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DRAFT REPORT

on the nomination of Mihails Kozlovs as a Member of the Court of Auditors
(C8-0411/2015 – 2015/0814(NLE))

Committee on Budgetary Control

Rapporteur: Igor Šoltes

CONTENTS

	Page
PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION	3
ANNEX 1: CURRICULUM VITÆ OF MIHAILS KOZLOVS	4
ANNEX 2: ANSWERS BY MIHAILS KOZLOVS TO THE QUESTIONNAIRE	7

PROPOSAL FOR A EUROPEAN PARLIAMENT DECISION

on the nomination of Mihails Kozlovs as a Member of the Court of Auditors (C8-0411/2015 – 2015/0814(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 (C8-0411/2015),
 - having regard to Rule 121 of its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A8-0000/2016),
- 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 15 March 2016 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 nomination of Mihails Kozlovs 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 MIHAILS KOZLOVS

An independent, qualified and motivated professional with over 15 years of in-depth experience in EU and national economic policy making, EU budget, public finances, public management, institutional relations, development banking, diplomacy, representation, communication as well as people, change and project management, with rich network at all levels in the EU institutions, complemented by a top-rated executive MBA.

PROFESSIONAL EXPERIENCE

Deputy Director (Economics, Finance, EU Budget - ECOFIN), Advisor Ministry of Finance of Latvia and Latvian Permanent Representation to the EU	<i>As of April 2012 Brussels</i>
<ul style="list-style-type: none"> • Advising to Prime Minister, Minister of Finance, Permanent Representative. • Leading complex multi-stakeholder top level negotiations on the European Fund for Strategic Investments (EFSI) and financial assistance to Ukraine. • Strategic agenda setting and substantial preparation of the monthly meetings of the EU Ministers of Finance (ECOFIN). • Contribution to design and implementation of the euro accession strategy for Latvia. 	
Adviser to Executive Board Director (representing Finland, Norway & Latvia) European Bank for Reconstruction and Development	<i>Oct 2010 – Apr 2012 London</i>
<ul style="list-style-type: none"> • Appraisal of strategic and operational policy proposals against Board objectives. Work in the Budget & Administrative and Financial & Operations Board committees. • Performance and value added appraisal of the Bank's projects against its mandate. Work in the Audit Committee. • Full analysis of investment projects. 	
Counsellor (economics, finance, EU budget, taxation) Latvian Permanent Representation to the EU	<i>May 2003 – Oct 2010 Brussels</i>
<ul style="list-style-type: none"> • Providing ex-ante and on-the-spot direct policy and procedural advice to the national delegation for the European Council, ECOFIN Council, Economic and Financial Committee and Committee of Permanent Representatives on the ECOFIN files. 	
Director, EU Integration Department, Ministry of Finance, Riga Head of Unit, EU Integration Unit, Ministry of Finance, Riga	<i>Jan 2002 – May 2003 Feb 2001 – Jan 2002</i>

Trainee European Commission, Directorate for Economic & Financial Affairs	<i>Jan 2000 – Apr 2000 Brussels</i>
Various entry level positions in the private and public sectors, and the academic world	<i>Jun 1996 – Dec 1999</i>

EDUCATION

Executive MBA , City University London, Cass Business School, London. Graduated with distinction	<i>2011-2014</i>
Master in Social Sciences at University of Latvia. Economics, international economics, business administration, accounting	<i>1997-1999</i>
Bachelor in Social Sciences at Riga Technical University. Economics, international economics, business administration, accounting	<i>1994-1997</i>
Eurofaculty courses at University of Latvia Tailor-made courses in economics, finance and law	<i>1996 - 1997</i>

LANGUAGE SKILLS

English – fluent
French – good working level
German – now passive
Latvian and Russian – native

ACHIEVEMENTS, ACKNOWLEDGMENTS

Accolade by the Cabinet of Ministers of the Republic of Latvia, November 2015.

Accolades by the Prime Minister for personal contribution 1) to the successful Latvian Presidency in the EU, 2015, and 2) to the introduction of euro in Latvia, 2014.

Personal congratulation at the public ECOFIN session by Commission VP Katainen and President Hoyer for key contribution to establishment of the European Fund for Strategic Investment, June 2015.

Accolade by the Minister of Foreign Affairs: contribution to the euro introduction in Latvia, 2014.

Sign of Honour by the Minister of Finance: outstanding representation & promotion of the Latvian interests in the EU in economics/finance, 2008.

Sports: Latvian ex-champion in water-skiing.

PUBLICATIONS

Kozlovs M, “European Strategic Investment Fund (EFSD): the negotiation process”; *Latvian Interests in the EU*, November 2015 (in Latvian)

ANNEX 2: ANSWERS BY MIHAILS KOZLOVS TO THE QUESTIONNAIRE

Professional experience

1. Please list your professional experience in public finance be it in budgetary planning, budget implementation or management or budget control or auditing.

Since obtaining my Master degree in 1999, I have been building my professional experience in public finance, economics, fiscal policy and financial management in public administration in Latvia (Ministry of Finance) as well as in the international environment in Brussels (Permanent Representation of Latvia to the EU) and in London (European Bank for Reconstruction and Development). As part of my personal life long development plan, in 2014 I graduated with distinction the Executive MBA programme of the Cass Business School (City University London).

Throughout the years I have developed the professional experience in the field of European Union (EU) public finances in the broad sense of this term. My first serious engagement was related to accession negotiations in ten (out of thirty one) negotiation chapters related to the economic and monetary union, financial markets, and financial and budgetary provisions. Comparing the standards of governance, financial management and control, internal and external audit in Latvia now and then, I am glad to have been able to facilitate the process of knowledge transfer and capacity building.

Having arrived to Brussels in 2003 right after the signature of the Accession Treaty and being one of the first counsellors to represent the national interests in the EU, I focused on two sets of tasks. First, on substantial issues in economic, financial, fiscal and tax policies as well as on the EU budget and, second, on capacity building to better represent our national interests in these areas. Quickly recognising the importance of the EU budget financing for the economic development of Latvia, I advised to the management to enhance our administrative capacity in the EU budget management area both in the Ministry of Finance as well as in Brussels.

During the years that followed I acquired profound theoretical knowledge and first-hand practical experience in the functioning of the EU institutions and about various types of decision making and issues thereof. This frontline experience in the EU affairs gives me a feeling of strong empowerment to operate efficiently in the politically complex and dynamic EU environment because I have worked in or with numerous EU institutions in various capacities and at different levels. The understanding of how the EU functions is key as it provides a clear picture of the current situation, potential problems and possible solutions. Such knowledge is very useful for the Court of Auditors and for the role it is tasked to fulfil.

Following upon the work of the Economic and Financial Committee (EFC) and participating in its work as part of the Latvian delegation since 2003, I learned how the articles of the Treaty on the multilateral economic and fiscal surveillance are being implemented in practice. Then followed the first reform of the Stability and Growth Pact (2005), financial and economic crisis, new financial and policy co-ordination mechanisms in the Eurozone (such as the Fiscal Compact, European Stability Mechanism, so called 2&6pack legislation), and Banking Union. Throughout these years I have been a member of the Latvian delegation to the Council of Ministers on economic and financial affairs (ECOFIN) where these issues were

discussed and decided upon, in many cases together with the European Parliament. Now, the next challenge is to work towards the genuine Economic and Monetary Union that among other things should ensure democratic legitimacy and accountability.

Thus I would like to emphasise my experience in the area of multilateral economic and fiscal surveillance and financial sector where in the post crisis environments we have witnessed major developments with far-reaching implications posing, in some instances, challenges to the performance of European Court of Auditors (ECA) tasks stemming from the Treaty. This is recognised in the recent work of the Court, such as landscape reviews¹. I hope my knowledge and experience in the field would be useful for the Court to address some of the challenges.

I had an excellent opportunity to delve deeper in the audit and impact assessment issues while working for the Executive Board of the EBRD, an international financial institution. I regularly participated in the work of the Audit Committee of the Board. This Committee oversees the integrity of the Bank's financial statements and its accounting, financial reporting and disclosure policies and practices, the soundness of the Bank's systems of internal controls and their effective implementation, the performance of the Bank's compliance, internal audit, evaluation and risk management functions, and the independence, qualifications and performance of the Bank's external auditor.

As part of this work, I was always interested if the investment and policy activity proposed and implemented by the EBRD's staff in the EBRD's countries of operation used the shareholder capital economically, efficiently and effectively in line with the EBRD's mandate and if the EBRD managed to achieve the desired and needed impact and value-added in its countries of operations.

My experience at the Board of the EBRD led me to appreciate the need not only to perform high quality assessment of the corporate governance, financial management and control and internal audit systems but also to produce the reports timely, set clear priorities, prepare ambitious recommendations and facilitate implementation. I have always felt that independence of audit and evaluation functions does not mean isolation. Auditors must be independent, but at the same time engaged and contribute with their independent conclusions and recommendations to better performance.

Thus in my professional career I have developed important skills such as a broad overview and detailed understanding of EU affairs, going beyond purely economic and financial issues, the ability to identify links among developments in different policy areas, deep understanding of the EU institutions' work and their roles in the decision making process as well as clear understanding of the EU budget governance. I note that despite relentless work of the institutions resulting in gradual improvement of the EU budget governance, including performance and value added, deficiencies still persist. This has to do with complexity of legislation, multilayer planning, implementation, and control systems as well as unclear responsibilities and sometimes, unfortunately, political factors.

Moreover, the scarcity of financial resources in the EU budget and the new challenges that arise as we speak determine the need to identify new ways of doing more and better with less. During the recent Latvian Presidency of the EU Council, I had the pleasure to chair the ad-

¹ Landscape Review "Gaps, Overlaps and Challenges: A Landscape Review of EU Accountability and Public Audit Arrangements", Part III, 2014.

hoc working party on the European Fund for Strategic Investments (EFSI) as well as to co-chair numerous political trilogues with the European Parliament. In these negotiations we managed in a record time to arrive at the compromise solution which among other things strengthened the audit arrangements of the EFSI. Now the challenge is to define the audit approach to the activities undertaken in accordance with the EFSI Regulation and to the guarantee provided by the EU budget to the EIB and EIF. I would like to contribute to this debate in my prospective capacity of a Court Member.

In general, the EU Council Presidency experience was a real test for me and for my ECOFIN team in Brussels. I organised, led and successfully completed the complex process of preparation as evidenced by a very good performance of our Presidency in the ECOFIN domain. I proved my knowledge of the policy area, namely, understanding the details of numerous files, getting through procedural issues, building networks. I am now willing to deploy these skills for the benefit of the Court.

I am sure that after reading this section of the questionnaire the Committee will have noticed that I have been developing my professional career with the objective of becoming a professional with a broad theoretical and rich practical background. I believe that the Court's strength as a collegial body is not only in its national diversity but mainly in diversity of professional experience of its Members.

2. What have been your most significant achievements in your professional career?

I believe my professional career is now at the turning point as the EU Council Presidency represents a logical milestone bringing to the close the full cycle one can experience in the EU affairs from a member state perspective: accession negotiations, accession to the EU, capacity build-up, introduction of the euro, and, finally, the EU Presidency.

I contributed a lot to these landmark projects for my country. The Latvian Cabinet of Ministers, two Prime-Ministers and Ministers of Finance recognised my role through their awards. This meaningful and recognised contribution is I believe the most significant achievement in my professional career.

The latest highlight was launching and completing within less than six months the work on the European Fund for Strategic Investments, the landmark project of both the European Parliament and of the Council. Another achievement and at the same time an example of good co-operation with the European Parliament was agreeing upon the largest macro-financial assistance package for Ukraine that has become one of the key deliverables of the Riga Eastern Partnership summit where the deal was signed.

Preparing for the EU Council Presidency in one of the most complex policy areas (ECOFIN) was one of the recent challenges for Latvia and for me personally. Excellent performance of the Latvian Presidency in the ECOFIN domain is to a great extent the result of good work of my team in Brussels in close co-operation with colleagues in Riga.

The last but certainly not the least example I would like to mention here is my contribution to the accession negotiation process in my capacity of Director of the EU Integration Department of the Ministry of Finance as regards the negotiation chapter on the EU budget and protection of the EU financial interests whereby I facilitated the distribution of knowledge on the EU budget, corporate governance, risk management, internal control,

internal and external audit that represented novelties in Latvia in the beginning of the new millennium.

Now my objective is to continue working for the strengthening of the European Union project that I wholeheartedly support. Becoming a Member of the European Court of Auditors whose role in shaping the EU annual and multiannual budgets should, thanks to more focus on results with less resources available, be increasing represents an excellent opportunity for me to put my experience for the service to the European Union.

3. What has been your professional experience of international multicultural and multilingual organisations or institutions based outside your home country?

In fact, I have acquired most significant part of my professional experience outside Latvia. First, in the beginning of my career I spent three exciting months as a stagier at the EU Commission (DG-ECFIN).

During “the Brussels period” of my professional career as the ECOFIN Counsellor and later as Deputy Director-Head of ECOFIN Unit in the Permanent Representation to the EU, I have been operating in a very diverse working environment, interacting regularly and with pleasure with colleagues from other Member States, European Parliament, EU Commission, EIB and sector representatives.

The experience at the EBRD Board of Directors introduced a global dimension thanks to regular co-operation with the non-European EBRD shareholders. Importantly, interaction with the so-called overseas shareholders of the Bank helped understand much better their perceptions about us, the Europeans, and about our way of thinking, decision making etc.

Multinational and multicultural environment is the one where I feel truly empowered and where, via my appreciation of different contexts, I can ensure achievement of the objectives. European history is a complex puzzle but I do believe that diversity shall become a source of powerful synergies in support of the European project.

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

The discharge procedure does not apply for the management duties I carried previously.

5. Which of your previous professional positions were a result of a political nomination?

None. All my professional positions were a result of merit or of management decisions based on objective appraisal.

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

I am happy to have been developing my professional career in times when the people of Latvia collectively and each citizen individually had to seriously reflect and make crucial decisions determining the future of our country. No doubt, we made the right decisions that returned our country irreversibly to the European family and I am proud to have lived through the controversial transition period and to have contributed to some of these key decisions.

First, I would like to mention here the decisions leading to closure of the accession negotiations chapter on the EU budget and protection of the EU financial interests. In the beginning of my career in the Ministry of Finance I was responsible for preparations to join the system of the EU own resources and following up and reporting on the development of governance, financial management and control, internal and external audit systems. I also coordinated and facilitated a comprehensive follow up on the Commission's recommendations in order to ensure that upon accession to the EU our systems are ready to implement the EU funds. I regard this period as a very important part of my career.

Second, I believe I played an important role in the process the ultimate objective of which was to apply for the Eurozone membership and introduce the European single currency as of January 1, 2014. The road to achieving this objective was long, Latvia stumbled several times on the way, and we joined the Eurozone when it was at the cross-roads. Now, a couple of years into the Eurozone membership, not many observers doubt that choice.

Third, the economists, academia and the public seem to agree that boosting investment in Europe is the urgent priority task for the European and national policy makers. I am sure that the compromise decision on the main features of the European Fund for Strategic Investment that me and my team arrived at together with the European Parliament's negotiating team and Commission vice-presidents Georgieva and Katainen in the early hours of 28 May 2015 after thirteen hours of the political trilogue represents a very important decision in my professional career. As mentioned already earlier, one of the things we managed to improve in relation to Commission's proposal was the provision concerning external audit.

I am glad that the Commission and European Investment Bank have already achieved good results in implementation of the Investment plan for Europe guaranteed by the EU budget. I hope successful implementation of the plan will provide a useful contribution to the debate on the future of the EU budget. I have noticed the Court of Auditors was invited and is willing to provide a contribution to these reflections; I hope my experience can be helpful for the Court.

Independence

7. The Treaty stipulates that the Members of the Court of Auditors must be 'completely independent' in the performance of their duties. How would you act on this obligation in the discharge of your prospective duties?

Although the audit profession in general is relatively young, at least certainly younger compared to the government function, it is not a coincidence that the concept of independence of those performing audit or being responsible for it has been long ago firmly enshrined in the International Standard of Supreme Audit Institutions number one (ISSAI 1). The ethical guidelines are developed in ISSAI 30. I agree that the principles of independence and ethics represent a pre-requisite for functioning of the Supreme Audit Institutions.

The independence of the Members of the European Court of Auditors is unequivocally provided for by the Treaty that stipulates that "... its Members shall be completely independent in the performance of their duties, in the Union's general interest" (Article 285) and that "...their independence must be beyond doubt" (Article 286(1)).

These crucial principles are further clarified in the Court's Ethical guidelines and Code of Conduct for ECA Members as well as Rules of Procedure and in the Rules Implementing the Rules of Procedure.

I would like to express my full commitment to the principle of independence as this is a prerequisite for the Court of Auditors and its Members to discharge their duties in line with the Treaty. Furthermore, the citizen's trust to the Court depends on rigorous observance of the principle of independence in practice.

Apart from the full disclosure of financial and outside activities as well as the reporting obligation, not seeking or taking any instructions from Member's national government or any other party is, in my view, of key importance. The principle of independence is in the heart of auditing, therefore it should be manifested both in performance of everyday duties and in making strategic decisions. This is important not only for the Court's image and reputation for its main client, the EU citizens, and in the outside world, but also among the Members of the Court themselves. These are the main concepts that in my understanding embed independence and that I would follow in discharge of my prospective duties.

I believe my work was always guided by the above mentioned principles. For example, during the last twelve years I have been providing advice to several prime-ministers, ministers of finance and state secretaries from different poles of the political spectrum. My advice had been recognised and appreciated because of its quality and, importantly, impartiality and objectivity. In performing my professional duties, conformism was never an option. Instead, I always preferred presenting facts at their face value and drawing objective conclusions, even if they were inconvenient, unpopular or went against the mainstream.

I have never been involved in receiving the EU funds or acting on behalf of a beneficiary.

Finally, in Latvia the selection of prospective Members of the Court is conducted through an open competition involving several steps.

8. Do you or your close relatives (parents, brothers and sisters, legal partner and children) have any business or financial holdings or any other commitments, which might conflict with your prospective duties?

No, I am not aware of any such fact that might conflict with my prospective duties.

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

Yes, I am prepared to fulfil all the disclosure obligations applicable to a Member of the Court.

10. Are you involved in any current legal proceedings? If so, please provide us with details.

As stated in the reply to Question 7, in Latvia the selection of prospective Members of the Court of Auditors is conducted through an open competition involving several steps that ensures a transparent and impartial procedure.

This time the procedure was launched by the decision of the Cabinet of Ministers (Government) to start the selection process and establish a Selection Committee. The process itself then consisted of publishing a competition notice in the Latvian Official Journal, shortlisting the candidates for the interview by the Selection Committee, interviewing the shortlisted candidates by the Selection Committee, deciding by the Selection Committee upon the most suitable candidate, and, finally, approving the candidate by the Government and instructing to notify the candidate to the Secretariat General of the Council (GSC). Thus the

process was launched by the Government in August 2015 and completed on 19 November 2015 when the Cabinet of Ministers took its final decision. Subsequently, the decision was notified to the GSC.

To ensure full transparency, I would like to disclose to the European Parliament that one of the applicants who had not been selected for the approval by the Government launched an administrative court case on 5 January 2016. This person, the plaintiff, asked the Administrative Court to put on hold the implementation of the decision of the Government to nominate my candidature for the appointment as a Member of the European Court of Auditors, challenging its legality. The Republic of Latvia, represented by the Cabinet of Ministers of the Republic of Latvia and by the Ministry of Finance whom the Cabinet of Ministers mandated to organise the open selection process, is the defendant in the case.

The Administrative Court decided to grant me the status of a third person in the administrative case because it considered that my rights could be affected by the outcome of the proceedings. Thus by the decision of the Administrative Court and independently of my preferences, I became involved in this administrative case launched by another applicant whose candidature was not selected.

The defendant approved its explanatory submission to the administrative court at the meeting of the Cabinet of Ministers on 12 January 2016 where the defendant effectively confirmed its initial decision about the selected candidate.

On 27 January 2016, the Administrative Court decided to fully reject the claim to put on hold the implementation of the Government's decision to nominate my candidature for the appointment by the EU Council of Ministers subject to consultation with the European Parliament. The Court also concluded that the said Government's decision was *prima facie* legal and that the applicable law was fully respected.

11. Do you have any active or executive role in politics, if so at what level? Have you held any political position during the last 18 months? If so, please provide us with details.

No, I do not have any active or executive role in politics. Also, I have not held any political position at all. I am not and I have never been a member of any political party.

12. Will you step down from any elected office or give up any active function with responsibilities in a political party if you are appointed as a Member of the Court?

Not applicable, as I do not hold any elected office and I do not have any active function in any political party.

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

Major irregularities, fraud and corruption represent a serious threat to proper functioning of a democratic society. They bring about misallocation of resources, moral hazard, lost opportunities and wrong incentives. The most dangerous outcome is a growing mistrust of the citizens that may lead to the feeling of powerlessness, gradual acceptance and, finally, taking for granted and adoption of similar methods. While such trends are detrimental to healthy development of any nation, the European project is especially vulnerable because people justifiably expect that international and supranational bodies are free of these types of illegal behaviour.

I think in performance of their duties no Member of the Court is protected from facing a case of a major irregularity, fraud or corruption involving persons from his/her Member State of origin. If I encountered such a case, I would first quickly assess all available information with a view to determining the best way of action that would help ensure that this information reaches the competent authorities in the Member State as soon as possible. If the EU financial interests were at stake, I would discuss the matter with the services and the Court Member responsible for the relations with OLAF and then make sure that the suspected fraud is reported to OLAF without delay. I would also discuss the matter with the President of the Court.

I also believe such cases merit a serious analysis in order to understand the reasons and to strive to prevent similar cases. In general systemic preventive actions prove to be more effective as they decrease the occurrence of major irregularity, fraud and corruption and thereby enhance citizens' trust.

Performance of duties

14. What should be the main features of a sound financial management culture in any public service? How could the ECA help to enforce it?

The re-distribution function is a key feature of any government. The citizens provide their consent to pooling of a certain share of the resources in the economy, e.g. via taxation, based on the legitimate expectation that the funds will be used in the best possible way for the benefit of the whole society, e.g. for the provision of the common goods and to correct the market failures. The concept of the "best possible way" is important and its interpretation, unfortunately, differs.

The EU law, i.e. the Financial Regulation that is consistent with the international standards, requires that the EU budget be used in accordance with the principle of the sound financial management (SFM). The objective is to provide assurance to the EU citizens-taxpayers that the way their resources are used maximizes the positive impact on the European project. As we certainly are not living any more in the "time of plenty", the principles of sound financial management are more important than ever. The need to spend public money smartly, achieving the intended results is of paramount importance if the EU is to restore and enhance the confidence of its citizens.

Therefore the SFM principle is further explained to mean that the appropriations are used economically, efficiently and effectively. The three E's are the main elements of the sound financial management that should be upheld in any public service.

In order to promote the sound financial management culture in the EU or in any other public service, the key factor is to make the management accountable for the public funds entrusted to them. In the time of scarce public resources, public money has to be spent not only in compliance with the rules that is a *sine qua non* but so that it achieves the intended results, outputs and, importantly, outcomes.

In addition to the accountability, I consider as main features of the SFM culture the following: clear objectives, effective governance system and performance culture, effective internal control system, systematic performance indicators, reliable monitoring, and transparent reporting. And last, but certainly not the least - shifting the focus from "using the money" to achieving the results.

The experience of my own country can be used as an example here. After the financial and economic crisis, the financing to the public administration has been reduced while ensuring that performance of the public sector is not affected or that it is even improved.

In this context, I appreciate the strong call by the ECA in the framework of the 2013 and 2014 discharge procedure to shift the focus from just spending money to investing it smartly. I believe it merits a serious consideration by the policy makers followed by a comprehensive action plan. Clearly, such a shift cannot happen overnight, especially if the only across-the-board result of not spending the allocated resources in the current financial period irrespective of the reason is less resources in the next financial period. Therefore the EU institutions and Member States should work together to facilitate the culture change.

The ECA plays an important role in the process of promoting sound financial management culture. It provides independent audit reports to decision-makers, such as the European Parliament, to be used in the procedures granting discharge to the management (Commission). In the past few years I believe the ECA has put more emphasis in its work to reporting on sound financial management (performance audits). The current EU Commission under the leadership of Vice-president Georgieva works hard to develop the performance based budgeting. The strong push from the European Parliament, the Court of Auditors and the Commission is a welcome development that should be pursued.

15. 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 further improve the cooperation between the Court and the European Parliament (in particular, its Committee on Budgetary Control) to enhance both the public oversight of the general spending and its value for money?

The Treaty requirement to assist the European Parliament in exercising its powers of control over the implementation of the budget is a very important element of European Court of Auditors' tasks. As the challenges in exercising the powers of control evolve over time, so should the working relationships between the European Parliament and the ECA. It is therefore a constant iterative process to follow or, better, anticipate and stay ahead of the curve.

I believe the starting point to improve fulfilling this requirement is a detailed understanding of the Parliament's needs. It means regular and thorough dialogue where the both sides can present their views. I notice that in past few years there have already been positive steps taken (e.g. regular meetings between the ECA and the CONT, creation of a position of an ECA Member for Institutional Relations, ECA engaging with the Conference of Committee Chairs ahead of the ECA annual work programme).

Presence of the reporting ECA Member, whenever his/her report is discussed in the Budgetary Control Committee (CONT) is a self-evident element in assisting the EP. It should also be self-evident that the ECA follows-up on the conclusions of CONT or the EP made in that context.

I have also noted that some of ECA's special reports have been presented to European Parliament's sector policy committees. I believe this practice can extend the use and added value of the ECA's work and thereby lead to assisting better the Parliament. Ultimately, this co-operation should manifest itself in the legislative work reflecting conclusions and recommendations of the ECA.

I believe that combining the Treaty requirements of being an independent auditor and assisting the European Parliament (and the Council) is of utmost importance. If the ECA does not succeed in the latter, the risk is that it could end up producing the best quality audit reports which – because of the topic and/or timing - are of low relevance to its stakeholders. Being independent has to be compatible with being relevant. As the guardian of the EU finances, ECA is an important part of the EU ecosystem of financial management that should emphasise its role of an impartial and respected partner.

Having followed regularly the discussions of the Court's products in both arms of the budgetary authority, I feel there might be room for, first, closer co-operation between Parliament and the Council in exercising control over implementation of the EU budget and, second, for a more co-ordinated work analyzing the ECA special reports and landscape reviews. Similarly, the Court's work should feature more frequently and prominently on the Council's agenda.

Also, I would like to mention two specific points, where I hope, the improvements could lead to better use of ECA's reports: timeliness and communication.

During the Latvian EU Council Presidency the Financial Regulation was amended so that the special reports have to be adopted within thirteen months. The Court should strive to respect this provision and thereby improve the timeliness these reports. Having said this I also appreciate the burden of responsibility when ECA, as the EU external auditor, makes conclusions and recommendations as well as I am aware of the difficult trade-off between time and quality.

On communication, I am glad that improving the public affairs strategy is one of the pillars of the ECA reform programme. Comprehensive information about the role and activities of the Court as well as about its findings and recommendations would enhance transparency and public follow-up.

I believe these two elements are important, since ultimately, the added value and the impact of the ECA's work depend on the use of its findings by the stakeholders.

Finally, while fully respecting the independent role of the Court, we need to consider its closer involvement, i.e. through legal opinions, in the legislative process regarding any legal act with substantial financial impact. Work on the European Fund for Strategic Investment and on the Financial Regulation under the Latvian Presidency showed the value added of the Court's contributions. Of course, the approach is not new in itself but its use could be generalised.

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

The Court's Performance Audit Manual provides the following definition: "A performance audit is an independent and objective examination of undertakings, systems, programmes or organisations, with regard to one or more of the three aspects of economy, efficiency and effectiveness, aiming to lead to improvements".

My understanding of this definition is that the value added of the performance audit is the highest when there are clear conclusions and recommendations and, importantly, the audit leads to improvements to the functioning of the audited entities and systems. For example,

even if the error rate in implementation of Heading 5 – Administration - of the EU budget is not material, the valid question for the citizens could be if they get the best EU civil service for approximately nine billion euro annually. I am pleased to notice that this year the European Parliament and the Council provide their support to extending the performance audit to other headings of the Multiannual Financial Framework.

While the main outcome of a performance audit is an audit report assessing whether those who are entrusted with implementation of the public funds have achieved the stated objectives, “along the way” auditors also obtain a lot of valuable information on the functioning of the governance and management procedures. So in order to add value to the performance audits, the auditors should be encouraged to highlight the deficiencies in management procedures and to suggest improvements in the audit reports as well as in the communication to the audited entity.

The ECA has stated in its activity report that when it selects topics for performance audits, one consideration is the potential for the ECA to add value through the audit. The element of added value is therefore embedded in the procedure from the very beginning.

The question of how to ensure that the findings are incorporated in management procedures is of utmost importance. So, the follow-up is key. We should strive to achieve that when the report and the findings are published,

- firstly, the decision-makers at the highest level should take the findings into account and, if appropriate, align the budget better with the (long-term) strategic priorities,
- secondly, the legislators must ensure that spending schemes are clear about the results to be achieved,
- thirdly, going to the management procedures, managers have to ensure that the money is not only spent according to the rules but also achieves the intended results.

Finally, I would also like to mention that the added value of performance auditing can be improved as the ECA has demonstrated in its Annual Report 2014. This new pilot exercise whereby performance related issues are assessed in the context of the compliance audit is a very welcome initiative. It should certainly be continued and expanded also to other areas of the EU budget, while planning carefully the amount of resources allocated to compliance, financial and performance audits as well as other ECA’s products.

17. 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?

Given the way the EU budget is implemented, closer co-operation and exchange of experience and information should determine interaction between the Court of Auditors, the national audit institutions and the European Parliament (Committee on Budgetary Control).

As regards ECA and the national SAIs, Article 287(3) of the Treaty provides for two important principles.

First, it states that “... in the Member States the audit shall be carried out in liaison with national audit bodies...”. This provision determines almost unlimited opportunities to further develop co-operation that could be explored both bilaterally and multilaterally.

Second, it stipulates that "...the Court of Auditors and the national audit bodies of the Member States shall co-operate in a spirit of trust while maintaining their independence". I believe EUROSAI and its Contact Committee provides a good platform to enhance mutual interaction and to develop common projects.

I believe that provision of regular information to the European Parliament on modalities, progress and obstacles to closer co-operation between the Court of Auditors and the national audit institutions and constructive feedback from the European Parliament could ultimately result in a better analysis of implementation of the EU budget.

18. How would you further develop the reporting of the ECA to give the European Parliament all the necessary information on the accuracy of the data provided by the Member States to the European Commission?

The key deliverable of the Court of Auditors to both arms of the budgetary authority as enshrined in the Treaty is the Annual Report on the implementation of the EU budget leading to the Council Recommendation to the European Parliament on the discharge to the European Commission in respect of implementation of the EU budget as well as to the Parliament's decision as regards the discharge. The Annual Report is the basis for the debates at the European Parliament and at the Council therefore the depth and breadth of the information provided by the Court of Auditors is indispensable.

As around 80% of the EU budget is implemented through the shared management, completeness, quality and timeliness of the information provided by the Member States (MS) determines to a great extent the quality of subsequent analysis and, eventually, the quality of the assurances provided by the Commission.

As it has been the case for past couple of years and as it was stated in the Court's annual reports, the Commission DGs – when preparing annual activity reports - use the information, such as control reports, provided by the MS authorities (e.g. in the area of the cohesion policy, MS audit authorities). The recurrent ECA's annual reports highlight that there are some weaknesses (including accuracy) in the work of audit authorities which the Commission's verification cannot currently prevent.

The ECA's reporting should continue highlighting the weaknesses, be it in the accuracy of the data provided by the Member States or in the verifications by the Commission. The Court should explain as clearly and as detailed as possible what the weaknesses are and how they should be remedied.

In my opinion, the Member States should be able to provide full, relevant and timely information on their governance, financial management, internal control and internal audit systems. Where weaknesses exist, the Commission should engage in close co-operation with the Member States to ensure all necessary information to be able to make an informed assessment of the Member States' systems for implementation of the EU budget.

I appreciate the merits of the debate around costs and benefits of providing information but, if our common goal is to make sure the budgetary authority has the audit assessment of the highest quality as requested by the international standards, no efforts should be spared. All the more it is often the case that the problem lies not in the lack of information but in the failure of national audit authorities or contracted auditors to use it properly.

One of the main audit findings of the Annual Report widely debated both at the Parliament and at the Council is the estimated error rate reported by the Court. Having followed the recent discharge deliberations, I welcome that fact that the Court enhances every year the underlying information as to the root causes of errors. The reasons for material error rates (and not only their level) should, in my opinion, be in the focus of the budgetary authority.

Other questions

19. Will you withdraw your candidacy if Parliament's opinion on your appointment as Member of the Court is unfavourable?

I was selected by the Latvian Government through an open selection process consisting of several steps. The Latvian Government has put its trust in my candidature and I am confident I can live up to the high expectations.

If the European Parliament had serious doubts regarding my commitment and ability to contribute to the European project through being a Member of the European Court of Auditors and believed they do not correspond to the bar set by the European Parliament, I would withdraw my candidature.

I believe that to ensure the highest value of the EU budget, first, both arms of the budgetary authority should work to enhance mutual trust and, second, they should closely and openly co-operate with the European Court of Auditors, European Commission and Member States. If any party believes that there are shortcomings in the current Treaty in terms of the institutional balance, they should be analysed and, if found necessary, remedied as soon as the Treaty revision takes place.

In my recent experience of engagement with the EU institutions, I have always adopted this genuine approach of open co-operation and mutual trust for the common European goal. I would certainly bring this spirit to the Court of Auditors, if appointed.