how best to combat fuel poverty. I have sat on audit committees in both HM Treasury and the hospital trust, and was appointed as the Non-Executive Chair of the trust's Finance Committee, by virtue of my professional experience in public finance. Since being nominated for the Court, I have been working in the UK's National Audit Office (NAO), gaining further relevant experience and developing an understanding of both the similarities and differences between national and European public audit environments and practices, which would prove useful as a Member of the Court of Auditors.

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

The three examples I have chosen to answer this question are all on issues where I had lead UK executive responsibility for helping to shape and influence the outcome:

(a) As Director of the Regulatory Impact Unit at the Cabinet Office, I was involved in a collective process by Member States in 2001, that helped to build a consensus that **Impact Assessment** procedures should be adopted by the Commission as part of their governance reforms. I worked collaboratively with other Member States to help establish the independent 'Mandelkern Group' which, led by a distinguished French conseiller d'Etat, produced a collective report encouraging the Commission to introduce impact assessments for new legislative proposals. We engaged with the Commission at senior levels to convince them that it was in the interest of improved governance in Europe to introduce such changes. While the impact assessment system could still be improved, as evidenced by an ECA report of 2010, and, with scope for instance for more environmental and social assessment, this change has done much to ensure legislative dossiers are considered in fuller knowledge of the likely costs and benefits.

(b) As Director General at DWP for **Pension Reform**, I supported the preparation and receipt of a major, radical, independent report from the Pensions Commission, recommending wide-ranging reforms. These involved a balanced package of three major reform measures: raising over time the qualifying age for claiming state pension, while removing age differences in eligibility between men and women; establishing a system of auto-enrolment with opt-out into private pensions, to make it easier for people to save for retirement; and safeguarding the value of future state pensions through indexation. These proposals secured support from all main parties in the UK Parliament. Legislation was subsequently adopted, and these key reforms progressed towards implementation. This was achieved through active stakeholder engagement, building a broad consensus for change, ranging from Parliamentary briefings to a National Pensions Day participatory event for citizens across the nation.

(c) As Director General for International Climate Change and Energy Efficiency at DECC, I have recently led in helping Ministers agree the **UK position on the European Union 2030 Energy and Climate** green paper. This required ensuring that Ministers would be informed with substantial modelling, costings and analysis of the different options for responding to the



Commission's consultative document, while also engaging actively with stakeholders across the EU – in Member States, in the Commission, and in the European Parliament. The process of determining an agreed EU wide position is now underway, and will be important in determining the kind of sustainable growth path the EU resolves to pursue over the next two decades. A good understanding of the energy and climate agenda should be of value to the Court, as auditing increasingly adds an environmental dimension to the traditional '3e' approach of focussing value for money studies on economy, efficiency and effectiveness.

## **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 act on this obligation in the discharge of your prospective duties?**

The Treaty (Art. 286) is also clear that the independence of Members of the Court must be beyond doubt.

I am well used to working as a politically neutral civil servant, having served successive national Governments in the UK, to the best of my ability, for over thirty years. In particular, my recent time as a UK Accounting Officer required the exercise of independent, non-political judgement on issues of public expenditure; and my experience as a Non-Executive Director in an NHS Trust required the independent scrutiny by me of its financial and service performance.

On commencing work at the European Court of Auditors, I will have resigned as a senior civil servant in the UK and as a Non-Executive Director of a National Health Service (NHS) hospital trust. I will also have stood down from associated roles, such as my role as a Founding Fellow of the Cambridge University Centre for Science and Policy. This should ensure that I am dedicated to the work of the European Court of Auditors and that no conflicts can arise, nor be perceived to arise.

In the discharge of my duties, I would follow the Code of Conduct for Members of the European Court of Auditors, which was most recently updated in February 2012.

All this would be compatible with, and mindful of the Lima Declaration of INTOSAI, which laid out the parameters for the independence of Supreme Audit Institutions. Everything I have learnt about the Court to date suggests it is a good model of such an institution. So it is important that prospective new Members such as myself are aware of this context and willing to be vigilant in maintaining its independence, while working collaboratively with other institutions (see section on performance of duties below).

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

Formal discharge does not arise in the UK Government context as it does in the EU institutions. Once I have resigned, I will not have any continuing liabilities in respect of my past management functions.

As a Non-Executive Director of an NHS hospital trust, I have been indemnified by my hospital trust in accordance with Health Service Circular 1999/104. This provides an indemnity for decisions taken in the normal course of board and board committees business and in accordance with the correct procedures.

**5. Do you have any business or financial holdings or any other commitment, 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? If you are involved in any current legal proceedings, would you please give details?**

I do not have any business or financial holdings or any other commitment that might conflict with my prospective duties. In line with the Court's Code of Conduct for Members, I would disclose all my financial interests and other commitments to the President of the Court, so that, as necessary, they could be made 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, and I am not a member of a political party, so these issues do not arise for me.

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

Any such major irregularities, fraud and corruption need to be taken extremely seriously, or such practices can spread, undermining the integrity and reputation of the revenue and expenditure of the European Union. I would deal with a major irregularity or fraud or corruption case in my Member State of origin in an identical way as I would deal with such a case in any other Member State. I would follow the Court's normal procedures for dealing with such serious cases, which would involve the Court informing the European anti-Fraud Office (OLAF) in line with Decision 97-2004 of the Court of Auditors.

**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 a public service are to have in place systems that are used, standard practices that are adhered to and controls that are implemented, such that managers at all levels have:

- clarity about their objectives, with means to assess and, wherever possible, measure outputs and performance against those objectives;
- well defined responsibility for making best use of public finance and resources, including critical scrutiny of output and value for money; and

- information, especially measurements of costs and benefits; and training and access to expert advice needed to exercise their responsibilities effectively.

A healthy financial management culture would therefore exhibit proper structures; sufficient trained staff; good information systems and records; compliance with procurement rules; adequate internal controls; risk assessment that is owned and used actively; timely financial reporting for external stakeholders; unqualified external audits; and evidence of action to pursue continuous improvement through action plans to implement the findings of previous internal and external audit reports.

The Financial Regulation applicable to the general budget of the European Communities requires the use of monies to be in line with the principles of sound financial management, namely economy, efficiency and effectiveness. Economy is obtaining inputs in due time of the right quantity and quality at the best price. Efficiency is producing the greatest useful output from the given level of inputs. Effectiveness is about achieving the specified objectives and the intended results of the activity. Increasingly, environmental sustainability has been added to these in the regulations for sectoral policies.

The Financial Regulations also states that ex ante and ex post evaluations be applied to all programmes and activities which entail significant spending. But one sometimes finds programmes rushed into, often for understandable reasons, with objectives being changed and scope evolving over time, and with resource pressures leading to insufficient in-house ex post evaluation.

In the context of the administration of the EU budget, with so much expenditure managed within Member States, it is appropriate for the financial management culture also to include regulations enabling the Commission to interrupt or suspend payments when significant deficiencies or irregularities occur.

The European Court of Auditors therefore has a very important role. Through both its financial and performance audits, with the active and interested support of the European Parliament and its Committee of Budgetary Control in particular, it can play a significant role in promoting the implementation of sound financial management principles and practices.

**9. Under the Treaty, the Court is required to 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, in particular, its Committee on Budgetary Control?**

The European Parliament has a vital role in holding the executive to account for the expenditure of public money. The primary responsibility for EU expenditure lies with the Commission, which is the lead Executive function that the Parliament's Committee on Budgetary Control holds to account. That process is informed by the work of the independent Court of Auditors, whose Annual Report informs the important annual discharge process by assessing the degree of legality and regularity of expenditure, and whose Special Reports assess whether it accords with sound financial management principles.

I am familiar with, and respectful of, the proceedings of the PAC in the UK, the equivalent

body to the Committee on Budgetary Control, having given evidence to the PAC as an Accounting Officer (see answer to 1. above).

As a Member of the Court, I would work hard to fulfil my responsibility to ensure that the Parliament is provided with Court reports of the best and most timely quality. I would present and explain such reports, in the spirit of open dialogue and consultation.

In practice, I would also seek to maintain an ongoing, collaborative discussion with Parliamentarians about how such reporting might be improved in future to better support their needs. That itself would be informed by working with colleagues at the Court to ensure we are kept abreast of developments, both in EU expenditure and in the interests of the Committee, so as to identify potentially fruitful issues for future reports by the Court.

**10. What added value do you think performance auditing brings and how should the findings be incorporated in management procedures?**

Performance auditing has an increasingly vital role in helping to improve the quality of expenditure and use of public monies, with particular regard to encouraging best practice and value for money. It is an essential complement to financial audit, and with it makes up the two key tools in the public audit tool-kit.

INTOSAI defines performance audit as the examination of the three principles of economy, efficiency and effectiveness, the so-called ‘3e’ principles. The Court’s Performance Audit manual states that performance audit is the audit of sound financial management, auditing the application of those ‘3e’ principles by the Commission and/or other audited EU entities in their use of EU funds. Good performance auditing in practice seeks to examine whether the original objectives, and stated outputs and where possible outcomes of a policy, have been delivered well, and at what price to the public.

There are many practical problems in the field of public policy, which can make the task itself, and therefore the performance audit of it, a challenging business. First, it is often difficult to define objectives at the outset of a policy, especially where they are multiple; the Court has regularly highlighted problems with the setting of objectives. Second, those responsible are often under resource and time pressure. So they do not always prioritise the setting of clear, measurable objectives at the outset. They may also be hesitant to put in place objectives and measurement systems against which their performance might be judged, internally and/or externally. Third, the data and tools necessary to count and measure outcomes may not be easy to obtain, especially in new areas of public policy, which is another issue regularly highlighted by the Court.

All these factors make the growing field of performance audit all the more important, to encourage improvement and to disseminate best practice. Performance audit should produce timely, relevant and compelling recommendations for Parliament and Council to consider and to discuss with those responsible for the policies.

Moreover, one hopes that such audits will lead to adoption of many of those recommendations by practitioners, preferably in action plans which they own and implement, to improve public delivery in the future. For the incorporation of findings in management procedures ultimately

lies with those responsible for the disbursement of public funds and the implementation and delivery of public policies, both the Commission and recipients of EU public money in Member States. This means that timely follow-up studies or performance audits should be amongst the best practice of the public auditor, so as to check that suggested and promised changes have been made, and to identify any subsequent issues that arise.

### **11. How could cooperation between the Court of Auditors, the national audit institutions and the European Parliament (Committee on Budgetary Control) on auditing of the EU Budget be improved?**

There is a good basis in the TFEU for such cooperative work. Art 287(3) says that, where audit is carried out in Member States, the Court and national audit bodies shall cooperate in a spirit of trust while maintaining their independence. Art 310(5) requires Member States to cooperate with the EU to ensure that the appropriations entered in the budget are used in accordance with the principle of sound financial management. All this is essential because much expenditure and implementation requires the practical involvement of entities in Member States, so it makes sense to have arrangements through which the Court's work in Member States can be co-ordinated with national audit institutions.

The Contact Committee of the Supreme Audit Institutions of the European Union and EUROSAI, in which the Court actively participates, have, I understand, provided not only a good platform for arranging practical co-ordination issues, but also as a forum for public audit bodies in the EU to discuss important emerging issues for the sector as a whole in Europe. Their meetings have not been confined to those among audit institutions, but have included key speakers from national and EU stakeholders. Through its proactive engagement with the Supreme Audit Institutions of countries due to become new EU Member states, they also assist future custodians of the audit of EU funds. I understand that arrangements are being made for ECA to facilitate increased administrative support for the ongoing activities of the Contact Committee. All these seem to be the type of collaborative exchanges and initiatives that will help to ensure a consistent and sustainable approach to the audit of the EU budget wherever it may be spent. I would welcome the opportunity to engage in this work. I have found more generally in Government and the EU that relationships between respective institutions in the public sector, however good, can always be improved and rely on open, regular and collaborative dialogue, based upon a shared evidence base. To that end, the potential for joint or collaborative audits between ECA teams and those of national Supreme Audit Institutions is something I would like to explore further, since they have the potential to develop just such a shared, agreed and commonly understood evidence base. There may also be scope for an enhanced ad hoc dialogue between institutions, which might include fuller dialogue between the European institutions and national Parliaments, so as to enhance understanding and cooperation and to strengthen democratic accountability for financial management at all levels.

#### **Other questions**

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

It is essential that the relationship between the Court and the European Parliament, as well as

relationships with national institutions are positive, mutually respectful and collaborative, as explained in answer 11 above. In that regard, I would very much hope that the European Parliament's opinion on my appointment would be positive. In the event of an unfavourable opinion, I would very seriously consider withdrawal of my candidacy. I would have to consult with the UK Government, and I would want first to understand the reasons for such an opinion, so as to inform judgement of the best way to respond.

I am personally committed to becoming a Member of the Court, serving it to the best of my ability, and working closely with the Parliament and especially its Committee on Budgetary Control. I hope my written and oral evidence will demonstrate that to the satisfaction of Members of the European Parliament.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	2.12.2013
<b>Result of final vote</b>	+: 16 -: 3 0: 3
<b>Members present for the final vote</b>	Marta Andreasen, Jean-Pierre Audy, Inés Ayala Sender, Zuzana Brzobohatá, Tamás Deutsch, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Monica Luisa Macovei, Jan Mulder, Eva Ortiz Vilella, Bart Staes, Georgios Stavrakakis, Michael Theurer
<b>Substitute(s) present for the final vote</b>	Chris Davies, Cornelis de Jong, Monika Hohlmeier, Karin Kadenbach, Ivailo Kalfin, Markus Pieper
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Zita Gurmai, Janusz Władysław Zemke