



EUROPEAN COMMISSION
EUROSTAT

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

Luxembourg, 20 March 2014

**EDP upstream dialogue visit to the Republic of Slovenia
27 – 29 November 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 Slovenia on 27-29 November 2013.

Slovenia was represented by the Statistical Office of the Republic of Slovenia (SORS), the Ministry of Finance, the Bank of Slovenia, the Court of Auditors and invited upstream data providers.

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) No 479/2009 as amended. Another point of interest was to review the Statistical Office of the Republic of Slovenia’s ability to utilise its powers under Article 16 of Regulation (EC) 479/2009 as amended by Regulation (EU) 679/2010. 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.

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

I. General statements

Eurostat welcomes the co-operative approach of the Slovene authorities and also their open and constructive approach in providing the necessary documentation prior and during the visit. Eurostat also appreciates the openness and the active involvement of the Court of Audit in the meetings.

SORS is the EDP statistics reporting authority for Slovenia and is an important co-compiler of EDP statistics in Slovenia. The Ministry of Finance plays a key role in the production of EDP statistics in Slovenia. A significant amount of GFS related data passes through the Ministry of Finance before reaching SORS. The Bank of Slovenia compiles financial accounts data.

Within the European Statistical System (ESS), in order to have visibly independent statistics on key economic indicators, it is important that each Member State has the objective of having a strong and independent NSI which plays a key and overarching role in the production of these statistics and in providing assurances as to their quality.

II. Main conclusions, recommendations and action points

Governance and cooperation issues

As per the findings of the Peer Review on the implementation of the European Statistics Code of Practice (2007) and the Eurostat Monitoring report on NSI compliance with the Code of Practice (2011), Eurostat takes note that there is a structural problem with regard to obtaining the necessary staffing. Eurostat also notes the absence of a formalised quality management framework at office level, including the absence of risk assessment and risk management, which is also relevant for specific EDP needs.

Eurostat welcomes the existence of the Memorandum of Understanding signed between SORS, the Bank of Slovenia and the Ministry of Finance as well as the impressive number of co-operation agreements with data providers. Currently, there are 24 signed agreements relevant for economic statistics. With respect to issues related to governance and cooperation, Eurostat makes the following recommendations:

Action Point 1: With reference to Council Regulation (EC) No 479/2009, Eurostat recommends that SORS further clarifies the compilation and notification responsibilities for each of the three institutions involved in the compilation of the EDP data, namely SORS, the Ministry of Finance and the Bank of Slovenia, especially in view of the fact that whilst the Bank of Slovenia assumed responsibility for the figures supplied by them, the Ministry of Finance declined any such responsibility and declared itself as only input data provider, more specifically cash data. Eurostat also **recommends** that the remit of the Working Group that

operates under the main Memorandum of Understanding and the roles of the three institutions within this WG are formalised, that the leadership of SORS is recognised, including its role as the authority responsible for implementation of the ESA and for EDP reporting, and that there are established rules of procedure for this WG. *Deadline: December 2015*

Internal control, risk assessment, quality management

Eurostat welcomes the initiative undertaken by SORS to identify and document the processes at directorate level including EDP (mapping exercise of relevant processes and procedures) and appreciates the flowcharts stemming from this exercise that SORS compiled before the mission and which were considered as good practice. Eurostat takes note of the absence of internal control, internal audit and risk assessment functions at the office level in general and in particular regarding EDP compilation processes and considers that this could be a risk factor that might be reviewed by SORS. Eurostat also takes note of the absence of a formal Quality management framework at the office level. Eurostat encourages SORS to proceed to implement the necessary process-based Quality management system specific for GFS/EDP purposes in line with the outcome of the Working Group on Quality Management in GFS which took place in November 2013 (see paper GFSQM 13_003, dated 18th October 2013).

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

Action Point 2: For business continuity considerations, Eurostat **recommends** SORS to further integrate the compilation process of EDP Statistics and document all relevant procedures. This recommendation also applies to the procedures in the Ministry of Finance, as the co-compiler of EDP data, that are relevant to the extraction, aggregation and submission of EDP input data to SORS. *Deadline: December 2015*

Action Point 3: Eurostat **recommends** that SORS implements the measures necessary in order to ensure the traceability of the data flow from reception of the data by SORS, to the final transmission of the data to Eurostat. *Deadline: December 2015*

Action Point 4: In order to ensure that staffing is commensurate to actual need, Eurostat **recommends** that SORS reassesses and informs Eurostat about the staff needs with regard to the compilation and notification of EDP data and the implementation of the actions arising from the present UDV report. *Deadline: December 2014*

AJPES

The Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) collects annual accounting data on profit-loss accounts and balance sheets data for units of all institutional sectors. AJPES also provides different statistical data on wages and salaries, statistics on payments, for financial accounts (Bank of Slovenia) and different surveys for the Statistical Office (quarterly GDP, supply and use tables, dividends, etc.). Another task of AJPES is the maintenance of the Business Register.

Eurostat appreciates the role of AJPES in the area of data collection and supply, and keeping the business register up-to-date. Also, Eurostat welcomes the professional approach to performing their duties as well as the quality assurance of the services provided (ISO 9001 certification).

Eurostat takes note and appreciates the progress made by AJPES in the automation of data collection, production and supply of the so-called “Whole of Government Accounts” (Premoženjske bilance).

Eurostat also takes note that according to the Slovenian law AJPES has the formal status of an official Statistics Authority, also for EDP purposes.

With respect to issues related to AJPES, Eurostat makes the following recommendations:

Action Point 5: Eurostat **recommends** that AJPES implements the measures necessary to ensure the traceability of the historical file transmissions, with regard to EDP related data, which are stored in its database. *Deadline: March 2014*

Action Point 6: Eurostat **recommends** that SORS implements the necessary steps for an automated and timely collection of the Whole of Government Accounts data to be provided by AJPES, so that this process is in place as envisaged in 2014. Eurostat further recommends that SORS make use to the largest extent possible of the Whole of Government Accounts. *Deadline: December 2014*

European Statistics Code of Practice – application

With respect to issues related to the application of the European Statistics Code of Practice, Eurostat makes the following recommendations:

Action Point 7: Eurostat **recommends** that AJPES (as an official Statistics Authority) should devise a procedure in order to provide assurance that its internal policies are in line with the European Statistics Code of Practice. *Deadline: March 2014*

Action Point 8: Eurostat **recommends** that the services of the Ministry of Finance, to the extent they act as co-compilers of EDP data, should devise a procedure in order to provide assurance of compliance with the European Statistics Code of Practice. *Deadline: August 2014*

Public sector accounting standards and Budgetary framework directive

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.

Eurostat takes note of the main tasks of the Budget Supervision Office of the Republic of Slovenia (BSO) which are mainly the budgetary inspection, as well as the public internal control and internal audit of the direct and indirect budgetary units both on central and local level. This office also certifies the accounts for the spending of the EU funds and regularly reports directly to the Ministry of Finance. Nevertheless, it seems that overall the framework as currently implemented seems to be understaffed.

With respect to issues related to the public sector accounting standards and budgetary framework directive, Eurostat makes the following recommendations:

Action Point 9: Eurostat takes note that as of 2014 the data from the "Premozenjske Bilance" will be for the first time transferred from AJ PES directly to SORS. Eurostat **recommends** SORS to provide Eurostat by the end of 2014 with an assessment report to confirm that this new reporting channel was in fact implemented as envisaged. If relevant, SORS will draw attention to the lessons learnt and the main difficulties encountered or the necessary adjustments to the procedure" *Deadline: December 2014*

Action Point 10: Eurostat notes that the framework for internal control, including internal audit, as currently implemented seems to be understaffed. Eurostat **recommends** that SORS prepares an assessment report on potential impact on the quality of the EDP statistics data stemming from real level of implementation of internal control measures in the upstream area. *Deadline: December 2015*

Other issues

Action Point 11: Eurostat welcomes the on-going preparations of a formal co-operation between the Slovenian Court of Auditors and SORS and **recommends** the formalisation of this co-operation as soon as possible. *Deadline: December 2014*