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DRAFT REPORT

on the nomination of Iliana Ivanova as a Member of the Court of Auditors
(C7-0111/2012 – 2012/0803(NLE))

Committee on Budgetary Control

Rapporteur: Inés Ayala Sender

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PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the nomination of Iliana Ivanova as a Member of the Court of Auditors

(C7-0111/2012 – 2012/0803(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 (C7-0111/2012),
 - having regard to Rule 108 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A7-0000/2012),
- 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 4 June 2012 the Committee on Budgetary Control heard the Council's nominee for membership of the Court of Auditors;
1. Delivers a favourable/negative opinion on the Council's nomination of Iliana Ivanova 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 ILIANA IVANOVA

Born in 1975 in Stara Zagora, Bulgaria.

Education:

2004 – Masters Degree in International Management with focus on finance and development from Thunderbird, The Garvin School of International Management, Phoenix, AZ, USA, Graduated with Honors, Member of Betta Gamma Sigma Honor Society

1999 – Masters Degree in International Economic Relations from the University of Economics, City of Varna, Bulgaria

1998 – Bachelor Degree in International Economic Relations from the University of Economics, City of Varna, Bulgaria

Professional and political experience:

2009 – to present – Member of the European Parliament: Vice-Chair of the Committee on Budgetary Control, Vice-Chair of the Special Committee on the Economic, Financial and Social crisis, Vice-Chair of the Delegation for Relations with China, Member of the Committee of Internal Market and Consumer Protection, Substitute-Member of the Committee on Economic and Monetary Affairs.

Rapporteur of CONT for the following dossiers: 2010 EIB Annual Report, Regulation on Hercule III Programme to promote activities in the field of the protection of the European Union's financial interests, Regulation on the financing, management and monitoring of the Common Agricultural Policy, Opinion on innovative financial instruments in the context of the next multiannual financial framework, Study on the liability of the European Union budget concerning the EFSM and the ESM and interference on budget control by the European Parliament, Study "Pre-accession financing for Bulgaria and Romania: What lessons can be learned for future enlargements"

2007 – 2009 – Sofia Municipality, *Municipal Councilor*, Member of the Committees of Budget and Finance, European funds and Environment

2006 – Ericsson USA, Dallas, TX – *Contracting Auditor*– performed consulting for Ericsson's accounting systems restructuring related to US Sarbanes-Oxley legislation, managed financial reporting for various projects through computer modeling

2006 – Clayton Commercial Group, Dallas, TX – *Senior commercial real estate consultant* - consulted commercial lenders regarding underwriting, due diligence, loan reviews, prepared lease abstracts, audited lease databases and

2005-2006 – Bank of America (former Countrywide Home Loans) – Dallas, TX – *Senior Financial Analyst* – managed the reporting for area sales managers and mortgage brokers for the Specialty Lending group involved in the subprime lending, built and managed ACCESS databases for risk management reporting

2005 – BSB Capital/Beal Bank, Dallas, TX – *Investment Analyst* – developed and recommended quantitative models for assessing transaction risk/return profile, performed valuation analyses of commercial real estate investments, aircraft, manufacturing facilities, developed and promoted new credit products and proposed capital structures for financing

2004 – Total Systems Acquiring Solutions, Phoenix, AZ – (former Vital Processing Services – VISA and Total Systems JV) – *Business development expert*: responsible for analyzing mergers and acquisitions opportunities, evaluated clients' financial performance through data processing and building computer models, developed pricing strategies and performed variance analyses, recommended establishment of partnerships and re-organization of the key accounts team within the company

1999-2002 – Ministry of Agriculture and Food of Bulgaria – *Coordinator international financial institutions* - responsible for managing the relations between the Ministry and the World Bank, the International Monetary Fund, EBRD: oversaw and concluded major projects related to adjustment loans for agriculture ASAL I and ASAL II (Agriculture Sector Adjustment Loan), Country Assistance strategy, prepared Implementation Completion Reports on behalf of MAF as part of the monitoring procedures of the World Bank on adjustment loans, formulated and negotiated international agreements that facilitate trade between Bulgaria and corresponding countries in the fields of veterinary medicine and phytosanitary control.

ANNEX 2: ANSWERS BY ILIANA IVANOVA TO THE QUESTIONNAIRE

Professional experience

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

I have 12 years of professional and political experience taking up different positions in the public as well as in the private sector related to financial management, auditing and reporting. From the very start of my career I was dedicated to matters of financial management and reporting. I spent initially 3 years as the lead person in charge of international financial institutions at the Bulgarian Ministry of Agriculture and Food. I was *Coordinator international financial institutions* since 1999 and my key responsibilities included managing the relations between the Ministry and the World Bank, the International Monetary Fund, and the EBRD. Within my responsibilities at the Ministry I also managed the formulation and negotiations of international agreements that facilitated trade between Bulgaria and corresponding countries in the fields of veterinary medicine and phytosanitary control. I participated in the negotiations and conclusion of major projects related to supporting the country's balance of payments through adjustment loans for agriculture (ASAL I and ASAL II) totaling of 125 million USD. My other responsibilities included, inter alia: monitoring the implementation of commitments undertaken by the Bulgarian government in a number of areas within the agricultural sector, following the progress and achievements through a matrix of measures, reporting on the risk areas that need improvement and recommending actions to be taken. As part of the monitoring procedures of the World Bank on adjustment loans, and following the principles of sound financial management, I prepared the relevant part of Implementation Completion Reports (ICR) on behalf of MAF which evaluated the effectiveness of the projects, their sustainability and the compliance with the legal and regulatory frameworks, as well as the policies of the World Bank. This procedure for which I was primary responsible at MAF was considered as an internal compliance and performance audit for the project. An important aspect of the ICR was the section that provided analysis of the assessments and pointed out the lessons learned from each project.

After completing with Honors a second Master's degree in International management and finance in Thunderbird, The Garvin School of International Management in Phoenix, AZ, USA, I continued my professional career in the private sector in the field of banking and finance in the USA.

I developed further my professional experience at premier banking and financial institutions. As a *Business development expert* at Total Systems Acquiring Solutions, Phoenix, AZ – an electronic transaction processing company – specializing in authorization and capture, as well as clearing and settlement of electronic transactions, I was responsible for analysis and reporting on customers's financial performance. Based on the financial analyses performed, I developed pricing strategies through variance analyses and recommended the establishment of potential partnerships, mergers and acquisitions.

I enhanced my analytical and reporting skills as *Investment Analyst* at Beal Bank, one of the leading private banks in Dallas, TX. My core responsibilities were to build quantitative computer models for assessing transaction risk/return profile, to perform valuation analyses of

different commercial real estate investments through analyzing their income statements, balance sheets, cash flow statements, credit and equity structures and based on previously set targets of indicators and benchmarks, estimate the risks for potential loans and further develop and promote new credit products and capital structures for financing.

I continued my professional career as *consultant* within the financial field working consequently for Bank of America as a Senior Financial analyst for the Specialty Lending group involved in the subprime lending activities where I managed the risk management reporting for area sales managers and mortgage brokers, followed by a consulting contract for underwriting, due diligence, loan reviews, auditing of lease databases and conducting site inspections.

In 2006 I became a contractor - internal controller for Ericsson, USA and performed internal audits of Ericsson's accounting systems restructuring related to US Sarbanes-Oxley legislation, managed financial reporting for various projects through SAP modeling. My involvement in budgetary control issues continued when I became a member of the European Parliament in 2009 and full member and Vice-Chair of the Committee on Budgetary control. I work as rapporteur on a number of dossiers in COCOBU: 2010 EIB annual report, Regulation on Hercule III Programme to promote activities in the field of the protection of the European Union's financial interests, Regulation on the financing, management and monitoring of the Common Agricultural Policy, Opinion on innovative financial instruments in the context of the next multiannual financial framework, Study on the liability of the European Union budget concerning the EFSM and the ESM and interference on budget control by the European Parliament, Working document on Special Report 11/2009 of the ECA on the sustainability and the Commission's management of the LIFE-Nature projects, Study on pre-accession financing for Bulgaria and Romania: What lessons can be learned for future enlargements.

My professional career allowed me to build knowledge and outlook of financial management and auditing not only from public, but also from private perspective and thus to understand from both perspectives the strengths and weaknesses of the current system.

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

My first most important professional achievement was to put in place prudent and credible practices related to the process of monitoring and reporting on large restructuring loans for the public sector in Bulgaria. Within my responsibilities at the Bulgarian MAF I took part in the preparation, negotiations and completion of one of the most significant projects to support the country's Balance of payments - the agricultural sector adjustment loan ASAL II of the amount of 50 million USD. The project aimed at supporting major reforms in Bulgarian agricultural sector covering the areas of privatization, land reforms, irrigation sector, financial instruments, agricultural subsidies and guarantees by State Fund Agriculture, forestry, wholesale markets of agricultural products etc. My participation in the project was to ensure all coordination from the part of the Bulgarian implementing agency (MAF), between the relevant stakeholders and the WB team, to ensure the internal monitoring and progress of all measures undertaken, communicate and recommend to senior management any risk areas identified that would impede the completion of negotiations in a due time.

At a time when Bulgarian ministries were still building strong administrative capacity, the importance of such projects went way beyond the financial management of an adjustment loan, since the purpose of these instruments was to implement the necessary fundamental

reforms of the economy that made it possible for Bulgaria to join the EU and be prepared to absorb European funds. The project was completed successfully and contributed to improving the competitiveness of Bulgarian agricultural sector.

In the period 2002-2006 I expanded my horizon in financial and risk management, as well as auditing and gained valuable experience in different private sector institutions in the US. From an auditing standpoint and in line with one of the major aspects of the DAS methodology which is the evaluation of supervising and control systems and the assessment of controls risks, I would note my achievements in Bank of America related to a project, creating models for assessing the risk levels of groups of borrowers. I built databases which produced reports that identified risk areas for the subprime lending group; the models were based on a number of indicators – number of delinquencies per period, credit profile of the borrowers etc. The benchmarking of the analytical output to pre-defined targets estimated the risk of the overall portfolio of loans. Following the results of the analysis, a tightening of lending conditions was recommended for the identified risk groups. This private sector experience taught me to understand risk assessment also from micro level and enhanced my professional knowledge allowing me to see financial management bottom-up.

As a Member of the European Parliament I would point out the successful adoption of my report for the EIB activities in 2010. The report stresses on the crucial role of the EIB as the “European” bank expected to be one of the significant instruments that will help Europe come out of the financial, economic and social crisis. Recommendations point out to important aspects of EIB’s activities aimed at improving transparency and efficiency of funding for SMEs through establishment of clear performance indicators, strengthening the control mechanisms to measure the effectiveness of external lending and the specific and important role of financial instruments that need to be better measured through the establishment of relevant benchmarks and further explained to the European taxpayers.

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 independence of the Members of the European Court of Auditors is one of the most important principles that would define the capability of a candidate to perform this job and should be followed by every Member. The audited body should not be able to influence the work of the Members in any way. Art. 285 and 286 of TFEU stipulate that all Members of the Court should be completely independent in the performance of their duties. Furthermore they shall not seek nor take instructions from any government or any other body.

I will fully respect the provisions of the TFEU concerning the “independence” criteria and will refrain from any activity that would be incompatible with, or put at risk the performance of my duties.

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

I have not been subject to Discharge during the previous positions I have held.

- 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? If you are involved in any current legal proceedings, would you please give details?**

As MEP I disclose my financial interests regularly and I will provide the necessary information about my financial interests also to the President of the ECA and publicly, as well. I will fully respect TFEU provisions related to potential conflicts of interest that would be incompatible with the performance of my duties.

- 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?**

If elected, I will resign from my post as MEP.

I do not hold any senior party positions but if needed I will suspend completely my membership from any political party in order to ensure full independence during my mandate.

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

As previously discussed, the TFEU's rules stipulate that the Members of the ECA shall be completely independent in the performance of their duties. Thus, the impartiality in the decision-making is indispensable for the exercise of Members' duties. I would follow the rules provided for such type of cases in the ECA procedures no matter in which country an irregularity or fraud/ corruption case had occurred.

I would react accordingly to Art. 2 of Decision 97-2004 of the ECA by communicating without delay the information to the Member responsible for ADAR (audit development and report) and to OLAF in case of a suspicion or a discovery of possible cases of fraud or corruption or any other illegal activity.

The role of the Court is to defend the interests of all EU taxpayers and to ensure the best possible way for spending the EU funds. Therefore all Member States should be treated the same way when suspected for fraud or any other illegal activity, and any different approach will be unacceptable for me. Furthermore the ECA should work in close cooperation with the European Anti-Fraud Office on every case of irregularity or fraud. This will improve the transparency and will strengthen the trust in the EU institutions.

Performance of duties

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

The last developments of the financial crisis proved that the sound financial management at national and EU level is of utmost importance for the good functioning of the public services.

In this respect I believe that appropriate internal and external monitoring and well functioning control systems at all levels are crucial in order to ensure transparency and accountability for the European taxpayer.

The Financial Regulation sets three principles for a sound financial management, the 3 Es – economy, efficiency and effectiveness. Art. 27 from this Regulation stipulates that “economy” means that the resources used for an activity shall be made available “in due time, in appropriate quantity and quality and at the best price”. The principle of efficiency establishes the best possible ratio between the resources used for the results achieved. The “effectiveness” ensures the achievement of the set objectives and results.

Today, in times of austerity measures, the EU should respect more than ever these three fundamentals for a sound financial management. I would like also to stress on two other key issues which, are essential for the good management of the EU funds – a reduction of the administrative burden and a parallel improvement of internal and external control systems.

The reduction of administrative burden through simplified procedures should not lead to a decrease in the level of control. In my view, the progress of ICT sector could play a key role in addressing both issues. When applied appropriately, new technologies could contribute significantly for achieving the objectives of sound financial management. Furthermore they facilitate the monitoring of the financial operations and ease the access of the internal and external control bodies at all levels of procedures.

The EU budget is funded by the European taxpayers to serve their interest. In this respect, sound financial management should be the fundamental democratic requirement respected by public managers. In this regard, the European Court of Auditors recommendations and appropriate follow-up are critical for ensuring the respect for this basic principle.

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?

According to Art. 287 of the TFEU, the Court of Auditors plays an important role in providing the European Parliament with relevant and systematic information about the implementation of the EU budget.

The dialogue between the ECA and the EP, and the Committee on Budgetary Control in particular, has a very high added value. Both the Court and the Parliament have their respective roles in monitoring and exercising the necessary control on the EU budget. The ECA provides the expert input to the EP which, in its turn, takes political decisions based on the information and the assessments provided by the Court.

The process of communication between the COCOBU and the ECA should be in both directions. Good coordination will contribute to better target the priority areas of work and will provide Members of COCOBU with relevant information in specific areas of interest in a timely manner.

The role of the ECA Annual Report on the implementation of the EU budget is indisputable for each annual Discharge procedure and gives a broad overview of the systems in different policy areas. Furthermore, I would also highlight the importance of the special reports

prepared by the Court which contribute significantly for the improvement of the systems by focusing on specific weaknesses and providing recommendations how to overcome them. I would welcome particularly the Decision of the EP to draft own-initiative reports, based on the ECA special reports which will increase the added value of MEP's work on these documents.

If elected for a Member of the Court, I will ensure that the documents I provide the EP with, will contribute effectively to the work of COCOBU. Good communication will be a guiding principle in my relations with the EP. I will be open for regular meetings with all interested Members of the Committee in order to discuss issues of Parliament's interest. I believe that this will help also the ECA to address better the questions aiming at protecting EU taxpayers' interests.

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

The INTOSAI implementation guidelines for performance auditing stipulate that the performance audit is concerned with the audit of economy, efficiency and effectiveness of the systems. In this respect, the performance audits analyse the administrative practices, the utilisation of resources, the performance measures and monitoring arrangements and the performance as regards to the achievement of the objectives.

This type of auditing should look into details the processes and procedures and compare the achieved results with the targets set. Therefore, it is an important tool which assesses the policy effectiveness and establishes a clear link between inputs and outputs.

Performance audit findings should be used at all possible levels of management procedures since they would guide us at every step if the direction to follow is the right one.

I believe the role of performance audits will be greater and greater, also in the context of the financial, economic, and debt crisis we are living through. EU citizens need to have a clear response on the added value that the EU policies bring to their lives, and the impact of EU funding to better the standard of living of our communities. This is the overall objective of all programmes and it is the performance audit which should measure what was accomplished and provide an answer – have our EU policies achieved their objectives and improved our living standard.

The ECA has an important role to play in this respect, by assessing that added value.

I hope performance audits will find even more significant role and place in the ECA working plans so that together with Parliament we could better address the future and its increasing challenges to give more answers not only for the quantity but also for the quality of EU spending.

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?

Today, more than 80% of the EU programmes are subject of shared management between the European Commission and the Member States. Thus, good cooperation and coordination between the European Court of Auditors and the national Supreme audit institutions is crucial

for the smooth monitoring and auditing of the EU budget. Furthermore, the increased use of complex financial engineering instruments in different areas of the EU policy and the developed new programs proves the need for strengthening this cooperation.

In the light of the current financial crisis the SAIs, the ECA and the EP should work more than ever together in order to ensure adequate assessment of the quality of EU spending. An example of an open dialogue among these institutions was a hearing I initiated as MEP at COCOBU on budgetary control issues related to the financial instruments (EFSM, EFSM, EFSF). Since part of the audit on these new instruments aimed at overcoming the debt crisis, is done by the national auditing institutions, some of it through the ECA, and the role of the EP is to represent the citizens' democratic scrutiny in the process, it is only normal to hear all viewpoints in a common discussion that outlines the major challenges that Europe is facing in relation to these stability mechanisms.

The communication and coordination among the EP, ECA and national SAIs is essential for ensuring the best value of the different audits performed, at national and European level. Having been Member of the European Parliament until now I will continue to strive for cooperation between our institutions because I believe this is the best way to get the most out of our common work – to protect the interest of EU taxpayers.

Other questions

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

Yes.