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Directorate D Government Finance Statistics (GFS) and quality
Unit D-4: Quality management and application to GFS

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**EDP upstream dialogue visit to the Federal Republic of Germany
18-21 June 2013 and 22-25 October 2013
Main conclusions and recommendations – Final report**

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (as amended by Council Regulation (EC) No 679/2010) on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP upstream dialogue visit to the Federal Republic of Germany in two parts. The first part was performed on 18-21 June 2013 and the second part on 22-25 October 2013.

Eurostat was represented by staff members from the directorate responsible for Government Finance Statistics.

During the visit the Eurostat delegation met the Federal Statistical Office (Destatis), Federal Ministry of Finance, the Bundesbank, the Federal Court of Auditors, statistical offices of the Länder (Hesse and Berlin-Brandenburg), the respective Regional and Municipal Audit Institutions and various upstream data providers from state and local government level and social security funds sub-sector.

The main objective of the visit was to review the quality of the EDP reporting system, in particular primary public accounting data sources and the underlying processes (upstream data and processes), as specified in the Communication from the Commission to the European Parliament and the Council "Towards robust quality management for European Statistics" [COM(2011)211], and in accordance with Art. 8 of Regulation (EC) No 479/2009 as amended. Another point of interest was to review the Destatis' ability to utilise its powers under Article 16 of Regulation (EC) 479/2009, as amended. The visit sought to gather information on the accounting, auditing, control and reporting systems in place and to assess the strengths and weaknesses of those systems and identify risks or potential problems with respect to the quality of the reported data.

I. General statements

Eurostat appreciated the fact that the German authorities contributed to the smooth organisation of the visit and also their open and constructive approach to providing the necessary documentation prior to and during the visit.

The mission interviewed the main partners of Destatis at Federal level, the Federal Ministry of Finance and the Bundesbank. Taking into consideration the specific institutional arrangements of the German statistical system, i.e. the existence of two levels of statistical authorities in Germany, the mission interviewed two statistical offices of the Länder, and a sample of reporting entities. These interviews confirmed the complexity of the statistical reporting chain due to the decentralised structure of the administrative set-up in Germany. This decentralisation induces different accounting frameworks and multiple bridge tables between the primary accounting frameworks and, in final, the EDP statistics. While there is strong cooperation between the two levels of statistical authorities, the implementation of guidelines and new data collection by Destatis is slowed down by the practice of going through statistical laws that are complex to put in place. In this context, Eurostat strongly encourages public finance authorities and statistical authorities to strengthen the coordination role of the Federal level as regards the statistical production chain.

II. Main conclusions and recommendations

Governance and co-operation

In public finance statistics, the Finance and Personnel Statistics Act (“Finanz- und Personalstatistikgesetz” – FPStatG) is the legal basis for all public finance and personnel statistics. It regulates public finance statistics in an extensive way, with regard to survey units, survey variables, periodicity, obligation of disclosure and division of tasks between Destatis and the statistical offices of the Länder. There is a set of arrangements concerning quality assurance. These arrangements are partly codified by legal acts or formalised by agreements between all statistical offices.

Eurostat understands that the federal statistics are governed by federal laws, however, the Länder generally execute federal laws in their own right. Hence, federal statistics are basically produced conjointly by the 14 statistical offices of the Länder and the Federal Statistical Office. This working association (so-called “Verbund”) is referred to as “the system of statistical offices” of the Federation and the Länder. Accordingly, the statistical offices of the Länder are generally responsible for conducting statistical surveys prescribed by law. They are administratively and financially independent of the Federation and not subject to directions from the Federal Statistical Office or the federal ministries.

A particular feature of public finance statistics is that the majority of relevant surveys are processed in a central production system called “FiPS” (= Integrated System for Public Finance and Personnel Statistics) that is used by all statistical offices. This software application was developed by the Statistical Office for Berlin-Brandenburg (SO BBB) in 2000. SO BBB is the so-called “godparent office” for public finance and public service personnel statistics.

Eurostat takes note that, in line with its mandate, Destatis became the official EDP reporting authority from October 2013 onwards. Eurostat updated its own registers and software applications accordingly. Nevertheless, Eurostat requests the submission of an updated official notification form declaring the EDP reporting authority by February 2014.

Eurostat takes note that the list of General Government (GG) units has been published on the website of Destatis¹.

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

Action point 1: Against the background of the Recommendation in the 2007 Peer Review report², concerning a certain lack of the lead in coordination and harmonisation of the official statistics in Germany, Eurostat acknowledges that significant improvements have been implemented within the Verbund-system, as for example the creation of “godparent-offices” for specific statistical domains. The SO BBB acts as the godparent-office for public finance statistics. However, taking into consideration the rules of procedure of the Verbund Committees and Working Groups and the specific responsibilities assigned to the SO BBB in respect of domain coordination, methodology coordination, and process standardisation and organisation, Eurostat recommends that the respective coordination responsibilities of Destatis and the SO BBB be further clarified in line with Destatis' responsibilities as EDP reporting authority. Eurostat invites a progress report by June 2014.

Action point 2: Eurostat recommends that Destatis re-analyse with its legal service, the possibilities offered by Art. 16 of Reg. 479/2009 to gain access and collect all the data necessary for EDP purpose, and review the first analysis of this issue following the action point 1 of the previous standard dialogue visit (5-6 May 2011).

Eurostat requests that Destatis reports this detailed analysis, explaining where the blocking factors are and why these blocking factors could or could not be surmounted by available legal means via the said Article 16. The report should be provided by June 2014. Eurostat is prepared to contribute to this analysis.

Action point 3: According to the Finance and Personnel Statistics Act (FPStatG)), the statistical offices in Germany collect data which are included in the budget classifications of the government accounting systems to compile fiscal indicators used for national purposes. The extension of the systematic data collection for items relevant to the compilation of national accounts of general government and EDP data, requires an extension of the budgetary classifications. Specific committees are responsible for the structure and further developments of these classifications, e.g. in the case of the Federal and State governments, the so-called §49a HGrG Committee and for the local governments the body attached to the standing conference of the Länder Ministries of Interior (Unterausschuss Kommunale Wirtschaft und Finanzen – UAKWuF).

In the §49a HGrG Committee which is composed of the Ministries of Finance of the Federation and of the Länder, Destatis has only the status of an observer, with no voting rights and no right to directly submit proposals for decisions. Against this background, and more generally, Eurostat recommends that the status of representatives from the statistical authorities be strengthened in this Committee. Eurostat understands that the existing legal basis establishes a de facto right of initiative and de facto veto right for Destatis.

¹<https://www.destatis.de/DE/ZahlenFakten/GesellschaftStaat/OeffentlicheFinanzenSteuern/OeffentlicheFinanzen/Methoden/MethodischesoeffentlicheFinanzen.html>

²http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/PEER_REVIEW_DE_2007/EN/PEER_REVIEW_DE_2007-EN.PDF page 19.

Recognizing the unique role of the §49a HGrG Committee, Eurostat recommends that these de facto rights shall be affirmed in the proposed Memorandum of Understanding with the Federal Ministry of Finance (recommended under action point 4 of this report), or formally stated in writing by other means. Deadline: June 2014.

As regards the role of statistical authorities in public sector accounting standard setting for municipalities, Eurostat welcomes the fact that, as an example, the Statistical Office of Saxony-Anhalt has a legally established competence in determining the budgetary and accounting classifications to be used for public sector accounting and reporting in Saxony-Anhalt (see Gemeindeordnung für das Land Sachsen-Anhalt § 152 para 3).

Furthermore, Eurostat welcomes the offer from the Ministry of Interior of Saxony-Anhalt in their current capacity as chair of the UAKWuF to carry out a dedicated enquiry in order to survey the powers of the other Länder statistical offices in Germany in this respect.

Quality Management, Risk assessment and Risk Management

In the course of the visit, Eurostat was informed about the on-going actions in the field of quality management, including monitoring of timeliness of public finance data, the common early warning system for the key statistics, the quality reports including the introduction of so-called “quality data sheets” (“Qualitätsdatenblätter im Verbund”). Eurostat welcomes that Destatis and the statistical offices of the Länder are jointly working on the development and implementation of different instruments of quality management and encourages further developments in this direction.

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

Action point 4: An agreement was reached by the Eurostat Working Group on Quality Management in GFS³ on core and optional elements that should be present within formal operational arrangements between EDP co-compilers.

Eurostat takes note that Destatis intends to sign a Memorandum of Understanding with the main partners involved in the EDP process inspired by examples of other Member States.

The Memorandum recommended above (or several Memoranda if that is deemed preferable, including a separate Memorandum with the Central Bank) should cover all the processes of deficit and debt compilation. Eurostat requests a copy by June 2014.

Action point 5: Eurostat takes note that Destatis will provide a copy of the mandate of the newly created expert working group on stability pact data by end 2013⁴.

Action point 6: In the context of GFS quality management, Eurostat notes that Destatis operates an EFQM based quality management system (QMS) and is implementing various measures for quality assurance. Eurostat recommends that a specific part of the QMS operated by Destatis be adapted to the entire upstream supply GFS chain, including complete documentation of all relevant processes and procedures, also covering the Länder level, and with due consideration of Business Continuity aspects. In this context,

³ As per document GFSQM 12/009 rev1, dated 16/01/13.

⁴ Action point was implemented.

an analysis should be carried out on how to better integrate the system of bridge tables. Destatis should send a progress report by end of 2014.

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

A further objective of the visit was to verify the register of government-controlled units and the way how it is managed and maintained. Eurostat appreciates the descriptions and explanations given by Destatis with respect to “FiPS”, a database-driven system which includes the register of all government controlled entities, the so-called “reporting units management” (“*Berichtskreismanagement*” BKM).

With respect to issues relating to the register of government controlled entities, Eurostat makes the following recommendations:

Action point 7: Eurostat requests additional information on a new obligation for respondents to report on their participations with respect to the ownership according to the amended Finance and Personnel Statistics Act (FPStatG)) from 1 December 2013 and a report on the impact of the new rules on the register BKM and the perimeter of General Government, by December 2014.

Eurostat welcomes the fact that the latest version of the guidelines for BKM (Leitfaden) provides a systematic and documented approach to the maintenance of the BKM to be applied by all Statistical Offices of the Länder. Eurostat invites Destatis and SO BBB to assess how the Leitfaden has been implemented by the Statistical Offices of the Länder. Eurostat requests a report by June 2014.

Action point 8: Eurostat requests that Destatis provide a brief description of the changes that might be implemented in order to comply with ESA 2010 definitions of government control in time before standard dialogue visit planned for February 2014⁵.

Action point 9: Eurostat recommends that Destatis should have systematically access to non-anonymised microdata used for EDP purposes including BKM records and the underlying data used for sector classification. Eurostat requests the progress report for June 2014.

Eurostat welcomes the legal clarification of the issue initiated by the Destatis and the Statistical Offices of the Länder. Eurostat further clarified the motivation of the recommendation and made Destatis a German text⁶ available for consideration and with a view to facilitating a common understanding of Eurostat’s position within the Verbund.

Government accounting and related statistical reporting issues

Government accounting framework determines the scope of public finance data available in the accounts of individual budgetary entities. Only those data which are defined and available in the public accounts can be collected for statistical purposes. In addition, the quality of the statistical information depends on the quality of the underlying public finance data.

⁵ Action point was completed during the Standard dialogue visit on 26-27 February 2014.

⁶ Please see Annex I – Clarification on action point 9

Moreover, Eurostat is aiming to monitor actions to ensure that national systems of public accounting comprehensively and consistently cover all subsectors of general government and contain the information needed to generate accrual data with a view to preparing data based on the ESA standards, and that those systems are subject to internal control and independent audit, as provided for under Article 3(1) of the Council Directive 2011/85/EU.

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

Action point 10: Eurostat takes note that Germany considers itself to be broadly compliant with the accrual principle in national accounts. With respect to the requirements of Art 3 of the Council Directive 2011/85/EU (the Budgetary Frameworks Directive) regarding the existence of accounting systems containing the information needed to generate accrual data with a view to preparing data based on national accounts under ESA, Eurostat invites Destatis, in cooperation with the SAI at all levels of government, to produce the necessary assurance by end 2014 that this has been achieved in practice, given that the requirement of the Budgetary Frameworks Directive should have been implemented by the end of 2013. Eurostat invites a progress report by June 2014.

Action point 11: Eurostat takes note of recent developments in respect of a collection of the actual data on the EU flows by Destatis. In this context, the German statistical authorities are invited to supply a report presenting the response rate and results of the voluntary pilot survey, broken down by major units involved in the management and distribution of the flows at the level of central and state governments. Deadline: January 2014⁷.

Action point 12: Eurostat recommends that within the public finance statistics Verbund, and, within the scope of their respective responsibilities, Destatis, SO BBB, and the Statistical Offices of the other Länder, should cooperate with relevant audit authorities at different levels of government in order to fill in the template on monitoring compliance with Art.3 of the Budgetary Frameworks Directive as regards internal control and independent audit of entities classified inside the general government sector. Deadline: 15 March 2014⁸.

Action point 13: Eurostat recommends that Destatis establish cooperation with the Federal Supreme Audit Institution (SAI) and to the Statistical offices of the Länder to, in turn, establish cooperation with their respective State and Local Government audit authorities, in the spirit of resolution CC-R-2012-02 of the contact committee of the European SAIs concerning SAI cooperation with ESTAT and NSIs. Eurostat welcomes the positive response by Destatis and the German Federal SAI as well as the preparedness of the State Audit Institutions to reflect on this recommendation. Eurostat recommends to formalise, or if this is not possible then at least to state in writing, these cooperation arrangements to the extent possible and taking express account of the resolution of the contact committee of the SAIs. Eurostat invites a progress report for June 2014.

⁷ Action point was implemented.

⁸ Destatis proposed to retain the deadline of June 2014, as the work with respect to this action point exceeds the statistical area.

Action point 14: Eurostat recommends that the Federal and Länder statistical offices develop a system of a regular collection of detailed information on capital injections and distributions, and on transactions in financial derivatives, for state and local government sub-levels. A report on the system envisaged and a timescale for its implementation should be provided to Eurostat by the end of 2014.

Action point 15: Eurostat requests a note on the principles of building reserves and recording provisions, write-downs and write-offs in the federal accounts (Haushaltsrechnung and Vermögensrechnung), the amounts involved over the period 2009-2012 and their treatment in public finance statistics and in national accounts. Deadline: January 2014⁹.

Action point 16: Eurostat requests information on monthly settlements, over the last three years, of the amounts of pension contributions declared by employers, assessed by Deutsche Rentenversicherung (German Statutory Pension Insurance Scheme), levied by Krankenkassen (Statutory Health Insurance Schemes), transferred to Deutsche Rentenversicherung and recorded in their accounts, allowing for information on the amounts refunded and the period to which the refunds relate. Deadline: June 2014

Action point 17: Given the fact that a part of local government entities (about 60% of all municipalities) already compile accounts on an accruals basis, Eurostat recommends that Destatis initiate the reflection on the adaptation of the data collection system in order to make effective use of genuine accruals data. Deadline: Progress report by June 2014.

⁹ Action point was implemented.

Annex I

(Please see below the version in German)

Clarification on action point 9

In the recent Upstream Dialogue Visit to Germany (the first part was performed on 18-21 June 2013 and the second part on 22-25 October 2013) Eurostat recommended, among other things, that Destatis should systematically have access to non-anonymised microdata used for EDP purposes, including BKM records and the underlying data used for sector classification.

Eurostat welcomes the legal clarification (initiated by the Destatis and the Statistical Offices of the Länder) of its recommendation and would like to supply the following information concerning this recommendation for consideration and with a view to facilitating a common understanding of Eurostat's position within the 'Verbund'.

The national responsibility for the provision of GFS, in particular EDP data in line with ESA accounting rules, is set out in the Federal Statistics Law (BStatG). In Germany, the Finance and Personnel Statistics Act (Finanz- und Personalstatistik Gesetz) regulates the collection and compilation of public finance data.

According to Art 19 of BStatG¹⁰, "In the supranational and international sphere, the Federal Statistical Office has especially the task of cooperating in the preparation of statistical programmes and legal provisions, as well as in the methodological and technical preparation and harmonisation of statistics, the establishment of national accounts and other integrated systems of statistical data for purposes of the European Union and international organisations, and of passing the results on to the European Union and the international organisations." Furthermore, Destatis acts as the EDP reporting authority in the sense of Regulation 479/2009 as amended by Regulation 679/2010. In consequence, Destatis also carries responsibility for ensuring the compliance of the reported data within the stipulations of Regulation 479/2009 as amended and ESA national accounting rules. Thereby, Destatis determines the methodology to be applied and provides methodological guidance to the Statistical Offices of the Länder concerning their role in the compilation of EDP data for Germany. Eurostat understands that State and local government level data are collected, stored and processed under the responsibility of the Statistical Offices of the Länder, which under German law also have the ownership of the collected micro-data and assume the resulting rights and obligations.

In its capacity as the reporting authority for EDP data under 479/2009 as amended, Destatis also needs to provide Eurostat with the necessary assurances that the reported EDP data do, in practice, comply with all relevant methodological requirements. Destatis needs therefore to devise systematic controls in order to be able to reliably assess the degree of observance of the standards applicable to EDP data.

With a view to performing this task, and in line with Art 16 of Regulation 479/2009 as amended, Eurostat considers that Destatis – on request to be duly justified with reference to the said Regulation – needs to be given full access to non-anonymised micro-data, in

¹⁰https://www.destatis.de/DE/Methoden/Rechtsgrundlagen/Statistikbereiche/Inhalte/010a_BStatG_Engl.pdf?__blob=publicationFile

particular those used for sector classification purposes within the BKM system, and with a frequency to be determined by the nature of the system of controls to be put in place.

Such access should not affect legally established ownership rights and duties over the micro-data, which remain with the Statistical Offices of the Länder.

In conclusion, Eurostat considers that the recommended access to EDP relevant non-anonymised micro-data, for the purposes of quality control, constitutes a legitimate use of the micro-data in question.

Weitere Informationen zum Aktionspunkt 9

Beim letzten Dialogbesuch über vorgelagerte Datenquellen in Deutschland (der erste Teil wurde vom 18.-21. Juni 2013 und der zweite Teil vom 22.–25. Oktober 2013 durchgeführt) hat Eurostat unter anderem empfohlen, dass Destatis systematisch Zugang zu nicht anonymisierten Mikrodaten für die Zwecke des VÜD, einschließlich BKM Aufzeichnungen und der zugrunde liegenden Daten, die für die Sektorklassifizierung verwendet werden, haben soll.

Eurostat begrüßt die rechtliche Klärung seiner Empfehlung (initiiert durch Destatis und die Statistischen Landesämter) und möchte weitere Informationen bezüglich dieser Empfehlung zur Beachtung und mit Hinblick auf die Erleichterung eines gemeinsamen Verständnisses der Position von Eurostat innerhalb des Verbundes zur Verfügung stellen.

Die nationale Verantwortung für die Bereitstellung der Statistik der Staatsfinanzen, insbesondere VÜD-Daten im Einklang mit den ESVG Rechnungslegungsvorschriften ist im Bundesstatistikgesetz (BStatG) festgelegt. In Deutschland ist die Erhebung und Aufbereitung der Daten der öffentlichen Finanzen durch das Finanz- und Personalstatistik-Gesetz geregelt.

Gemäß Artikel 19 BStatG „im supra- und internationalen Bereich hat das Statistische Bundesamt insbesondere die Aufgabe, an der Vorbereitung von statistischen Programmen und Rechtsvorschriften sowie an der methodischen und technischen Vorbereitung und Harmonisierung von Statistiken sowie der Aufstellung Volkswirtschaftlicher Gesamtrechnungen und sonstiger Gesamtsysteme statistischer Daten für Zwecke der Europäischen Union und internationaler Organisationen mitzuwirken und die Ergebnisse an die Europäischen Union und internationalen Organisationen weiterzuleiten“. Darüber hinaus ist Destatis als Berichterstattungsbehörde für VÜD-Daten im Sinne der Verordnung (EG) Nr. 479/2009 geändert durch Verordnung 679/2010 tätig. Folglich trägt Destatis die Verantwortung, sicherzustellen, dass die gemeldeten Daten die Bestimmungen der Verordnung (EG) Nr. 479/2009 wie geändert und der ESVG Vorschriften einhalten. Dabei bestimmt Destatis die anzuwendende Methodik und bietet methodische Leitlinien für die Statistischen Landesämter bezüglich deren Rolle bei der Erstellung von VÜD-Daten für Deutschland. Eurostat geht davon aus, dass Daten auf der Landes- und Kommunalebene unter der Verantwortung des Statistischen Landesämter erhoben, gespeichert und verarbeitet werden, die nach deutschem Recht auch Inhaber der erhobenen Mikrodaten und Träger der sich daraus ergebenden Rechte und Pflichten sind.

Destatis soll, in seiner Funktion als Berichterstattungsbehörde für VÜD-Daten nach 479/2009 wie geändert, Eurostat ferner die notwendigen Zusicherungen geben, dass die gemeldeten VÜD-Daten in der Praxis alle einschlägigen methodischen Anforderungen erfüllen. Destatis muss daher systematische Kontrollen entwickeln, um in der Lage zu

sein, den Grad der Einhaltung der Normen für VÜD-Daten zuverlässig beurteilen zu können.

Im Hinblick auf die Durchführung dieser Aufgabe und im Einklang mit Artikel 16 der Verordnung (EG) Nr. 479/2009 wie geändert ist Eurostat der Auffassung, dass Destatis – mit Hinweis auf die genannte Verordnung zu begründenden Wunsch – uneingeschränkter Zugang zu nicht anonymisierten Mikrodaten, insbesondere denjenigen, die für die Sektorklassifizierung im Rahmen des BKM Systems genutzt werden, gegeben werden muss, und zwar mit einer Häufigkeit, die von der Natur des zu schaffenden Kontrollsystems bestimmt wird.

Dieser Zugang soll nicht die rechtlich begründeten Eigentumsrechte und -pflichten für die Mikrodaten berühren, die bei den Statistischen Landesämtern verbleiben.

Abschließend ist Eurostat zu der Ansicht gelangt, dass der empfohlene Zugang zu VÜD-relevanten nicht anonymisierten Mikrodaten für die Zwecke der Qualitätskontrolle eine legitime Nutzung der Mikrodaten darstellt.