

of important international conventions in this area such as the Rome Convention, the World Intellectual Property Organisation (WIPO) Copyright Treaty and the WIPO Performances and Phonograms Treaty).

But along with further legislative improvements Ukraine must urgently ensure the implementation and enforcement of the adopted legislation. This includes notably the creation of appropriate infrastructure to ensure effective IP rights management, including registration mechanisms, where applicable, and a strengthening of the administrative capacity and enforcement measures, including border controls, in particular in the area of copyright.

The Commission is assisting the Ukrainian authorities in these efforts by offering technical assistance under the TACIS programme. A further project of support to the relevant institution building is currently being prepared.

The Commission has also been working closely with the customs administrations of the Member States and rightholders, in particular the international Federation of Phonographic Industries to address this serious problem. Close co-operation and technical workshops have increased the seizures made under the Community customs legislation dramatically. In 2001 customs in the Member States stopped more than 40 million pirated CDs and DVDs, a 349 % increase over the figure for 2000 and a 15,300 % increase over the figure for 1999. Criminals handling such goods change transport routes and methods to disguise the origin of these goods and hence precise figures by countries of origin are not available. However, there are indications that production may be shifting from Ukraine to other countries. The previous situation whereby many of these items originated in the Ukraine appears to be changing as production moves to other countries.

As regards similar problems in the applicant countries, the Commission is monitoring efforts to combat piracy and counterfeiting in the framework of the accession negotiations. Whereas the enforcement record in the candidate countries, in particular in the Baltic States, has been a matter of concern in recent years, the effectiveness of the judicial and administrative bodies involved in enforcement is increasing in order to meet the requirements in the field of protection of intellectual property rights. In October 2002, the Commission will again report on the measures adopted throughout the last year in its Progress Reports on each candidate country.

The Commission has also actively involved the enforcement authorities of the candidate countries in the Customs 2002 seminars which bring together rightholders and enforcement authorities to improve risk management and controls in this area.

(2003/C 242 E/028)

WRITTEN QUESTION E-2436/02

by Christopher Heaton-Harris (PPE-DE) to the Commission

(26 August 2002)

Subject: Alleged mismanagement of funds entrusted to the European Communities

Marta Andreasen was Budget Execution Director and Accounting Officer at the European Commission, a very senior post. In accordance with the relevant legislation, she had full responsibility for the 'funds entrusted to the European Communities'. Any allegation made by her of mismanagement, is, therefore, extremely serious.

Does the Commission have an accounting system that supports the accounts presented each year by the Commission?

Does the Commission have a secure, coherent and exhaustive computer system on which financial transactions are processed?

Is there compliance with basic and minimum accepted international and governmental accounting standards?

How do the Commission's accounting and auditing practices compare with the 15 Member States' systems?

Does the European Commission use double-entry bookkeeping as a standard accounting discipline?

Is there compliance with all aspects of the current Financial Regulation?

Has there been a Treasury audit in the last 10 years?

Are there cash flow statements for the Commission?

Without any of the above, is it possible to produce reliable accounts covering EU institutions?

Answer given by Mrs Schreyer on behalf of the Commission

(27 November 2002)

1. and 2. The Commission does have an accounting system that supports the accounts presented each year.

The Commission's central financial management and accounting needs are provided for by a central computer system (Sincom2), introduced for the first time in 1997 and extended to cover all Commission services in 1999. The architecture of this system comprises three different elements, which are inter-linked and also interfaced with the local systems of the operational services, which exist primarily to meet local management needs.

The three central sub-systems are designed to meet the needs of different users:

- SAP R/3 is used by the services of the Accounting Officer and by the Financial Controller. This system is the official accounting system of the Commission in which budgetary accounting, general accounting, treasury management, the validation of bank data concerning third parties, recoveries and the emission of payments via the SWIFT banking network are carried out;
- Si2 is the budgetary management tool for the authorising services. Transactions are introduced by the Directorates General (DG) in Si2, either directly or indirectly via transfer from local computer systems through a standard interface. Irrespective of their origin, all transactions must follow an internal workflow within the DG and must be validated in Si2 by the authorising officer before transfer into R/3; and
- the data warehouse, which is a reporting tool, and into which data from Si2 and R/3 are copied.

The legal reporting by the Accounting Officer is carried out on the basis of SAP R/3 data.

2. Access to all parts of the Sincom2 system is password controlled. Passwords are only attributed to approved persons. Individuals' access in the system is limited to the areas and actions for which a senior officer has given approval. Security over the system is being constantly reinforced with the assistance of external computer security experts.

The vast majority of transactions pass without problem between the various sub-systems of Sincom2. However, some apparent inconsistencies have been identified principally due to differences in the data structure between systems. The Commission is currently carrying out a reconciliation between the systems in order to further improve the transmission of data between the different elements.

All data used to produce the Commission's accounts are included in Sincom2.

3. Legal provisions

The accounts are kept in accordance with the Financial Regulation ⁽¹⁾.

Accounting principles:

- the accounts of the European institutions comprise general accounts and budget accounts;
- accounting for budget execution is based on the modified cash accounting principle ⁽²⁾;
- the general accounts show all expenditure and revenue over the financial year and are designed to establish the financial position of the Commission presented in the form of a balance sheet at 31 December.
- The general accounts are based on the following principles (which conform with generally accepted accounting principles):
 - the principle of going concern;
 - the principle of materiality and aggregation of data;
 - the principle of substance over form;
 - the principle of no-netting between assets and liabilities.
- The financial statements themselves take account of certain elements pertaining to the principles of prudence and accrual accounting.
- Harmonisation of the accounts and consistency of accounting data are achieved by applying the same rules of valuation (of assets and liabilities) and identical accounting methods in all European institutions currently falling within the scope of consolidation (Parliament, Council, Commission, Court of Justice, Court of Auditors, Economic and Social Committee, Committee of the Regions and the Ombudsman).

Respect of generally accepted accounting principles ⁽³⁾:

- The International Federation of Accountants has in recent years established two sets of generally accepted accounting principles for the public sector, depending on the basis of the accounting methods adopted: cash basis or accrual basis. The budget of the Union is voted and executed on a cash basis.
- The Commission fully complies with the cash-based accounting standards, which constitute the traditional accounting standards used by the public sector. The Court of Auditors has consistently declared the cash accounts reliable.
- The financial computer system Sincom2 allows the Commission to produce fully automatic financial statements on a cash basis.
- However, as is the case for most Organisation for Economic Cooperation and Development (OECD) governments, the Commission does not, at present, fully apply the corresponding accrual accounting standards nor is this currently required by the Financial Regulation.
- To enhance the information provided in the accounts, nevertheless, the financial statements produced by the Commission take account of accrual elements such as the registration and depreciation of fixed assets, value adjustments for entitlements, provisions, pension rights, the entry of carryovers in the accounts as charges and debts for the financial year and registration of contingent assets and liabilities.
- The supplementary information needed to achieve this accrual-based accounting is collected throughout the Commission and introduced in the central accounting system (SAP/R3), on a double entry basis, by the Accounting Officer's services.

- In the context of general efforts to secure improvements in 2000 and 2001 a particular effort was made to improve the reliability of this additional, accrual based, information.

Evolution of the accounting framework and of the accounting standards

- The trend in the public sector has been to evolve from focusing on a cash-based description of budget expenditure and revenue operations, towards a system based on financial reporting in the private sector. In line with this trend, and with the requirements introduced into the new Financial Regulation by the Commission, the Commission will move towards the production of integrated accrual accounts. The recast Financial Regulation that comes into force on 1.1.2003 requires that an integrated accrual accounting system is in place by 2005.
- The incorporation of accrual data within the official accounting system, together with the overall respect of generally accepted accounting principles, is a key element in the ongoing accounting modernisation.

Conclusion:

- The Commission fully complies with the cash-based accounting standards and with the accounting requirements laid down in the current legal provisions. Furthermore, the Commission has already introduced several accrual-based elements and it has to apply full accrual standards by 2005, as laid down in the new Financial Regulation.

4. Few Member States or other public bodies fully comply with accrual accounting principles. There is a general underway in many countries, although the situation varies by country: in general, the Netherlands, Sweden and the United Kingdom are furthest towards this objective, while other Member States have not yet gone so far towards this.

From 2000 and the launching of the multi-annual plan for the modernisation of the accounting, the Commission started its move towards accrual based financial statements, and thus the Commission is participating actively in the general trend of the public sector accounting and changing faster than many Member States.

5. The Commission uses double-entry bookkeeping principles to account for the cash inflows, cash outflows, payment orders and recovery orders. The elements of accrual accounting already used by the Commission are also introduced into the system using double-entry principles.

6. The Commission has produced and produces reliable accounts, in accordance with the Financial Regulation. As the Honourable Member of the Committee on Budgetary Control knows, the Court of Auditors has never refused to give assurance on the reliability of the accounts.

The Court of Auditors' remarks in the Statement of Assurance concerning the general budget for the financial year closed in 31 December 2000⁽⁴⁾ concern the non-respect of accrual accounting principles and not the cash based accounting as such. The respect of accrual accounting principles is not however obligatory for the Commission in the current Financial Regulation. The new Financial Regulation imposes the application of these principles for the first time as from the financial year 2005.

7. The Court of Auditors is the external auditor to the Commission. The Court's auditors have access to all systems and data related to the Commission's activities, including the treasury function. The Court examines the Commission's accounts every year and as a part of this audit work it may examine the treasury function. The Court has not criticised the treasury used by the Commission in its reports.

8. The cash-flow statement shows actual payments up to the month in question and estimates for the following months. A range of data produced monthly can be found at the following address: http://europa.eu.int/comm/budget/execution/utilisation/details_fr.htm. These documents are available to the Budgetary Authority (Parliament and the Council).

9. The Commission has produced and produces reliable accounts. In spite of certain remarks concerning accrual based accounting aspects, the Court of Auditors has consistently given assurance on the reliability of the accounts.

(¹) Financial Regulation of 21 December 1977, as last amended by Council Regulation No 762/2001 of 9 April 2001 and Commission Regulation No 3418/93 of 9 December 1993 laying down detailed rules for the implementation of certain provisions of the Financial Regulation, as last amended by Regulation No 1687/2001 of 21 August 2001.

(²) This differs from cash-based implementation because of elements such as carryovers.

(³) The IFAC (International Federation of Accountants) issues international accounting standards for the public.

(⁴) OJ C 359, 15.12.2001.

(2003/C 242 E/029)

WRITTEN QUESTION E-2557/02

by Erik Meijer (GUE/NGL) to the Commission

(13 September 2002)

Subject: Financial control 1: vital need, in response to negative public opinion, to recruit and retain officials who take a critical attitude

1. Is the Commission aware that large sections of public opinion in the Member States have little faith in the purpose, effectiveness, resolve and transparency of the European Union, seeing it as a vast organisation which they suspect of maintaining an unnecessarily centralist bureaucracy, wasting money and being susceptible to nepotism, profiteering and fraud, an attitude which helped bring about the resignation of the previous European Commission in the spring of 1999 and led to a low turnout in the subsequent elections to the European Parliament?

2. Does the Commission wish to remove the suspicions felt by citizens by publicly providing convincing evidence to the contrary, or is it resigned to seeing the situation described in the first question continue indefinitely?

3. Does the Commission consider the unfortunate situation described in the first question as a reason to show itself to be even more meticulous than non-profit institutions, national authorities of the Member States, local authorities and companies in managing its finances and seeking to understand what has gone wrong and what needs to be improved?

4. Does the Commission agree that, in the light of the above, it is extremely inadvisable to remove from their posts officials who criticise the management of finances or to restrict their opportunities for voicing criticism, including in cases in which it considers that it has very strong grounds for refuting the criticism, since this gives rise to the suspicion that unlawful practices are being concealed, remain unpunished and are continuing?

5. Does the Commission agree that recruiting and retaining officials who take a critical attitude is a necessary and inevitable counter to the enduring suspicions referred to in the first question, and that this is an essential means of refuting such suspicions?

6. Would it not be advisable, in the view of the Commission, both in its capacity as manager of public affairs at EU level and in terms of protecting its own position, to present a positive image of an EU that counts among its ranks officials who take a critical attitude and that at all times allows independent experts to examine the way in which the Commission is organised?

Answer given by Mrs Schreyer on behalf of the Commission

(7 January 2003)

1. The Commission does not share the opinion expressed in the first paragraph of the question.

The Commission favours a strict, 'zero tolerance' approach to fraud and corruption.