



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D-2: Excessive deficit procedure (EDP) 1

Luxembourg, 27 September 2013

- FINAL FINDINGS -

EDP dialogue visit to Italy

4-5 February 2013

Executive summary

Eurostat undertook an EDP dialogue visit to Italy on 4-5 February 2013 as part of its regular visits to Member States and with the aim to follow up on the recommendations from the Upstream Dialogue Visit of November 2012, to analyse information on data sources provided in the EDP inventory, to clarify issues relating to EDP tables raised in the context of previous notifications, to clarify the sector delimitation of general government, to analyse the application of accrual principle in national accounts and EDP and to ensure that provisions from the ESA95 Manual on Government Deficit and Debt are implemented and that specific government transactions are appropriately recorded in the Italian EDP notification and national accounts.

Eurostat reviewed the **recommendations from the Upstream Dialogue Visit (UDV)**, which have been sent to ISTAT at the end of January 2013. It has been recognised that the report contained many recommendations which would lead to a heavy burden for ISTAT in the coming months. It has been agreed that ISTAT will provide written comments on the recommendations in the coming days. Eurostat was informed that the Memorandum of Understanding with the Supreme Audit Institution (SAI) has been signed recently.

The Italian statistical authorities updated Eurostat with the characteristics of the **source data**, including the implementation of SIOPE¹ system, following the new rules on public accounting. Eurostat was informed on a limited number of government units which are not audited by SAI and asked to receive information on the level of their expenditure.

The **revision policy** for EDP data has been recently changed following an analysis and reorganisation of the deadlines for information from the Ministry of Finance (MoF). Since recently, in order to reduce the revisions between two April notifications, the data is revised twice a year, for the April and for the October EDP notifications.

As a **follow-up to the EDP dialogue visit of 28-29 June 2011**, Eurostat welcomed the implementation of all the action points agreed. However, the monitoring of the operations conducted by Cassa Depositi e Prestiti (CDP) was further discussed and it was agreed that the Italian statistical authorities will continuously analyse the activities of CDP in order to ensure that they are all undertaken under market conditions. The statistical discrepancies and the stock of trade credits for local government units are issues of concern; therefore Eurostat discussed these under the relevant items of the agenda.

On the **actual data of the October 2012 EDP reporting**, the discussion concentrated on the adjustments in the **EDP tables** and correspondingly in the Questionnaire related to EDP tables.

¹ SIOPE system is an important source data on a cash basis for most general government units

Eurostat invited the Italian statistical authorities to send a description of what is called the “certification procedure”, through which companies providing goods and services to government units receive confirmation on the amount of the outstanding commercial debt of the government. These certificates can be either used to obtain loans, or to compensate taxes or social contributions. Moreover, Eurostat welcomed the fact that the Italian statistical authorities implemented the Eurostat decision of July 2012 on trade credits before the deadline, and insisted that the possible direct renegotiations of trade credits between government and the suppliers should be recorded according to the rules. Eurostat also welcomed the work done to reduce **statistical discrepancies** and recommended, as a means of ensuring quality of government accounts, the regular compilation of EDP table 3 for groups of government units.

The data reported in the **tables on the financial crisis** was discussed and Eurostat was informed that the liabilities of nineteen banks were guaranteed by the government in 2011 and 2012, which were needed by the banks to be eligible for financing at the ECB. The Italian statistical authorities confirmed that there was no reason to consider the guarantees likely to be called. One of the issues of concern for Eurostat was the financial support of the government to a number of banks in 2009, which had been reported by the Italian statistical authorities as financial transactions. In order to take a final decision about the recording, Eurostat requested relevant data and an analysis of the financial support by government in 2009, including the profit and loss data for four banks. Based on the documentation received, Eurostat agreed that the transactions have been correctly recorded by the Italian statistical authorities.

The discussions on methodological issues focussed mainly on the delimitation of the government sector, the implementation of the accrual principle, as well as the recording of specific government transactions (e.g. government guarantees, capital injections, privatisations, securitisation operations, sale and lease back, recording of EU flows, recording of military equipment, financial derivatives and PPP contracts).

On the **delimitation of the general government sector**, Eurostat analysed the Questionnaire on government controlled units classified outside general government and enquired about the application of the 50% criterion, on a regular basis. In particular, Eurostat asked for an analysis concerning the sector/sub-sector classification of a number of government controlled corporations for which the test was close to 50% (e.g. Rete Ferroviaria Italiana Spa, Finmeccanica Spa, Syndial Spa, Rete Rinnovabile SRL, Acea Reti e Servizi Energetici Spa, Atac Spa, Azienda Napoletana Mobilità Spa, Infrastrutture e Telecomunicazioni per l’Italia Spa, AMT Spa Azienda mobilità Trasporti, Amat Palermo Spa, Cotral Patrimonio Spa and others).

Eurostat took note of the number of recourses and legal procedures against ISTAT by some entities included in the list of public units classified in the general government sector.

Eurostat and the Italian statistical authorities reviewed the **implementation of the accrual principle** concerning taxes and social contributions, interest and Gross Fixed Capital Formation (GFCF).

On **social contributions**, ISTAT presented a new method for the calculation on an accrual basis. Eurostat requested the Italian statistical authorities to provide data series from 1995 for accrued social contributions using the new method and compare the data with the cash data from INPS. ISTAT was invited to investigate on the average time lag between the assessment and cash receipts and assess if the time adjusted cash method can be used for the calculation of the accrual social contributions.

On the calculation of **interest** on an accrual basis, the discussions focussed on the differences between the data reported in EDP table 2A and EDP table 3B, by instruments.

GFCF is calculated by ISTAT based on cash data from the financial statements of government units, due to the fact that the data sources previously used did not provide reliable information for the calculation on an accrual basis. Following recent bilateral discussions and the UDV mission of November 2012, ISTAT analysed the possible data sources and established a plan of actions to be implemented for the improvement of the estimations. The Italian statistical authorities were confident that through a step by step approach, from 2013 onwards, the data could be reported as requested by ESA methodology, on an accrual basis. It was agreed that ISTAT will write a note analysing the data obtained using the new method with the old one.

Eurostat discussed about **government guarantees** for local government. The Italian statistical authorities will investigate the possibility to collect data on repeated calls on guarantees for local government with a view to record them correctly in national accounts and EDP and report them in the tables.

Eurostat questioned the **privatisation**, at the end of 2012, of three unquoted companies, involving CDP, and asked to be provided with the valuation of the companies by independent experts, in order to assess if the privatisation was correctly recorded by the Italian statistical authorities.

On the issue of **dividends**, Eurostat enquired if the superdividend test is regularly performed and wondered if CDP and SACE decide independently on the dividends to be distributed.

As the existing data sources do not identify debt assumptions/ cancellations from other expenditure, at the level of local government, it was agreed that the Italian statistical authorities will investigate the possibility to use, as a provisional step, information from the Supreme Audit Institution (SAI), or propose other measures to capture these amounts, until the full application of the Law on accounting in 2015.

Eurostat took note of the explanations provided by ISTAT on the recording of **EU flows**, and agreed that the Italian statistical authorities will send information on any project for which EU has stopped the payments or asked for reimbursement.

Eurostat and the Italian statistical authorities discussed the project “Ospedale del Mare Napoli” and agreed that an analysis will be provided by ISTAT when the new contract is available, in order to take a decision if it can be considered a **PPP project** or not.

Eurostat requested a list of **securitisation operations** undertaken in 2011 and 2012, including information on the amounts involved and the recording in national accounts.

The issue of **sale and lease back** was discussed. ISTAT pointed out that the most important operations are identifiable; however, there was no systematic enquiry for small operations. It was agreed that further efforts should be done to fully report the sale and lease back operations by local government.

On **military equipment**, the Italian statistical authorities confirmed once again that there is no possibility to identify pre-payments from post-delivery payments from the data provided by the Ministry of Defence. ISTAT had no information about possible acquisition of F35 airplanes, but will inform Eurostat as soon as they obtain any information on this.

Eurostat and the Italian statistical authorities discussed the recording of **financial derivatives**. The Italian Treasury explained that in 2012 there was an advance closing of derivatives, on the request of a bank. The Italian statistical authorities pointed out that Italy has not entered any off-market swaps since 2009.

An item for information related to possible **pensions reforms**. Eurostat recalled the Code of conduct of the revised SGP and the specific features of systemic pension reform. It also explained that in the case of a pension reform planned by the Italian government, Eurostat can analyse, on request, its eligibility as systemic pension reform.

On the **ESA95 transmission tables** for the general government sector, Eurostat appreciated the very good and fruitful cooperation with the Italian statistical authorities.

Eurostat took note that **ESA2010** will be implemented in 2014, as foreseen, and that the Italian statistical authorities will provide the new data for the EDP notification of October 2014.

FINAL FINDINGS

Introduction

In accordance with Article 11 (1) of Council Regulation (EC) No 479/2009, as amended by Regulation 679/2010, as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in Italy on 4-5 February 2013.

The delegation of Eurostat was headed by Ms Lena Frej Ohlsson, Head of Unit D2 (Statistics for the Excessive Deficit Procedure I). Eurostat was also represented by Mr Luca Ascoli, Ms Cecilia Pop and Mr Colin Stewart. The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) participated in the meeting as observers. The Italian statistical authorities were represented by the Italian Statistical Institute (ISTAT), the Ministry of Economy and Finance (MoF) and the Bank of Italy (BoI).

The previous Eurostat dialogue visit to Italy took place on 27-28 June 2011.

The aim of this EDP dialogue visit was to follow up on the recommendations from the recent Upstream Dialogue Visit, to analyse information on data sources provided in the EDP inventory, to clarify issues relating to EDP tables raised in the context of previous notifications, to clarify the sector delimitation of general government, to analyse the application of accrual principle in national accounts and EDP and to ensure that provisions from the ESA95 Manual on Government Deficit and Debt are implemented and that specific government transactions are appropriately recorded in the Italian EDP notification and national accounts.

In relation to procedural arrangements, in accordance with Article 11 (4) of Regulation 479/2009, as amended, the *Main conclusions and action points* will be sent within days to the Italian statistical authorities, who may provide comments. Within weeks, the *Provisional findings* will be sent to the Italian statistical authorities in draft form for their review. After adjustments, *Final Findings* will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

Eurostat thanked the Italian statistical authorities for the explanations given during the mission and appreciated the transparent and constructive discussions. Eurostat also appreciated the amount and quality of the information provided by the Italian statistical authorities prior to the EDP dialogue visit.

1. Review of Upstream Dialogue Visit action points and data sources

1.1. Follow-up of the Upstream Dialogue Visit (UDV) held on 19-21 November 2012

Introduction

The draft report of the UDV held on 19-21 November 2012 was sent out on 29 January 2013 with a deadline of 11 February for ISTAT to react.

Discussions and methodological analysis

Eurostat recalled that the report has just been sent and that all recommendations are to be reported on by ISTAT by the end of June 2013.

ISTAT pointed out that a lot of recommendations have been issued by Eurostat, following the UDV, which would result in a heavy burden for the next 2-3 months. Therefore, ISTAT will propose a rescheduling of some deadlines. Moreover, ISTAT asked for some clarifications concerning one recommendation related to the audit of the IT system (recommendation 15). It was agreed that the Italian statistical authorities will comment in writing on the report of the UDV.

Eurostat enquired on the progress of the Memorandum of Understanding with the Supreme Audit Institution (SAI). ISTAT confirmed that the Memorandum of Understanding has been signed recently.

Findings and conclusions

Action point 1: The Italian statistical authorities will provide written comments on the recently received report of the Upstream Dialogue Visit, which took place on 19-21 November 2012. Deadline: 18 February 2013.²

1.2. Data sources and EDP Inventory

1.2.1. Source data characteristics

Introduction

Under this item of the agenda, Eurostat and the Italian statistical authorities reviewed the main data sources used for the compilation of national accounts for general government and EDP data.

ISTAT provided, prior to the EDP dialogue visit, an updated EDP Inventory of sources and methods. The list of units composing the government sector, by category, has also been updated. The list was published in the Official Journal n.227 of the Italian Republic on 28th September 2012 and also on ISTAT's website.

² Action point implemented according to the deadline.

Discussion and methodological analysis:

Eurostat requested to be updated about SIOPE (General Government Transactions Information System) - a standardised coding system developed by the Italian statistical authorities in recent years.

The Italian statistical authorities pointed out that SIOPE collects information on receipts and payments of public bodies on a daily basis via the Italian Interbank Network (RNI) connecting the banking system and the Bank of Italy. At the end of each business day, the treasurer bank of the government body sends four data flows to the Bank of Italy, containing information about transactions made on that same day (receipts, payments) and any variations made on previous days' receipts and payments. The data flows are checked for compliance with the Information Exchange Protocol drawn up by the Bank of Italy and the Italian Bankers Association (format, completeness of information, etc.).

The Italian statistical authorities explained that the law defining the new rules for public accounting (Law 196 of 31 December 2009) established that, starting from 2010, the cash flows of government bodies should derive from SIOPE system. According to the law, the quarterly cash reports previously used for the working balance have been substituted by cash data from SIOPE.

Eurostat enquired about the data sources for the State and social security funds, which seem not to be using SIOPE. The Italian statistical authorities explained that the list of units using SIOPE is published on the Treasury's website and the only units not covered by SIOPE are stock joint companies and non-profit institutions. Moreover, from the year 2013 onwards, all government units will have to use SIOPE.

Prior to the EDP dialogue visit, ISTAT provided, at the request of Eurostat, a list of units whose accounts are not regularly submitted to the Court of Auditors (SAI). Eurostat enquired about the size of the expenditure of those units not audited by SAI. ISTAT stressed that the government sector is composed of about 10000 units and that only a limited number is not regularly audited but agreed to find out what was the frequency by which these units are audited.

Findings and conclusions

Action point 4: Eurostat took note that a limited number of government units are not regularly audited by the Court of Auditors (SAI). ISTAT will inform Eurostat about the frequency of the audits and the level of their expenditure. Deadline: June 2013.³

³ Action point implemented on 3 July 2013. The expenditure in % of GDP of the listed bodies for the year 2011 has a very limited impact on total government expenditure.

1.2.2. Revision policy

Introduction

At the occasion of EDP dialogue visit of June 2011, Eurostat had discussed the revision of data between two notifications (March and September notifications). At that time no revisions were made, except occasionally, due to occurrence of new events or bilateral discussions with Eurostat. ISTAT had stressed that a revision in October (like most of the other MS are doing) would lead to revisions of the whole national accounts and related statistics. However, at the occasion of a major revision of national accounts data, which took place before the end of 2011, ISTAT analysed the issue and evaluated the deadlines for the data coming from MoF.

Discussions and methodological analysis

Eurostat enquired about the change in the revision policy, following the recent bilateral discussions. The Italian statistical authorities recalled the analysis, which has been conducted on the revisions in the State budget between February and June in the recent years. The policy adopted by ISTAT after the evaluation and reorganisation of the deadlines for the information from the MoF implies that the calculation of national accounts and EDP is carried out twice a year.

Findings and conclusions

Action point 3: Eurostat welcomes the recently implemented new revision policy, implying the bi-annual revision of national accounts and EDP statistics.

1.2.3. New EDP Inventory

Introduction

The new format of the EDP Inventory has been approved by the CMFB in June 2012 by a very large majority. Italy has participated in the pilot project together with other Member States. The Inventory is composed of the main document and several annexes. It has been agreed that any confidential information, including some annexes to the main document, provided to Eurostat, will not be published. However, Eurostat will publish, as an annex to the Inventory, a list of general government units (S.13) by subsector and NACE codes. The EDP Inventory should also include the data flowchart of the EDP process, which was provided by ISTAT at the occasion of the UDV in November 2012, and which is appreciated as very complete.

Discussions and methodological analysis

Eurostat asked the Italian statistical authorities about the status of the chapters of the new Inventory. ISTAT explained that some chapters are almost ready to be sent, while for others, more complex, a few more weeks are needed.

Eurostat recalled the timetable for completion of the Inventory and proposed a flexible approach, due to the fact that ISTAT participated in the pilot exercise and taking into account the workload at the National Accounts Directorate (DCCN). It was agreed that the first draft could be delivered in February – May 2013; bilateral discussions will take place between Eurostat Desk Officers and ISTAT before September 2013; the final complete draft should be ready in November 2013 for the publication in December 2013.

Findings and conclusions

Action point 2: ISTAT will send to Eurostat a draft version of the new EDP Inventory and agree on a work plan in order to have a final version of the EDP Inventory in time for the publication in December 2013. Deadline: end February 2013.⁴

2. Follow-up of the last EDP dialogue visit to Italy (28-29 June 2011)

Introduction

There were no outstanding issues from the previous EDP dialogue visit to Italy. However, Eurostat asked to be informed on the monitoring of the operations conducted by Cassa Depositi e Prestiti (CDP). Moreover, the issues of the improvement on statistical discrepancies and the stock of trade credits for local health units have been discussed below under the relevant items of the agenda.

Discussions and methodological analysis

The following action point from the 2011 visit has been reviewed:

Action point 13: Eurostat invited ISTAT to closely monitor the operations which will be conducted by the Cassa Depositi e Prestiti in the context of the new legal framework in order to control whether some operations would need to be rerouted through government. (medium-term action)

Eurostat enquired about the involvement of CDP in operations during the financial crisis, since the last EDP dialogue visit of June 2011. Eurostat was wondering if CDP does sometimes act for public policy purposes rather than like a normal private investor. The Italian statistical authorities confirmed that the activities of CDP are closely monitored. Their conclusion was that the operations undertaken by CDP should not be considered for public policy purposes. The privatisation of 3 state owned companies and the involvement of CDP were discussed under item 4.3.2 of the agenda.

Findings and conclusions

Action point 5: The Italian statistical authorities will continue to monitor Cassa Depositi e Prestiti (CDP) in order to ensure that all activities are undertaken under market conditions and to ascertain that there is no need to reroute some operations through government. Deadline: continuous.

⁴ Action point fully implemented on 9-th August 2013.

3. Actual data – the October 2012 EDP notification

3.1. Examination of the EDP tables in relation with the Questionnaire related to EDP Tables

Introduction

Under this item on the agenda, the discussions focused on the reporting of a few transactions in the EDP tables and outstanding issues from the October 2012 EDP notification, based on the latest EDP tables and the questionnaire related to EDP tables, as well as on the tables for the financial crisis.

At the request of Eurostat, the Italian statistical authorities provided, prior to the EDP dialogue visit, an updated table showing the reconciliation of transactions in F.7 as reported in EDP tables 2 and 3.

Discussions and methodological analysis

On EDP **table 1**, Eurostat enquired about the data for the year 2009 which was half-final in October 2012, and wondered if ISTAT will still revise the data for 2009 in April 2013. ISTAT explained that the status of the data has been considered as half-finalised in October 2012, due to local health units and municipalities. Although slight revisions might occur for the Local Health Units (LHU), the data could now be considered finalised.

Eurostat asked about the revision of the deficit for 2010, amounting to about 2 bn euro (about 0.1% of GDP), due to a misclassification of the expenditure in the State account, recorded on a cash basis. ISTAT explained once again that in the process of cross-checking the data between the Treasury reports and the State budget on a commitment basis, it appeared that some expenditure have been wrongly coded as capital expenditure (in cash) instead of compensation of employees. The reclassification led to a revision (decrease) of the deficit, because the item “compensation of employees” had already been recorded as an expenditure on a commitment basis (the recording of capital transfers and compensation of employees is detailed in the EDP Inventory). Eurostat enquired about the recording of accounts payable (trade credits) reported in EDP **tables 2A, 2C, and 2D**, in relation with table 4 (Breakdown of other accounts receivable/payable (F.7)) of the Questionnaire related to EDP, in which trade credits are shown only relating to “intermediate consumption”. ISTAT recalled that further analysis is undertaken that could result in a reallocation of some amounts to other transactions.

For **EDP table 3A**, Eurostat requested explanations about the significant “issuance below par” reported for the year 2011.

The Italian statistical authorities explained that this was due to the deterioration of the market, which led to very few issuances with premium in the second half of the year 2011, having an effect on the debt. For the year 2012, the impact will be less significant. The representatives of the Italian Treasury recalled that, for transparency reasons, the relevant explanations on the large issuances below par are published on the Ministry’s website.

For **EDP Table 4**, the discussions were based on the EDP table as well as on a note provided by the Italian statistical authorities prior to the EDP dialogue visit, explaining the calculation of the data for the years 2009-2012. The Italian statistical authorities recalled that the stock of liabilities of trade credits were reported for the October 2012 EDP notification, for the first time, covering the years 2010 and 2011. ISTAT pointed out that the estimates for the years 2010 and 2011 comprised only trade debts related to intermediate consumptions and social benefits in kind. Investment expenditure is recorded in national accounts on a cash basis and therefore no liabilities of government are recorded. The data for the remaining years, including the quarterly data up to the third quarter of the year 2012, were produced at the end of 2012.

ISTAT also stressed that the trade credits and advances payable by general government might be substantially revised when new information will become available, also as a result of the application of the new legal framework set out in 2009 (as explained, starting from 2014, all public administration entities will adopt the double accounting system based on a common chart of accounts, common accounting principles and harmonised financial statements).

Eurostat enquired about the “certification procedure”, which has been mentioned by the Italian statistical authorities in the explanatory note related to the issue.

The Italian statistical authorities explained that, since May 2012, the Italian Government has introduced a “certification procedure”⁵ on trade credits claimed by general government suppliers. The results of the monitoring of the certification by the Ministry of Finance are expected to provide supporting information that could be used for consistency checks and revisions of the estimates of trade credits and advances. The Italian statistical authorities also explained that all large general government units have to confirm the amount of commercial debt through the release of “certificates”, which can be used by the companies providing goods and services to acquire loans or compensate taxes and social contributions, etc. At the moment of the discussions, from a total of 2 bn euro to be paid (in form of bonds by the State to corporations, to increase their liquidity), only 14 million were used. This procedure does not apply to Local Health Units (LHU).

Eurostat asked for explanations about the consequence of these “certificates” on the recording of social contributions. Concerning social contributions, there might be a problem of the level of “other accounts receivable”. However, because the transactions are recorded in the INPS budget on an assessment basis, there will be no impact on the amounts assessed, but there will be a change of the debtor at INPS, from the company to the government unit.

Eurostat questioned the impact on the recording of taxes. As an example, if a local government had to pay a supplier, and the supplier had to pay a tax to the State, it means that the local government becomes the taxpayer instead of the supplier. The Italian statistical authorities explained that although the government already recorded the acquisition of the good or service as expenditure, an analysis might be needed for the time of recording of taxes and the consolidation between sub-sectors.

⁵ Decreto 22 maggio 2012 in G.U. n. 143 del 21.6.2012; Decreto 25 giugno 2012 in G.U. n. 152 del 2.7.2012; Decreto 25 giugno 2012 in G.U. n. 152 del 2.7.2012.

Findings and conclusions

Action point 6: The Italian statistical authorities will send to Eurostat a note on the "certification procedure" for expenditure, including the amounts involved since the introduction of this procedure, and the accounting consequences in national accounts. Deadline: end March 2013⁶.

Action point 7: Eurostat invited the Italian statistical authorities to fully implement the Eurostat decision of July 2012 on the recording of trade credits as concerns possible direct renegotiation of trade credits between government and suppliers. Deadline: end March 2013⁷.

3.2. Statistical discrepancies in EDP tables

Introduction

There are still statistical discrepancies in EDP tables 2A, 2C, 3A and 3B. This issue has also been discussed in the previous EDP dialogue visits, as well as during the assessment of EDP data since April 2011. ISTAT and BoI are working to reduce most of these. Part of statistical discrepancies may occur in the process of consolidation of the sources used to compile the accounts of general government (this can be seen from EDP tables 2). It has been already confirmed that B.9 is calculated from different data sources for national accounts, therefore when filling in the EDP tables, statistical discrepancies may occur. At the same time, B.9f is calculated from the financing side for liabilities and from direct sources for assets of shares, other equity and loans.

Discussions and methodological analysis

Eurostat pointed out that, for EDP tables 2, the sum of the sub-sectors' statistical discrepancies is less significant than the statistical discrepancies in EDP table 3A, and is always positive. However, it was recalled that many Member States do not report statistical discrepancies in EDP tables 2.

The Italian statistical authorities explained that, for reasons of transparency, the statistical discrepancies are shown, as the two balancing items, B.9 and B.9f, should be comparable. With more extensive use of SIOPE, the statistical discrepancies might be reduced. Moreover, as already pointed out during the EDP notification assessment of October 2012, ISTAT recalled the work to produce an estimate of B9f and B9 for groups of units in the Local Government subsector, which showed that statistical discrepancies may be reduced for the group of Regions and health units. For the time being, it seems that there is no single and systematic cause of statistical discrepancies in one of the groups.

⁶ Action point implemented according to the deadline. The certification mechanism of the amounts of goods and services provided by suppliers to debtors (these are entities belonging to State, other central government units, regions, provinces, municipalities and health units) is described in the note sent by ISTAT, including the treatment in national accounts and the amounts involved.

⁷ On 29 March 2013 the Italian statistical authorities sent a note explaining the steps undertaken to complement the data on trade credits, already reported, with the information on restructuring agreed by debtor and creditor without any involvement of a financial intermediary, for central and local government units.

According to ISTAT, the statistical discrepancies in EDP tables 2 are mainly due to consolidation. For EDP tables 3, the discrepancies are decreasing and are continuously analysed by BoI. BoI explained that financial accounts are compiled at an aggregated level, but in the future, as part of their continuous work to reduce statistical discrepancies, they could try to compile EDP tables 3 for groups of units.

Findings and conclusions

Action point 8: Eurostat welcomed the progress on the reduction of statistical discrepancies and encouraged ISTAT and the BoI to continue their work possibly by compiling on a regular basis EDP Table 3 for groups of government units. Deadline: regularly.

3.3. Tables on the financial crisis

Introduction

Discussion and methodological analysis

At this item of the agenda Eurostat discussed the contingent liabilities reported in the supplementary tables for the financial crisis in October 2012. The Italian statistical authorities had reported, in the supplementary tables, contingent liabilities of about 43.7 billion euro for the year 2011 and had explained that these were guarantees granted by general government to non- government units, as a measure adopted for the stability of the banking system.

Discussions and methodological analysis

At the request of Eurostat, the Treasury representative confirmed that there were no calls on the guarantees given by the government to the non-government units (banks) in question and explained that the guarantee was needed by the banks to be eligible for financing by the ECB. All the nineteen banks concerned had the possibility to finance themselves. In 2012, new guarantees will be reported, amounting to about 40 bn euro. The Italian statistical authorities also confirmed that the government received fees for the guarantees.

Eurostat requested the list of banks benefitting from the guarantees in 2011, in case this information is not confidential.

Eurostat enquired about the support by the government to one bank. The Italian statistical authorities detailed the operations concerning the so called Tremonti bonds (nuovi strumenti finanziari) and Monti bonds (vecchi strumenti finanziari). The support to this bank is in total 3.9 bn euro (1.9 bn euro in form of Tremonti bonds in the year 2009 and 2 bn in form of Monti bonds).

Eurostat asked for explanations on the amount of “vecchi strumenti finanziari” and enquired about the banks benefitting from these. The representative of the Treasury explained that an amount of 2.6 billion of “vecchi strumenti” was given to 3 different banks.

Eurostat requested information on the amount of “nuovi strumenti finanziari” and enquired about the rights of the government in the context of these bonds. Eurostat also asked if the government would acquire preferred shares. The Italian statistical authorities explained that if the bank will not be in a position to pay the interest, it will provide shares to the government at market price.

Eurostat was of the opinion that there was a significant difference between Monti and Tremonti bonds. In the case of Monti bonds, the interest is paid if the bank makes profit, while in the case of Tremonti bonds, if there is no profit recorded, the government is paid in shares. Moreover, Eurostat requested the capital injections test to be done for 2 particular banks, in order to decide if the injection is a financial or a non-financial transaction. The analysis of the profit and loss accounts of the banks in the two years prior to 2009 would show if they had losses. ISTAT has to apply the Eurostat guidance on the capital injections (if the unit had incurred losses a non-financial transaction should be recorded and if no losses were incurred, a financial transaction should be recorded).

Concerning one bank, Eurostat asked for explanations on the maturity of the bonds. The Italian statistical authorities explained that there was a step-up mechanism and an indirect pressure for an earlier reimbursement. The bank had the obligation to pay interest, or, in the case of lack of cash, to give shares (about 36% of the bank’s shares). Therefore, theoretically, the government could become the owner of the bank. Concerning the involvement of private shareholders in the recapitalisation of the bank, the Italian statistical authorities explained that the private shareholders will inject about 1 bn euro in the bank.

Findings and conclusions

Action point 12: The Italian statistical authorities will provide to Eurostat the list of banks whose liabilities have been guaranteed by government in 2011 and 2012, by bank and by amount. Deadline: end March 2013⁸.

Action point 13: The Italian statistical authorities will apply the current Eurostat rules for capital injections to the Tremonti financial instruments issued in 2009 for 3 banks, in view of a possible reclassification as capital transfers. The meeting revealed that such financial instruments were in fact equivalent to preference shares, where the payment of interest was contingent on profits made by the banks. Deadline: end February 2013⁹.

⁸ The Italian statistical authorities provided, according to the deadline, the list of banks and the amount of guarantees at the end of 2012.

⁹ ISTAT sent a note on 19 February 2013 analysing the capital injections into four banks in 2009 (the three mentioned above and, at Eurostat’s request, one additional bank). Taking into account the explanations and the data provided, Eurostat agreed that the capital injections (Tremonti bonds) into the four banks were correctly recorded as financial transactions.

4. Methodological issues

4.1. Delimitation of general government, classification of institutional units according to ESA95

Introduction

ISTAT publishes, each year, the list of general government units (S.13 list), according to the 2009 Italian Financial Act (L. n.196/2009) updated in 2012. Prior to the EDP dialogue visit, ISTAT provided a note on the updating of the general government sector, including an updated list of units and indicating the changes from the previously published list. Moreover, ISTAT provided the Questionnaire on government controlled units classified outside general government.

Discussions and methodological analysis

ISTAT recalled the updating of the 10.246 general government units included in S.13 in 2012, which implied the new entry of 61 small units of local administration and the cancellation of 29 entities of regional administration, and the main sources used for the identification of new units that could be “potentially” classified in the S13 sector.

Eurostat asked ISTAT whether the market/non-market test is performed every year and if the list of entities classified in the corporations sectors (non-financial: S11 and financial: S.12) in the Questionnaire on government controlled units is exhaustive.

ISTAT confirmed that the market/non-market test is performed on an yearly basis, its main goal being to assess the borderline cases and explained that the statistical surveys conducted by ISTAT collect all the necessary accounting data required for the 50% criterion. The 50% test is performed over a period of three years (i.e. t-1, t-2, t-3). ISTAT believed the list to be exhaustive.

At the request of Eurostat, ISTAT pointed out that in a few months (March - April 2013) they will be able to perform the test using the year 2011 data and that the next transmission of the Questionnaire on government controlled units will include units classified in the sector S.15

Eurostat and the Italian statistical authorities analysed the units listed in the above mentioned Questionnaire, based on the year 2010 data. Attention was paid to the units where the test was close to 50% or units having significant liabilities. In particular, ISTAT was asked to provide an analysis about Finmeccanica, Syndal, Azienda Napoletana Mobilità Spa, Infrastrutture e Telecomunicazioni per l'Italia, Rete rinnovabile, Cotral and Amat Palermo (according to ISTAT the latter is under a judgement procedure with the Region). It was agreed that, for the units identified during the meeting, ISTAT will perform the 50% test using data of the year 2011 and inform Eurostat about the outcome.

Eurostat asked about the status of the analysis of the implications of ESA2010 for the market/non-market test. ISTAT recalled that an analysis has been done in July 2011 and that there was no impact on government deficit and debt from the implementation of the market/non-market test according to ESA2010.

Eurostat recalled the impact assessment for ESA2010, which will be launched in April 2013, and for which the answers are expected for June 2013. The related questionnaire has been discussed at the FAWG in December 2012 and the results will be presented at the FAWG of June 2013.

Eurostat asked for clarifications about whether any non-active entity is automatically excluded from the statistical register. ISTAT confirmed the full application of the rules for business registers and stressed that if there are any signs of activity, the units are kept on the list.

Eurostat asked about recent Court cases which have been opened against ISTAT by some companies, complaining about their statistical classification. ISTAT pointed out that the Court confirmed the statistical classification in the recent case of a gas company and informed Eurostat about the existence of about 40 other cases. Eurostat explained that even if a Court would decide against ISTAT, there should be no impact on the accounts, since the list is established for statistical purposes.

Findings and conclusions

Action point 9: ISTAT will monitor the units identified in the meeting, being close to 50% in the market/non-market test, in view of their correct sector/sub-sector classification in national accounts and inform Eurostat on the result. Notably, the following units are to be analysed: Rete Ferroviaria Italiana Spa, Finmeccanica Spa, Syndial Spa, Rete Rinnovabile SRL, Acea Reti e Servizi Energetici Spa, Atac Spa, Azienda Napoletana Mobilità Spa, Infrastrutture e Telecomunicazioni per l'Italia Spa, AMT Spa Azienda mobilità Trasporti, Amat Palermo Spa and Cotral Patrimonio Spa. Deadline: September 2013.

4.2. Implementation of the accrual principle

4.2.1. Taxes and social contributions

Introduction

This is an ongoing discussion between Eurostat and the Italian statistical authorities, especially taking into account that ISTAT compiles social contributions on an accrual basis using the method of assessments, corrected with a coefficient for social contributions unlikely to be collected.

At the occasion of the UDV to Italy on 19-21 November 2012, Eurostat asked the Italian statistical authorities to provide the amounts of write-offs for social contributions for the latest 4 years. INPS provided a short note and a table with the amounts of write-off, by type of contributors. However, ISTAT sent a separate note in which it explained why the raw cash information from INPS cannot be useful as such. Prior to the EDP dialogue visit, ISTAT provided a note on the stock of tax reimbursements, an updated coefficient for social contributions for the year 2011 and an updated EDP Inventory, related to taxes and social contributions.

Discussions and methodological analysis

ISTAT gave a presentation detailing the new method to estimate social contributions. Based on the information presented, Eurostat asked about the concrete difference between the old method and the new one, and if the new method can be applied for the backwards data.

Eurostat also wondered if the time adjusted cash method for the calculation of social contributions would not be more reliable, taking also into account the economic and financial environment.

ISTAT stressed that this is an issue which has been debated for some time and that assessment data is a good estimate for ESA95.

Eurostat asked about the average time lag between the assessment and the cash. ISTAT pointed out that this information was not in its hands, however promised to investigate with INPS about the average time lag.

Eurostat stressed that data using both methods (with assessments and with cash) are needed in order to decide which method for calculation of social contributions results in more reliable data and invited ISTAT to provide a comparison between the data obtained through both methods, also for past years.

Findings and conclusions

Action point 10: ISTAT will provide data series from 1995 on accruals for social security contributions, using the new method presented in the meeting, and will compare these results with the cash data from Istituto Nazionale Previdenza Sociale (INPS). Deadline: June 2013¹⁰.

Action point 11: ISTAT, in cooperation with INPS, will provide Eurostat with a calculation of the time lag to be applied to social contributions, with the objective to assess whether it would be more appropriate to use the time adjusted cash method instead of the coefficient method to calculate social contributions. Deadline: June 2013¹¹.

4.2.2. Interest

Introduction

Prior to the EDP dialogue visit, the Italian statistical authorities provided documentation containing information about the calculation of interest on an accrual basis by instrument.

The recording of accrued interest was also discussed in depth at the EDP dialogue visit in June 2011, based on a methodological note written by the Italian statistical authorities. Eurostat had no major issue with the calculation of the accrued interest in Italy.

¹⁰ Action point implemented on 4 July 2013.

¹¹ Action point implemented on 4 July 2013.

Discussions and methodological analysis

At the request of Eurostat, ISTAT confirmed that the data on interest expenditure in the calculation of net borrowing of the general government is done by the Treasury. The interest expenditure is calculated according to the accrual basis on the entire portfolio of government securities. In Italy there are currently six main types of government securities: BOT (Buoni Ordinari del Tesoro), CTZ (Certificati del Tesoro Zero Coupon), BTP (Buoni del Tesoro Poliennali), BTPei (Buoni del Tesoro Poliennali indicizzati), CCTeu (Certificati di Credito del Tesoro Euribor), and CCT (Certificati di Credito del Tesoro). The flows generated by swap derivative contracts are also included in the securities portfolio. The expenditure is calculated on an accrual basis and includes the net flows of the swap transaction accrued during the reference period; in particular, the result is obtained as the sum of the costs of the so-called “receiving leg” and “paying leg”.

Eurostat asked about the differences for interest on securities found in the tables provided prior to the visit, compared to what had been reported in EDP tables 2A and 3B. The Italian statistical authorities were asked to analyse the issue and explain it in a note.

Findings and conclusions

Action point 14: The Italian statistical authorities will send a short note to explain the difference between the amounts concerning interest on securities as recorded in EDP Tables 2A and 3B, and those reported prior to the Eurostat visit. Deadline: end March 2013¹².

4.2.3. GFCF

Introduction

The methodology used by Italy for estimating GFCF of the general government sector, is based on cash data from the financial statements of the general government units. As described in the EDP Inventory, given the status of the data sources available, the method used has been considered to be the best solution to approximate, as close as possible, the time of recording defined by ESA (when the ownership of the fixed assets is transferred to the institutional unit that intends to use them-cf. ESA95, 3.102).

The issue of recording of GFCF on an accrual basis has been discussed between Eurostat and ISTAT during recent years. ISTAT sent, prior to the visit, a note on the compilation of the GFCF as agreed during the UDV of November 2012, including proposals on how to improve the present calculation, which is on a cash basis.

¹² Action point implemented according to the deadline. The Italian statistical authorities provided explanations and data on differences between interest accrued and paid reported in EDP tables 2 and 3, by instrument.

Discussions and methodological analysis

At the request of Eurostat, ISTAT detailed the actions planned for the improvement of the calculation of GFCF. On the basis of the analysis carried out on the present status and the expected evolution of the data sources, the GFCF estimates can be progressively improved by using new information: the balance sheets of the bodies whose accounts are based on the accrual principle; information from the management system of the “strategic infrastructure” program¹³; new information that will progressively become available during the complete implementation of the new public accounting rules defined by Law 196/2009.

ISTAT explained that for LHU’s (Local Health Units), ANAS (Azienda Nazionale Autonoma delle Strade) and INPS (Istituto Nazionale della Previdenza Sociale), accounting for about 17.4 % of total investments, the data from balance sheets can be used. For ANAS and INPS, the estimates based on this new set of data can be implemented for the October 2013 EDP notification for the period t-1 to t-3. For LHU’s, the implementation of the new set of data could only be possible in the April 2014 EDP notification.

ISTAT stressed that the estimates for the year t-1 in the April notification will remain based on cash data, while in the same year, for the October notification, the data from the balance sheets could be used. At the request of Eurostat, ISTAT explained that this procedure will be used for several years.

ISTAT explained that, for the “strategic infrastructure”, the data system collects the information needed from each unit that manages the infrastructure (“stazione appaltante”). Moreover, ISTAT pointed out that the new estimations can be implemented for the October transmission applied to the notification period (t-1 to t-3).

Eurostat asked details about SICOGE System¹⁴. The Italian statistical authorities explained that the Law Decree 95 requests that all State administrations apply SICOGE System (presented by the Ministry of Finance during the UDV visit in November 2012) which records all the invoices, including those related to investment expenditure. The new data can be used already for 2014. Eurostat asked if SICOGE covers all public administration units. The Italian statistical authorities confirmed that most of the units will adopt it in 2013, but that it might not be fully exhaustive.

The Ministry of Economy and Finance explained that the dataset of expenditure financed by “Fondo sviluppo cocione” include the work in progress for the investment related to Structural Funds. For the period 2007- 2013, information about costs and actual progress of the work is available (for GFCF, as soon as the information is assessed, cash data can be substituted by the “work in progress” data). The first results can be expected for the October 2013 EDP Notification.

¹³ The process of financing and monitoring strategic infrastructures, as described during the UDV visit in November 2012, makes available the information on the work in progress, the delivery and the payment of the related invoices.

¹⁴ SICOGE is the acronym for "Sistema di Contabilità Gestionale Finanziaria" (Financial Management Accounting System). It is an IT system used by all central governments bodies to manage information flows related to the budget and to payment orders and appropriations.

Moreover, as a result of the budget reform, the GFCF for local government units will also be calculated according to the accruals principle in 2015, with the first available data for the year 2014.

Eurostat welcomed the actions taken so far, but asked for an evaluation of the impact of these estimations in GDP. ISTAT stressed that, with the new method, they expect to be able to estimate, by the method of accruals, about 35% of total GFCF.

Eurostat enquired about the delays in payments for investments. ISTAT stressed that as far as they are aware, the payments are accelerating, due to a new Law governing the late payments, although there are budgetary constraints.

Eurostat asked ISTAT to clarify the number of years for which they were ready to apply the new method. ISTAT stressed that, for the time being, the new method can only be applied for the last 3 years. Eurostat enquired about the timing of the calculation of backwards data. ISTAT pointed out that, with the introduction of the new methodology, the backwards data can be recalculated in 2014, together with the implementation of ESA2010.

Eurostat asked if ISTAT can estimate the magnitude of the revisions between the April and October notifications. ISTAT pointed out that it was too early to estimate this, as for the time being they were just calculating the data for the year t-1.

Eurostat requested information about the Law 196/2009. The Italian statistical authorities explained that, for the local administration, the new public accounting Law n. 196/2009 has introduced a new definition of “commitment” for the item of gross fixed capital formation, more in line with the ESA rules: the time of recording of the expenditure on commitment basis will be identified when the obligations related to the contract will become due for payment. The complete implementation of the law is foreseen in 2014 and it implies that the information will be available directly from the financial statements of the local bodies (Regions, Municipalities, Provinces).

Findings and conclusions

Action point 15: Eurostat welcomed the progress in relation to the calculation of Gross Fixed Capital Formation (GFCF) on an accrual basis, and encourages further efforts in order to cover all government units. The Italian statistical authorities will send to Eurostat a progress report on the actions taken. Deadline: September 2013.

Action point 16: The Italian statistical authorities will prepare a note with the calculation of GFCF data for the years 2009-2011, comparing the figures obtained with the new method with the old figures. Deadline: end May 2013¹⁵.

¹⁵ Action point partially implemented on 15 July 2013. ISTAT sent an analysis of the data on GFCF for ANAS Spa using the new method of estimation which takes into account the work in progress for infrastructure.

4.3. Recording of specific government transactions

4.3.1. Government guarantees

Introduction

Under this item on the agenda, the discussions were based on the data provided by the Italian statistical authorities on government guarantees through a questionnaire related to “one off” and “standardised” guarantees, as well as to the data reported for the October 2012 EDP notification.

Discussions and methodological analysis

Eurostat asked why, in the questionnaire on guarantees provided before the EDP dialogue visit, no data was reported in the part on “guarantees cash calls” for one-off guarantees for public corporations and for standardised guarantees.

ISTAT pointed out that, for the time being, the information available does not distinguish between public and private corporations or between one-off and standardised guarantees. Moreover, there is no data source which could provide information on guarantees cash calls for local government, as the data cannot be derived from the accounts of local government bodies. However, some progress is expected already from the year 2013, when, on an experimental basis, the data on cash calls will be obtained from about 60 municipalities, through a survey or another data source. Moreover, the Italian statistical authorities were confident that, from 2014 onwards, they will be able to provide the information for local government, after the preliminary analysis is performed.

Findings and conclusions

Action point 17: The Italian statistical authorities will propose a method, through a survey or possibly through the cooperation with the Supreme Audit Institution (Corte dei Conti), to identify guarantee cash calls at the level of local government in order to be able to identify the repeated calls and correctly record them in national accounts and EDP statistics. Deadline: June 2013¹⁶.

4.3.2. Capital injections, superdividends, privatisations

Introduction

Under this item of the agenda the focus was on the three large privatisations undertaken in 2012 (FINTECNA S.p.A, SACE S.p.A. and SIMEST S.p.A). Prior to the EDP dialogue visit, at the request of Eurostat, the Italian statistical authorities sent a note on the latest privatisations in Italy, explaining the treatment in national accounts and in the EDP tables.

¹⁶ Action point implemented on 4 July 2013. Information about guarantees provided by local bodies is obtained through a joint work by ISTAT and Corte dei Conti (CdC) on a survey carried out on a yearly basis on municipalities and provinces.

Discussions and methodological analysis

Privatisations

The Italian statistical authorities explained that, in 2012, the Ministry of Economy and Finance launched three large privatisation operations, via an option conferred to Cassa Depositi e Prestiti S.p.A (CDP) for the purchase of shares owned by the State in FINTECNA S.p.A (100%), SACE S.p.A (100%), and SIMEST S.p.A (76%)¹⁷. Following the option for the purchase of FINTECNA, SACE and SIMEST, CDP made an advance payment of 60% of the consolidated net worth of the companies, in November 2012.

Eurostat asked for the confirmation that the three operations have taken place in 2012, that the contracts are finalised and that CDP, as a purchaser, has recorded the assets in its balance sheet before the end of the year 2012 and furthermore confirmed that, if all these conditions have been met, the privatisation is to be recorded in 2012.

Eurostat pointed out that the three companies were unquoted and asked for the confirmation that they were sold at market price. Moreover, Eurostat asked about the reasons why the government privatised these companies, and what was the benefit of the government resulting from this privatisation.

The Italian statistical authorities stressed that the government decided to sell the three companies in view of rationalisation and reorganisation of state shareholdings and that the board of CDP decided to buy them in order to integrate them in its activities in the field of real estate development, financial intervention in the export sector and internationalisation of the companies. Moreover, the Italian statistical authorities pointed out that the government has a considerable amount of commercial debt and this is one of the reasons why it decided to sell the three companies.

Eurostat enquired about the economic and financial situation of the companies privatised. The Italian statistical authorities clarified that the three companies were profitable and will be profitable in the future too.

Eurostat asked about the time difference between the advance payment and the transfer of the shares. The Italian statistical authorities stressed that the provisional payment and the transfer of shares took place with a difference of a few days, within the same quarter. The Italian statistical authorities also confirmed that CDP has full powers concerning the three companies and can decide to sell them, without the involvement of government.

Eurostat stressed that the valuation of the three companies is a crucial aspect and requested to be provided with copies of the individual independent valuation. Moreover, it pointed out that CDP should be followed closely in order to make sure that it operates under market conditions and not for public policy purposes.

¹⁷ FINTECNA provides financial services in the industry and services sectors, SACE offers export credit services, credit insurance, protection of foreign investments, financial guarantees, bonds, and factoring and SIMEST is involved in promoting the international expansion of Italian businesses by taking equity stakes, providing subsidized credit and capital grants.

At the request of Eurostat, ISTAT confirmed that there were no other privatisation operations undertaken recently.

Capital injections, superdividends

Eurostat analysed table 10 of the Questionnaire related to EDP tables and asked about the revision of “capital transfers” in line 3. ISTAT recalled that this was due to a misclassification of some expenditure in the working balance, which was clarified during the October 2012 EDP process.

Eurostat requested confirmation of the independency of CDP and SACE to decide on the dividends to be distributed. ISTAT confirmed that there is no obligation vis-à-vis the State, and that, in case of profits, they can decide independently to distribute them.

Eurostat asked if the superdividend test is performed regularly and noted that there are no superdividends reported for the years 2008 and 2009. ISTAT confirmed that the superdividend test is done yearly and pointed out that one corporation of local government had superdividends in the years 2010 and 2011.

Eurostat noted that the two largest losses are reported for ATAC Roma (decreasing in 2011 as compared to 2010) and Ferrovie dello Stato (for the year 2009).

Findings and conclusions

Action point 18: The Italian statistical authorities will send to Eurostat the independent valuation of SACE, SIMEST and FINTECNA, recently purchased by Cassa Depositi e Prestiti. Deadline: end February 2013¹⁸.

4.3.3. Debt assumptions/debt cancellations/write-offs

Introduction

As a follow up of the EDP dialogue visit of June 2011, ISTAT sent a note on debt assumption/cancellation by local government. According to the Italian statistical authorities, the existing sources for local government accounts do not allow to identify single debt assumptions and debt cancellations. This was confirmed by representatives of local bodies and their associations.

Discussions and methodological analysis

At the request of Eurostat, ISTAT explained that a database with supplementary information about local government accounts, including the relationship with public corporations, is available at the Court of Auditors, based on a specific annual survey. There is a formal agreement recently signed between ISTAT and the Italian SAI, by which ISTAT checks the information about debt assumptions and cancellations. At the same time, ISTAT discusses with SAI the possibility to include, in the SAI questionnaire, some questions related to assumptions and cancellations of debt.

¹⁸ Action point implemented on 8 March 2013.

Eurostat pointed out that it seemed that debt assumptions and cancellations are recorded as capital transfers, but not distinguished from “other capital expenditure”. The Italian statistical authorities confirmed this and explained that the analysis of the budget showed some confusion at the level of local government concerning this type of expenditure.

The Italian statistical authorities also explained that a new set of information will become available in the frame of the Integrated Plan of Accounts (a homogeneous structure of accounts to be adopted starting from 2014 by all units belonging to the general government sector, according to the law on the revision of Public accounting and on Fiscal Federalism). This frame includes items related to debt cancellations/assumptions either in revenue and expenditure or in the balance sheets. For four regions and twelve provinces, the information should be available in 2014, instead of 2015 (when the above mentioned Law would be fully implemented).

Findings and conclusions

Action point 19: The Italian statistical authorities will propose immediate steps in order to be able to report debt assumptions/debt cancellations by local government units before 2015, when these data will be available starting from the year 2014, with the implementation of the new Law on accounting. ISTAT will investigate if they can use the information from the Supreme Audit Institution’s questionnaire, or propose other measures. Deadline: September 2013.

4.3.4. Recording of the EU flows

Introduction

Prior to the EDP dialogue visit, ISTAT provided an updated chapter of the EDP Inventory on the recording of EU flows, including the recording in EDP tables 2 and 3.

Discussions and methodological analysis

The Italian statistical authorities recalled that data on claims submitted at central/local government level and data on cash inflows and outflows are used to identify flows which relate to each single Fund. ISTAT fully respects ESA and Eurostat’s Manual on Deficit and debt. Claims submitted are the basic source to meet the accrual principle, while the Treasury cash flows are used to calculate data on receivables and payables from and to EU Funds. Eurostat pointed out a decrease of receivables related to EU flows reported in EDP table 2A for the year 2011 and wondered if the EU rejected some projects, as it has been the case in some other Member States in recent years. The Italian statistical authorities were not aware about such problems and agreed to investigate the issue.

Findings and conclusions

Action point 20: The Italian statistical authorities will investigate if there have been any projects, for which the EU has temporarily stopped the payments, or asked for reimbursement. Deadline: end February 2013¹⁹.

¹⁹ Action point implemented on 8 March 2013. A limited amount of funds for ERDF (European Regional Development Fund) and ESF (European Social Fund) has been suspended during 2010-2012.

4.3.5. PPP contracts, securitisation and sale and leaseback operations

Introduction

In the course of 2012 there was some exchange of information about a new project “Nuovo Ospedale di Napoli”. Eurostat wished to discuss it in more detail during the visit, in order to assess if this can be considered a PPP project or not and if it should be recorded on the government books. Securitisations and sale and lease back operations were also tackled.

Discussions and methodological analysis

Public Private Partnership projects

Eurostat appreciated the constructive way in which ISTAT monitors the contracts and applies the rules on PPPs, and asked about the features of the project “Nuovo Ospedale di Napoli”. ISTAT explained that the project has significant delays in the implementation and therefore is placed under compulsory administration by the “Authority for the Supervision of Public Contracts for works, services and supplies”. A new contract was signed at the end of 2012. ISTAT has started procedures aiming to obtain the documents necessary with a view to reclassify the whole operation. ISTAT considers that it is likely that the operation could not meet the requirements for being a PPP anymore, as requested by Eurostat. In the documentation obtained so far by ISTAT, there is no reference to the management of the project. ISTAT is still waiting for the new contract in order to assess the classification of the operation.

Eurostat pointed out that if the project has no characteristics of a PPP, the construction of the hospital should be recorded as capital expenditure in government accounts, following the ESA rules.

Securitisation operations

Eurostat enquired about new securitisation operations taking place in 2012. The Bank of Italy explained that the securitisation operations are closely monitored, as they cannot take place without an issuing code. The BoI agreed to provide Eurostat with a list of securitisation operations undertaken in 2012, including the units, the amounts and the recording in national accounts.

Sale and leaseback

Eurostat enquired about any recent sale and lease back transactions and asked the Italian statistical authorities if they are able to identify them, using available information. ISTAT explained that the operations above a certain threshold are identifiable, if they are connected with certain monitored project. However, the Italian statistical authorities recognised that there is no systematic way to identify small operations. However, the request of this item can be included in the coming update of the Chart of Accounts. Moreover, in the new questionnaire of SAI, information on this issue can be asked.

The Italian statistical authorities stressed that, concerning the sale of buildings, a Ministerial Decree requests local government units to obtain an authorisation from the MoF, therefore any sale of building is monitored. The Law forbids the unit selling the building to rent it back.

Findings and conclusions

Action point 21: The Italian statistical authorities will provide a list of securitisation operations undertaken in 2011 and 2012, including the amounts and treatment in national accounts. Deadline: end March 2013²⁰.

Action point 22: The Italian statistical authorities will take steps in order to fully report sales and leaseback operations by local government. ISTAT will investigate how the information on sale and leaseback can be systematically collected and used in the future. Deadline: end March 2013²¹.

Action point 23: The Italian statistical authorities will examine the contract for Ospedale del Mare Napoli and will inform Eurostat on whether this can still be considered a PPP project. Deadline: September 2013.

4.3.6. Military equipment expenditure

Introduction

Under this item of the agenda, Eurostat and the Italian statistical authorities discussed the basis of the data reported in table 7 of the Questionnaire related to EDP notification.

Discussions and methodological analysis

Eurostat requested explanations about the difference between cash and deliveries, and enquired if there are no prepayments for military equipment. ISTAT recalled that, as already discussed, for the period 2004-2011, only the balance is available. It was recalled that the data of the Ministry of Defence provides only information on cash and on deliveries and does not identify the pre-payments from the post-delivery payments. There may be pre-payments related to military equipment, but as the amounts cannot be distinguished, the recording is net.

Eurostat enquired about possible acquisitions by the government of F35 airplanes in 2012 and if the amounts involved were significant.

²⁰ Action point implemented according to the deadline. The Italian statistical authorities sent to Eurostat the list of securitisation operations undertaken in Italy during 1999-2012, including the amounts and the treatment in national accounts

²¹ Action point implemented according to the deadline. ISTAT identified three sources of information to get data on sale and lease back on a regular basis: Assilea (the Italian Leasing Association), the questionnaire to local government units of SAI, as modified to introduce questions on lease-back operations for the year 2012, and the new Chart of accounts.

The Italian statistical authorities had no information, for the time being, but committed themselves to inform Eurostat as soon as some information on these acquisitions becomes available.

Findings and conclusions

Eurostat took note that, for the time being, no information is available about the possible acquisitions of F35 airplanes and is expecting to be informed by ISTAT as soon as they can obtain it.

4.3.7. Recording of financial derivatives

Introduction

At the occasion of previous discussions on the recording of financial derivatives, the Italian statistical authorities confirmed that Italy has taken all the Eurostat guidelines on the issue into account. Concerning the swap transactions at the level of local government, it has been confirmed that, since 2008, the local government does not undertake any swap operation.

Discussions and methodological analysis

At the request of Eurostat, the Italian statistical authorities confirmed once again that the recording of swaps follows the Eurostat decisions and guidance in the MGDD. For the period 2008-2011, covered in the latest EDP notification, the payment by the Treasury to counterparties resulted mainly from interest rate swaps between fixed and floating rates.

Eurostat enquired about the existence of any cancellation of swaps since the last EDP dialogue visit of June 2011 and the latest EDP notification. The Treasury representatives reported an advance closing of derivatives in the year 2012, at the request of a bank. The amount involved is close to 3 bn euro in cash. The compensation to be paid by the Treasury is divided in a payment of a lump sum completed with annual instalments until 2035.

Eurostat asked about the existence of any off market swaps. The Italian Treasury pointed out that Italy has not entered into off market swap operations since 2009 (these have been communicated to Eurostat and included in the government accounts since the EDP notification of April 2010)

The Italian statistical authorities also recalled the recording of financial derivatives in EDP tables 2 and 3.

Findings and conclusions

Eurostat took note of the explanations about the recording of swap operations in the Italian national accounts and EDP.

5. Pension reform

This item was for information only. Eurostat recalled the Code of conduct of the revised SGP and the specific features of the systemic pension reform as defined by the Regulation 1177/2011. Eurostat also reminded its recent letter on the issue of pension reforms. In case the Italian government plans a pension reform, the Italian statistical authorities could send the relevant documentation and request Eurostat to analyse its eligibility as systemic pension reform.

6. Other issues

6.1. ESA95 Transmission programme

Eurostat expressed its appreciation for the good cooperation with the Italian statistical authorities on the ESA95 transmission programme.

6.2. Any other issues

Introduction

ESA 2010 will enter into force in 2014 and Eurostat's policy is to enquire about its implementation by Member States.

Discussions and methodological analysis

Eurostat recalled that the deficit and debt data for the October 2014 notification is to be provided to Eurostat based on ESA2010 and asked about the status of the preparatory work for the implementation of ESA2010 in national accounts and EDP. Moreover, Eurostat enquired if the Italian statistical authorities plan to advance the publication of data based on ESA2010 before September 2014.

ISTAT confirmed the advancement of the work on the implementation of the new ESA and the intention to publish the new data for the first time in September 2014.

Findings and conclusions

Action point 24: Eurostat took note that ESA2010 will be implemented in September 2014 as foreseen, and that the new data will be provided to Eurostat in the October 2014 EDP notification.

List of participants

Eurostat representatives:

- Ms. Lena Frej Ohlsson
- Mr. Luca Ascoli
- Ms. Cecilia Pop
- Mr. Colin Stewart

Directorate-General for Economic and Financial Affairs (DG ECFIN) representative:

- Mr. Paolo Battaglia

European Central Bank (ECB) representative:

- Mr. Henri Maurer

Istat representatives:

- Mr. Gian Paolo Oneto - Director of the National Accounts Directorate
- Mr. Manlio Calzaroni - Director of the Administrative and Statistical Registers Directorate
- Ms. Maria Emanuela Montebugnoli - Head of the Public Finance Division
- Mr. Gerolamo Giungato - Head of the Local Government Accounts Unit
- Mr. Giuseppe Cinquegrana - Sources and Methods EDP Notification
- Ms. Marinella Cosco - Sources and Methods EDP Notification
- Ms. Rosa Bianca Sanna - Social security funds
- Mr. Filippo Lioy - Support, monitoring and verification of the programming and design of software development
- Ms. Maria Letizia D'Autilia - Head of the General Government List (ESA95-S13) Unit

Ministry of Economy and Finance representatives:

Treasury Department

- Ms. Maria Cannata - General Director of the Directorate II - Public Debt
- Mr. Giorgio Capulli
- Mr. Luigi Ingrosso

State Accountant General Department

- General Inspectorate for Public accounting and finance (Igecofip)
 - Mr. Pierpaolo Italia
 - Ms. Sabrina Ciaralli
 - Ms. Emilia Scafuri
- General Inspectorate for the Budget (Igb)
 - Mr. Biagio Mazzotta (General Director)
 - Mr. Federico Nusperli
 - Ms. Daniela Collesi

Bank of Italy (Banca d'Italia) representatives:

Economic and Financial Statistics Department - Financial Account Unit

- Mr. Gabriele Semeraro

Structural Economic Analysis Department Public Finances Division

- Mr. Sandro Momigliano
- Mr. Domenico De Palo
- Mr. Emilio Vadalà



EUROPEAN COMMISSION
EUROSTAT

Directorate D Government Finance Statistics (GFS)
Unit D-4: GFS quality management and government accounting

Restricted
Luxembourg, 22.02.2013

**EDP upstream dialogue visit to Italy
19 - 21 November 2012
Main conclusions and recommendations – *Final report***

The main objective of the visit 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 Italian National Statistical Institute's ability to utilise its powers under Article 16 of Regulation (EC) 479/2009 as amended by Regulation (EU) 679/2010.

I. General statements

Eurostat staff visited Italy 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 National Institute for Statistics (Istat), reviewed practices regarding the management and control of the flows of public finance data that come from public entities to Istat and are used to compile the ESA deficit and debt.

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

II. Main conclusions and recommendations

1. Governance and co-operation

Eurostat noted that Istat 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 the more specific requirements of EDP statistics, however, this needs to be improved in order to further strengthen the professional independence and leading role of Istat in this domain.

In this sense, Eurostat welcomes and supports Istat's ongoing reflection on how to ensure that its own plans for enhanced quality management, risk assessment and management and other improvements to the GFS/EDP statistics production process are extended to the other co-compilers i.e. the Ministry of Economy and Finance (MoE/F) and the Bank of Italy (BoI), given their important role in GFS/EDP statistics compilation.

With respect to issues relating to governance and co-operation, Eurostat makes the following recommendations:

Recommendation 1. Eurostat **recommends** that Istat undertake measures to ensure that the other EDP co-compilers, when compiling EDP data, are all acting under the statistical law and should be respecting the ESS Code of Practice, Council Regulation (EC) 479/2009 on EDP (as amended), etc. in order to support statistical independence in this domain.

Recommendation 2. Furthermore, Eurostat stresses the need to clearly define the co-operation between these key partners. In particular, Eurostat **recommends** that the current working group between EDP co-compilers (NSI, BoI and MoE/F) oriented towards resolving statistical discrepancies be replaced by a formal working group under the leadership of the NSI with all three co-compilers to address all relevant issues. Rules of procedure would require to be produced to clarify the modus operandi of the new working group.

Recommendation 3. On the issue of memoranda of understanding between EDP co-compilers, Eurostat noted that such arrangements exist and that the one between Istat and the MoE/F has even been recently reviewed. Nevertheless, Istat, like all NSIs is **recommended** to review its MoUs against the criteria as per document GFSQM 12/009 rev1 (dated 16/01/13) which was agreed at the Eurostat Working Group on GFS Quality Management.

Recommendation 4. Eurostat very much welcomed the openness and co-operation of the national Supreme Audit Institution (SAI) throughout the visit. Given the breadth and relevance of the mandate of the SAI to upstream verification issues, and given the recently adopted SAI Resolution on closer co-operation with NSIs, there appears to be scope for fruitful co-operation between Istat and the Corte dei Conti. The President of Istat had already written a letter to the SAI in the context of closer co-operation. It appears that the SAI might be open to establishing a memorandum of understanding. Eurostat fully supports this initiative and **recommends** that every effort be made to bring this to a formal memorandum of understanding between the two organisations.

Recommendation 5. Eurostat **recommends** Istat to co-operate in a more proactive way with owners of administrative data in assuring data quality, keeping in mind the accountability of those reporting the actual data and of those reporting about the underlying government accounts (according to Art. 16 of Council Regulation (EC) 479/2009, as amended). Eurostat thus welcomes Istat's plans to investigate the formalisation of a network of statistical correspondents, certainly with respect to key data providers and would encourage Istat to move in this direction. Such a network should be defined in an appropriate way as per Article 16 of 479/2009 as amended.

Recommendation 6. An important purpose of formalising a network of statistical correspondents is to ensure that any data that is provided by any upstream data provider has been formally sent by someone authorised and therefore responsible for the integrity of the figures. During the UDV, Eurostat observed that the Ministry of Health (MoH), appears to have a comprehensive reporting system where all units (hospitals, hospital agencies or hospital authorities) enter their data

according to a standardised fiche directly into the system. However, it was not clear to the MoH or to Istat that it was always someone of suitable authority that had authorised the final figures at unit level. While it is for the regions to decide who can authorise, this should be transparent and known to the MoH and to Istat. The same situation may exist in other government departments. In formalising a network of statistical correspondents, Eurostat therefore **recommends** that Istat should take into account this need for transparency.

Eurostat invites Istat to provide a report on progress made concerning the above recommendations together with a list of actions implemented and actions planned including indicative timescales by the end of June 2013 (8 April 2013 on the issue of memoranda of understanding).

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 that were provided which were considered as good practice.

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

Recommendation 7. Eurostat **recommends** that Istat update the EDP Consolidated Inventory of sources and methods, and also look at how to incorporate the process flowcharts into the inventory.

Recommendation 8. The quality management work on process mapping is welcome and Eurostat **recommends** that this continue to be developed. As a follow up of the peer review and Istat's own actions at institutional level, actions need to continue to be developed at GFS/EDP process level and Eurostat welcomes the work on risk assessment and risk management and the work on quality audit and **recommends** that this continue.

Recommendation 9. On staff issues, Eurostat welcomes the plans to reinforce staff numbers and expertise but **recommends** more structured and formal procedures for training staff for all the skills they need to do the job. To the extent necessary, the same should apply to BoI and to the MoE/F.

Recommendation 10. Eurostat **recommends** that more focus on processes at operational level is needed in order to provide comprehensive operational documentation of the mapped processes. That is to say that maintained procedural documentation should exist that would allow a knowledgeable person to take over the role of another by following that procedure without risk that any steps are missed.

Recommendation 11. Eurostat **recommends** that operational procedures be in place to maintain and keep the documentation of processes up to date. This should be linked to an operational business continuity plan at EDP process level. Eurostat understands that this idea is already being floated in the ongoing risk assessment exercise within Istat.

Recommendation 12. Eurostat noted that data transmission from upstream data providers to Istat tended to be rather informal. Thus, Eurostat **recommends** that the present practice of transmission to personal email addresses needs to be replaced by a neutral traceable data transmission procedure, not relying on the presence of particular individual recipient. This would

also be covered by the aforementioned Istat quality management work on better documenting its processes in general.

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

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

Istat is in charge of the business register and responsible for obtaining other data sources that help them maintain an up to date register (formally, updated once per year) of government-controlled entities. Istat demonstrated that it has a systematic approach to classifying government-controlled entities as either inside or outside government.

At the time of the visit, Istat had not yet submitted the reply to the Eurostat questionnaire on government-controlled entities (only due by end of 2012) and this was therefore not covered by the UDV. This was subsequently received and in time for the issue to be addressed at the Standard Dialogue Visit which took place on 4-5 February 2013.

However, one issue of possible importance was noted. In the early stages of the process for detecting government-controlled entities, "inactive" entities are immediately discarded. It was explained that these entities, are in effect, defunct and may exist only on paper perhaps with no activities, no expenditure or revenue, no employees, no accounts or financial statements.

Nevertheless, these entities still exist and could have existing liabilities which would be included in the debt figures, or in some cases could have recently undertaken transactions which might result in losses (which, on an aggregated basis, might non-negligibly impact B.9 of government or government debt).

Istat explained that it considered this was unlikely to have any impact and that inactive entities usually do not remain in existence for any length of time.

Recommendation 13. Eurostat **recommends** Istat to investigate this matter and provide Eurostat by end of June 2013 with an explanation demonstrating how inactive companies have negligible impact, approximately how many such companies may exist at any time and how these are wound up in a reasonably timely manner.

4. IT Issues

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

Eurostat appreciated the co-operation of the Ministry of Health which demonstrated its IT system for collecting and processing data, which appeared to be quite comprehensive. It was noted that all units (hospitals, hospital agencies or hospital authorities) enter their data according to a standardised fiche directly into the system and that Istat was consulted on the contents of the fiche to ensure it included their requirements.

With respect to IT issues, Eurostat makes the following recommendations:

Recommendation 14. Eurostat welcomes the major developments that have been and are being undertaken by Istat towards its own integrated IT system for GFS and **recommends** that these continue to be developed.

Recommendation 15. In the case of the IT system of the Ministry of Health, this is inevitably quite complex and has been developed and built on since the 1990s. While it has been subject to a security and data protection audit, it has not been subject to an external IT audit, which is therefore **recommended** by Eurostat. As the MoH IT system was the only upstream example visited on the spot by Eurostat, it may be that other such IT systems controlled by other ministries could be appropriate candidates for similar audits and Istat should reflect on this.

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

5. Government accounting and related statistical reporting issues

5.1 Government accounting standards

On the issue of Government accounting standards, Eurostat, in general, promotes the harmonisation in public accounting between entities at central, state and local levels as well as harmonisation with international statistical and accounting requirements.

In Italy, it appears that regions have their own regulation and may use different public accounting systems, while municipalities and provinces do comply with a national statutory code for their accounting rules. They may adopt their internal accounting regulation, adapting national rules to their own needs to a limited extent. As a consequence, there lies the possibility for potential discrepancies not only between differing entities of local government but also between local and central government in terms of accounting arrangements.

With respect to the issues relating to Government accounting standards, Eurostat makes the following recommendations:

Recommendation 16. In view of the IPSAS based public sector accounting reform at Central Government level, presently foreseen for 2013 (and by reference to Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States), Eurostat supports Istat's intention to play an active role in the transposition of this directive into national law in order to achieve a higher degree of harmonisation of accounting rules, and primary data for EDP needs and **recommends** that Istat continue to work in this direction.

Recommendation 17. Eurostat **recommends** that Istat therefore use any mechanisms that exist or which are planned to exist in order to directly influence the issue of reforming public accounting standards. This also applies to defining details of the main or analytical reporting based on public accounts data at all government levels, so that the implications on statistical matters are in line with requirements of European legislation.

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

5.2 Move from "legal" accruals to actual accruals

Apart from investment, where a cash-based approach is used, payment obligations are currently recorded based on the value and timing of the commitment and not the ensuing invoice (so-called "legal accrual" basis). This is set to change with the new accounts system foreseen from 2014 (law may apply from 2013) which is to be based on actual accruals.

However, for this revised approach to operate properly, invoices not only need to be sent at the appropriate time but they also need to be booked into the accounting system very close to the time of arrival.

Presently, however, there appears to be no central registration of invoices within ministries. Instead invoices appear to be sent to whichever suitably senior official is responsible for the contract in question which may equate to a number of different people across each department or ministry. It is then their responsibility to ensure the appropriate treatment of the invoice. This appears to be general practice, at least at Central Government level.

While the current "legal accruals" approach may be considered as a usable proxy for actual accruals, the present system of invoice registration does not appear conducive to supporting the proposed changeover to actual accruals.

The Ministry of Economy and Finance indicated that, as from early 2013, it would continue to provide Istat with legal-accruals information for the purposes of deficit and debt reporting, but that this would be supplemented by actual invoice information.

With respect to the issues relating to the move from "legal" accruals to actual accruals, Eurostat makes the following recommendations:

Recommendation 18. It is the view of Eurostat that in the absence of a centralised and systematic approach to the booking of expenditure i.e. invoice registration, significant risks could arise when moving over to an actual accrual approach, in that timely data might not be captured in a proper and exhaustive way. Eurostat therefore **recommends** that a system supporting the single, central registration of the invoices should be made fully operational as soon as possible, for example at ministry level.

Recommendation 19. As the new accounts system will operate from 2014, Eurostat **recommends** that the risk assessment and management approach should be applied to this transition and should in any case take into account the comments on the need to register invoices centrally when they arrive. As such, Eurostat **recommends** that steps be taken to ascertain the present suitability of the invoice booking system, bearing in mind that the legal-accrual basis may still represent a more suitable proxy until a proper booking system is in place.

Recommendation 20. Furthermore, Eurostat **recommends** that Istat investigate the extent to which the issue of appropriate invoice booking exists at levels of government other than central government level.

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

5.3 EDP data and clarification issues

With respect to the EDP data and clarification issues, Eurostat makes the following recommendations:

Recommendation 21. Real data should be used as soon as possible for year T-1 rather than estimates which is currently the case. Eurostat believes that the new systems that are being implemented in the Italian government sector will give the opportunity to report data earlier and not rely on estimates for the early notifications. Eurostat **recommends** that Istat investigate this issue.

Recommendation 22. In addition, Eurostat **recommends** a more formalised approach on clarification actions at the time of EDP notifications. There should be clearly documented clarification procedures with other co-compilers during the notification period.

Recommendation 23. Some of the actions being undertaken should assist in improving estimates on expenditure and trade credits and Eurostat **recommends** that Istat look into this.

Recommendation 24. With regard to investment such as that by the Ministry of Infrastructure and Transport, this is currently reported on a cash basis. Eurostat is of the opinion that there now appears to be sufficient information at the Ministry of Infrastructure and Transport for accrual-based reporting, at the very least for strategic investment. Istat is investigating this entire issue. Since the upstream dialogue visit, Istat provided Eurostat with some information which was followed up at the standard dialogue visit of 4-5 February 2013. Eurostat **recommends** that Istat take whatever steps it can to identify the proper information for accrual recording.

Eurostat invites Istat to provide a report on progress made concerning the above recommendations together with a list of actions implemented and actions planned including indicative timescales by the end of June 2013. In the case of Recommendation 24, following the discussions during the standard dialogue visit, Eurostat recommends a report covering upstream and methodological issues, by September 2013.

III. Final remarks

In view of procedural arrangements within the framework of EDP dialogue visits, in accordance with Article 13 of Council Regulation (EC) 479/2009 as amended, the above main conclusions and recommendations will be, where relevant, integrated into a subsequent report following the standard dialogue visit which took place on 4-5 February 2013.