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EDP upstream dialogue visit to Poland
6 - 8 March 2013
Main conclusions and recommendations – *Final report*¹

The main objective of the EDP Upstream Dialogue Visit (UDV) was to review the quality of the EDP reporting system, in particular primary public accounting ("upstream") data sources, as specified in the Communication from the Commission to the European Parliament and the Council COM(2011)211 "Towards robust quality management for European Statistics", and in accordance with Art. 8 of Council Regulation (EC) 479/2009 as amended. Another point of interest was to review the Polish Central Statistical Office's ability to utilise its powers under Article 16 of Regulation (EC) 479/2009 as amended by Regulation (EU) 679/2010.

The National Statistical Authority is the contact point for Eurostat on EDP and public accounting matters. Therefore, the conclusions, recommendations and action points in this report are communicated through the National Statistical Authority, even though other government bodies may be concerned. As the acting contact point to Eurostat, the National Statistical Authority should liaise with these government bodies as necessary and take whatever steps to ensure that the appropriate body is in timely receipt of the appropriate recommendations/action points for treatment. Consequently, to ensure an efficient and effective channel of communication for all follow-up, Eurostat looks to the National Statistical Authority to act as the single contact point for reporting to Eurostat on progress and on the fulfilment of the recommendations and action points on behalf of the government bodies.

I. General statements

Eurostat staff visited Poland to assess the quality of upstream data and processes used as the basis for EDP notifications. The visit was undertaken in the context of the strategy towards robust quality management for European Statistics related to enhanced economic policy coordination. This includes mechanisms to ensure the high quality of statistical indicators, especially for statistics related to EDP. The aim of this visit was to gather information on the accounting, auditing, control and reporting systems in place and to assess the strengths and weaknesses of those systems.

Eurostat, in coordination with the Polish Central Statistical Office (GUS), reviewed practices regarding the management and control of the flows of public finance data that come from public entities to GUS and are used to compile the ESA deficit and debt.

¹ The report was updated on 21 Jan 2014.

Eurostat welcomed the cooperative approach of the Polish authorities and their willingness to clarify and resolve the issues discussed.

II. Main conclusions and recommendations

1. Governance and co-operation

Eurostat noted that GUS possesses both a strong position, and strong leadership and governance with respect to government finance statistics, which derives from a strong statistical legal basis and staff committed to continuous improvement.

As regards formal operational arrangements between EDP co-compilers (GUS, Ministry of Finance, and National Bank of Poland), Eurostat understands that in Poland these are largely covered within the Annual Programme of Statistical Surveys of official statistics (which has the status of a Decree of the Council of Ministers) and the operating procedures of the General Government Statistics Working Group (GGSWG), a working group in which all co-compilers participate.

Eurostat understands that the GGSWG is an advisory and consultative body, whose proposals are not binding for the President of GUS. The GGSWG is chaired by an expert from GUS and its proposals are formulated on the basis of consensus. However, the President of GUS is the sole authority to take the final decision without obligation to further consult with outside parties, if he disagrees with the proposals of the GGSWG or if the GGSWG is unable to reach consensus.

Therefore, with respect to issues relating to governance and co-operation between the EDP co-compilers and also with respect to other stakeholders, Eurostat makes the following recommendations:

Recommendation 1. Eurostat noted that GUS continues to strengthen its independent standing with respect to its role in producing government finance statistics in Poland. In this regard and contingent upon the revision of Reg. 223/2009, Eurostat takes note of the planned change in the national statistical law including additional provisions to reinforce the independent status of GUS, also by reference to the comments of the Peer Review on the Implementation of the European Statistics Code of Practice on indicators 1.1 and 1.4². Eurostat welcomes the efforts of GUS in this respect and **recommends** that GUS take whatever steps possible to ensure the strengthening of the statistical legal basis. Eurostat views this development as a desirable further step to strengthen the legal basis of the professional independence of GUS³.

Recommendation 2. Eurostat notes that the EDP statistics are part of the Annual Programme of Statistical Surveys of official statistics (Fiscal notification of the deficit and debt of the general government sector). However, Eurostat understands that several data flows used for EDP compilation are only described in other parts of the Annual Programme. Eurostat **recommends** that all data flows used for compiling EDP statistics be referred to in the EDP part of the Annual

² Indicator 1.1: The independence of the National Statistical Institutes and Eurostat from political and other external interference in developing, producing and disseminating statistics is specified in law and assured for other statistical authorities. Indicator 1.4: The heads of the National Statistical Institutes and of Eurostat and, where appropriate, the heads of other statistical authorities have the sole responsibility for deciding on statistical methods, standards and procedures, and on the content and timing of statistical releases.

³ Recommendation 1 is closed. Any further work on these issues may continue under the Peer review on the implementation of the European Statistics Code of Practice, if necessary.

Programme, so that it covers all key upstream data providers which would then correspond to the data sources as defined in the EDP inventory⁴.

Recommendation 3. An agreement was reached by the Eurostat Working Group on Quality Management Systems (QMS) in GFS on core and optional elements that should be present within formal operational arrangements between EDP co-compilers. GUS, like all NSIs, is **recommended** to review its formal operational arrangements against these criteria. In particular, GUS is recommended to introduce an unambiguous reference within its arrangements to the professional independence of GUS on decision taking regarding issues pertaining to the statistical / methodological domain, and a formal agreement on pre-release privileged access to EDP data⁵.

Recommendation 4. Eurostat very much welcomed the openness and co-operation of the National Supreme Audit Institution (Najwyższa Izba Kontroli - NIK) throughout the visit. Given the breadth and relevance of the mandate of NIK to upstream verification issues, and given the recently adopted Resolution⁶ on Supreme Audit Institutions' cooperation with Eurostat and the National Statistical Institutions, there appears to be scope for fruitful co-operation between GUS and NIK. It appears that some important co-operation has already taken place recently, such as NIK taking into account the suggestions made by GUS, while developing its annual audit programme. Eurostat fully supports this and **recommends** that every effort be made to formalize and enhance this cooperation by, for instance, considering the possibility of signing a formal memorandum of understanding between the two organisations⁷.

Eurostat invites GUS to provide a report on progress made concerning the above four recommendations together with a list of actions implemented and actions planned including indicative timescales by the end of 2013.

Recommendation 5. With reference to the list of government entities that appears in the Annex of the EDP inventory⁸, and with respect to the requirements of Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States, GUS is **invited** to report to Eurostat the status of internal control and independent audit for the public accounting systems covering all sub-sectors of general government as at January 2014⁹.

2. Quality Management, Risk assessment and Risk Management

Regarding Quality Management, Eurostat welcomes and supports all measures that are presently being undertaken and welcomes the flowcharts of the EDP statistics production processes provided prior to the mission, which were considered as good practice. Eurostat considers that the management control and supervision systems present in GUS (as well as other government organisations) could play an important role in helping strengthen the EDP statistical process, including by ensuring the effective implementation of the core recommendations of this report. In particular, Eurostat takes note of the introduction of the Management Control concept in the Polish public finance sector (in accordance with the Public Finance Law dated 27 August 2009 with effect from 1 January 2010), which has reformed the internal control system of the Polish

⁴ Recommendation 2 is closed.

⁵ Recommendation 3 is closed.

⁶ The Resolution is accessible in this link: <http://eca.europa.eu/portal/pls/portal/docs/1/18138743.PDF>

⁷ Recommendation 4 is closed.

⁸ The Polish EDP inventory is accessible in the following link:

http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_inventories

⁹ Recommendation 5 is closed.

public finance sector. Furthermore, Eurostat notes that the management control standards introduced by the Minister of Finance were based also on the Commission's Revised Internal Control Standards for Effective Management.

In this respect, Eurostat takes note of the fact that the system of measurement, evaluation and monitoring of the quality of statistical surveys implemented in GUS (within the scope of management control) contains a clear reference to the importance of observing the requirements ensuing from the Principles of the European Statistics Code of Practice. GUS has already established a quality function within the Methodology, Standards and Registers department.

Eurostat considers these developments as a good practice for strengthening internal control in the organisation and towards developing a comprehensive quality management approach.

With respect to quality control and a Quality Management System (QMS) at EDP process level, Eurostat notes that such a system is currently under development. Eurostat welcomes the initiatives and efforts of the National Accounts and the Methodology, Standards and Registers departments of GUS and their willingness to improve and strengthen existing quality tools. Eurostat views such efforts as steps towards the eventual creation of a comprehensive QMS at EDP process level, within the general framework of the management control system. In this respect, the following specific recommendations can be viewed as some recommended steps that can be taken towards the long-term goal of developing a comprehensive QMS at EDP process level, with reference also to Eurostat's description of a potential QMS for EDP process level as per document GFSQM 12/005 rev1, (dated 25/10/12), presented at the Eurostat Working Group on GFS Quality Management in November 2012.

With respect to issues relating to quality management, risk assessment and risk management Eurostat therefore makes the following recommendations:

Recommendation 6. Eurostat notes that the EDP statistics production process within GUS will be monitored by the annual quality evaluation within 2013. This will be the first time that the EDP production process will be evaluated as part of the regular quality evaluations within GUS. Eurostat welcomes this development and **invites** GUS to provide Eurostat with a copy of the report upon completion of the evaluation. Deadline: end 2013.¹⁰

Recommendation 7. Eurostat welcomes the comprehensive EDP flowcharts provided prior to the mission which are viewed as a good practice. Eurostat **recommends** that these be regularly updated and annexed to the EDP Inventory. Furthermore, Eurostat recommends that the updated flowcharts be part of GUS's internal manual on EDP processes. Deadline: end 2013.¹¹

Recommendation 8. Eurostat notes that process documentation on the EDP compilation steps appears to exist but it is not consolidated into a structured manual or compendium. Eurostat **recommends** that GUS address these issues in the context of the development of a QMS at EDP process level, under the management control system. Deadline: end 2013.¹²

Recommendation 9. Eurostat noted that electronic data transmission between parties, be it GUS to Ministry of Finance, Ministry of Finance to GUS, or from upstream providers to GUS is often performed on a rather informal basis. Eurostat **recommends** that the present practice of transmission only to and from personal e-mail addresses be replaced by a standardised, traceable data transmission procedure not relying solely on the presence of particular individuals. These

¹⁰ New deadline for Recommendation 6 is set to 28 Feb 2014.

¹¹ Recommendation 7 is closed.

¹² New deadline for Recommendation 8 is set to 28 Feb 2014.

procedures will be part of the EDP quality management system, under the framework of management control systems in the relevant entities. Deadline: end 2013.¹³

Recommendation 10. Eurostat noted that GUS's internal checks of incoming data are limited to the substance of the data itself (i.e. comparison with the data reported in previous periods) and not for example, checks for potential spreadsheet errors. Eurostat **recommends** that GUS address this issue in the context of the development of a QMS at EDP process level, under the management control system. Deadline: end 2013.¹⁴

3. Register of government-controlled entities (register defining full population of entities on which the 50% test would be applied)

GUS is in charge of maintaining the statistical database of entities: the database of units for statistical purposes known as BJS (Baza Jednostek Statystycznych). The BJS is based on the national business register referred to as REGON. REGON covers legal persons, organizational units without legal personality and natural persons conducting economic activity. The BJS includes all units and information covered by REGON as well as additional information about units that is derived from the statistical surveys as well as from the other sources.

Eurostat understands that the National Accounts department of GUS, in co-operation with the Statistical Office in Wrocław, monitor the scope of general government on an on-going basis.

However, it appears that GUS does not have a systematic approach as regards the selection of units to be subjected to the Government Control test and the market/non-market test. Furthermore, it appears that the Government Control test, as performed by GUS, is based solely on the criterion of ownership by government and not on all criteria as mentioned in ESA95.

Therefore Eurostat makes the following recommendations:

Recommendation 11. Eurostat **invites** GUS to produce a documented detailed procedure describing the decision making processes used to arrive, from the statistical database (BJS), to the final lists of government-controlled entities classified inside and outside government. This should include a description on how GUS treats inactive units which, in Eurostat's understanding, are never taken off the lists, and an estimate of how many such entities may exist at any time. Deadline: 17 June 2013.¹⁵

Recommendation 12. Rules for deciding on government control of entities should go beyond the pure measurement of ownership. Eurostat **recommends** that an analysis be made on the implementation of the concept of government control for all institutional entities with a forward view to implementing the requirements of ESA 2010. Deadline: October 2013.¹⁶

Recommendation 13. Under the management control and supervision initiative, GUS is currently developing operating procedures for the statistical database (BJS) and provided one draft chapter to Eurostat during the visit. Eurostat supports GUS's plans to produce a comprehensive compendium of operating procedures for the statistical database within 2013. Eurostat **invites** GUS to provide a brief report on the scope of this compendium and on the timelines for its

¹³ New deadline for Recommendation 9 is set to 30 Apr 2014.

¹⁴ Recommendation 10 is closed.

¹⁵ New deadline for Recommendation 11 is set to 15 May 2014.

¹⁶ New deadline for Recommendation 12 is set to 15 May 2014.

completion by 5 July 2013. Eurostat also **invites** GUS to provide a copy of the final compendium upon completion. Deadline: end 2013.¹⁷

4. IT Issues

The importance of appropriate and reliable IT tools for supporting the GFS statistical production (collection, storage, processing, compilation, etc.) is well recognised by GUS.

Regarding the Ministry of Health, it was noted that, as from January 2013, the Ministry has started operating a new IT system for the collection and aggregation of data from Health Care providers including financial data at institutional level. Therefore, Eurostat makes the following recommendation:

Recommendation 14. Eurostat **recommends** that the Ministry of Health take into account the user needs of GUS in developing this system. In particular, the system should be capable of extracting and providing information on arrears and especially, trade credits.¹⁸

Eurostat invites GUS to provide a report on progress made concerning the above recommendation, together with a list of actions implemented and actions planned including indicative timescales by the end of 2013.

5. Government accounting and related statistical reporting issues

With respect to the issues relating to Government accounting and related statistical reporting issues, Eurostat makes the following recommendations:

Recommendation 15. Eurostat **invites** GUS to use the most up-to-date data available for Local Government for the October 2013 EDP Notification and all subsequent October Notifications. In this regard, it is important that for the April Notifications, the Ministry of Finance respect the transmission of data with the deadlines agreed with GUS for inclusion in the April 2013 notification of Local Government data¹⁹.

Recommendation 16. Eurostat **invites** GUS to provide a regular reporting of trade credits and advances (in EDP Table 4: “Provision of other data in accordance with the statements contained in the Council minutes of 22/11/1993”) starting with the April 2013 Notification.²⁰

Recommendation 17. Eurostat **invites** GUS to provide a note explaining the method for estimating the impact of the 5% non-response rate from Health Care providers. Deadline: October 2013.²¹

Recommendation 18. Eurostat **invites** GUS to provide an analysis of the difference between cash-based expenditure on public works and infrastructure and the accrual-based expenditure information that exists in the General Directorate for National Roads and Motorways (GDDKiA)

¹⁷ Recommendation 13 is closed.

¹⁸ Recommendation 14 is closed.

¹⁹ Recommendation 15 is closed.

²⁰ Recommendation 16 is closed.

²¹ New deadline for Recommendation 17 is set to 28 Feb 2014.

and the other directorates and departments of the Ministry of Transport, Construction and Maritime Economy. Deadline: October 2013.²²

Recommendation 19. Eurostat **invites** GUS to provide an estimation of uncollectable social housing rentals and a proposal of how this could be taken into account in future EDP reporting. Deadline: 17 June 2013.²³ This issue will be followed up during the forthcoming standard dialogue visit, currently foreseen to take place in summer 2013.

As regards the methods used for the calculation of uncollectible health insurance and social contributions, Eurostat takes note of the information provided by GUS on the above issue following this visit. This issue will be followed up during the forthcoming standard dialogue visit, currently foreseen to take place in summer 2013.

²² Recommendation 18 is closed.

²³ Recommendation 19 is closed.