



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)

Luxembourg, 06.05.2013

FINAL FINDINGS

EDP dialogue visit to the Czech Republic

13-14 November 2012

Executive summary

An EDP dialogue visit to the Czech Republic took place on 13-14 November 2012 in order to review the implementation of the ESA95 methodology and to ensure that the provisions of the ESA95 Manual on government deficit and debt (MGDD) and the recent Eurostat decisions are implemented and appropriately recorded in the Czech EDP notifications and Government Finance Statistics (GFS).

Eurostat reviewed the progress achieved in the implementation of the action points agreed in the EDP upstream dialogue visit (UDV) in May 2012. In this regard, Eurostat welcomed the forthcoming specific cooperation agreement on GFS which was to be signed between the Czech Statistical Office (CZSO) and the Ministry of Finance of the Czech Republic (MoF), in line with the recommendation of the UDV.

Based on the conclusions of the UDV, the implementation status of the Auxiliary Analytical Overview (AAO) was discussed, which is a specific module of the new accounting and reporting system (CSUIS) serving for statistical reporting. Eurostat understood that the planned changes in legal settings could imply shortcomings in coverage and extent of the reported data, in particular at local government level. The Czech statistical authorities were requested to provide Eurostat with additional information on the deficiencies and to propose a realistic solution. It was agreed that the EDP inventory would be updated, following the new developments in data sources and in the accrual recording of taxes.

Referring to the latest EDP notification of October 2012, the systematic revisions of gross fixed capital formation were discussed. Eurostat took note that the situation would improve in April 2013, after the introduction of the AAO. Eurostat expects the implementing of the new decision on the statistical recording of some operations related to trade credits in the April 2013 EDP reporting. In this regard, the Czech statistical authorities committed to provide Eurostat with information about factoring operations involving trade credits, available from money and banking statistics.

Concerning the general government delimitation, Eurostat took note of the improvement, notably in applying the market/non-market test for sector classification of units on a yearly basis. As regard the government control test, Eurostat maintained the relevant UDV action point to improve the procedure for application of the test for government units. With respect to the Questionnaire on government controlled entities classified outside general government, Eurostat welcomed the intention of the Czech statistical authorities to transmit the questionnaire by the end of 2012.

Regarding the implementation of the accrual principle in the Czech government accounts, Eurostat reviewed the accrual recording of taxes, interest expenditure, EU grants and military expenditures. The Czech national authorities informed about the case of suspended reimbursement of some structural funds from the European Commission. Eurostat took note that according to the available information, the financial corrections agreed with the European Commission should be recorded as government expenditure in 2012. As announced by the CZSO, in April 2013 interest expenditure for local government would be recorded on an accrual basis for the first time.

Eurostat took note that as regards specific government transactions, data for local government were not available and the new AAO would not fully provide the required information. With regard to the guarantees and capital injections for central government, Eurostat noted the

prudent approach and the detailed information reported in the EDP notification by the Czech statistical authorities. In the context of operations relating to the financial crisis, a loan provided by the Czech National Bank (CNB) to the IMF with a government guarantee was discussed. Eurostat expects a report of the CNB providing details of the loan.

During the visit, Eurostat was informed about the PPP project undertaken at the local government level. The Czech statistical authorities were requested to provide the original PPP contract, accompanied by an analysis on the statistical recording of related operations in national accounts.

Concerning the emission trading permits, Eurostat found the existing recording in the Czech national accounts not in line with the newly established rules. In this respect, Eurostat committed to follow up on the issue and specify the reasons to the CZSO.

Following the methodological ex-ante advice provided by Eurostat to the CZSO in 2008 and 2011, the Czech authorities informed about the status of the restitution of confiscated property to churches. Eurostat took note that the newly approved law did not foresee any changes to the information provided by the CZSO in the past. The Czech statistical authorities were requested to provide details of the forthcoming restitutions and confirm the recording, in line with the previous Eurostat advice.

With regard to the recently approved act, introducing a new fully funded second pillar in the pension scheme, Eurostat enquired about the eligibility of the Czech pension reform to the specific feature of the “systemic pension reforms”, as defined by the Council Regulation No. 1177/2011. It was agreed that Eurostat would analyse the eligibility and inform the Czech statistical authorities on the results.

Eurostat thanked the Czech statistical authorities for their cooperation during this EDP dialogue visit, for the transparency demonstrated and for the information provided before and during the visit.

Final findings

Introduction

In accordance with article 11(1) of Council Regulation (EC) No 479/2009 as amended, as regards the quality of statistical data in the context of the Excessive Deficit Procedure, Eurostat carried out an EDP dialogue visit to the Czech Republic on 13 – 14 November 2012.

The delegation of Eurostat was headed by Mr François Lequiller, Director of Government Finance Statistics (GFS). Eurostat was also represented by Ms Lena Frej Ohlsson, Mr Luca Ascoli, Ms Daniela Ilavská and Mr Juraj Húšťava. Representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Czech statistical authorities were represented by the Czech Statistical Office (CZSO), the Ministry of Finance (MoF) and the Czech National Bank (CNB).

Eurostat carried out this EDP dialogue visit in order to review the implementation of ESA95 methodology and to ensure that the provisions of the Manual on Government Deficit and Debt and Eurostat decisions are duly implemented in the Czech EDP and GFS data.

The main aims of the dialogue visit were:

- (1) to review action points of the Upstream Dialogue Visit (UDV) to the Czech Republic which took place on 22-24 May 2012,
- (2) to review the data sources used for the EDP data compilation and reporting,
- (3) to discuss sector classification issues and verify the recording of specific government transactions and their impact on the government accounts,
- (4) to review the progress made in reporting of specific government transactions at the local government level.

In relation to procedural arrangements, Eurostat explained the procedure, in accordance with article 13 of Regulation No 479/2009, as amended, that within days the Main conclusions and action points would be sent to the Czech statistical authorities, who may provide comments. Within weeks, the Provisional findings would be sent to the Czech statistical authorities in draft form for their review. After amendments, Final findings will be sent to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

1. Review of the UDV action points and data sources

1.1. Follow-up of the UDV

Introduction

Pursuant to article 11a of the Council Regulation (EC) No 479/2009, as amended, on 22 – 24 May 2012 Eurostat carried out an EDP upstream dialogue visit to the Czech Republic. The main aim of this visit was to review the quality of the EDP reporting system, in particular primary public accounting ("upstream") data sources. As a result, 14 action points were agreed. The final main conclusions and recommendations of the upstream EDP dialogue visit are annexed to this document (Annex 2).

Eurostat briefly recalled the outstanding actions points of the visit and enquired about progress made in this regard.

Discussion and methodological analysis

The Czech statistical authorities informed Eurostat about the forthcoming specific cooperation agreement that was to be signed between the CZSO and the MoF by the end of December 2012, on the basis of the general agreement framework. The specific agreement referring to the government finance statistics should cover a list of data sets coming from the public accounting system and the AAO. Eurostat welcomed the progress and proposed to follow the recommendations of the Working group on Quality Management in GFS on the general features of such agreements.

Referring to the action point 5¹ of the UDV, the Czech MoF confirmed that the online access to the Operative Data System module was supposed to be granted to the CZSO by the end of November 2012, with respect to security requirements.

The Czech statistical authorities informed Eurostat that the planned implementation of the AAO and extended coverage in the following years might not be implemented due to the foreseen changes in legislation. In particular, the number of reporting units at local government level might be reduced. The possible constraints would have a negative impact on reporting the data on specific government operations, mainly at the local government level. In addition, the CZSO recalled persisting problems with the consistency and quality of the data coming from the new public accounting system that was implemented in 2010.

Findings and conclusions

1. Eurostat welcomed the forthcoming specific cooperation agreement on GFS to be signed between the CZSO and the MoF in line with the recommendations of the Working group on Quality Management in GFS.
2. Eurostat welcomed the granting of online access to the CZSO to the Operative Data System module (action point 5 of the UDV) which was planned for end of November 2012.

¹ Action point 5: Eurostat request CZSO to send a progress report on the issue of the online access for CZSO to the 'Operative Data System' module of the CSUIS by October 2012.

3. Eurostat took note that the CZSO report sent in connection with action point 4² of the UDV, stated that the previous plan for the extension of coverage of the Auxiliary Analytical Overview (AAO), might not be implemented.

The CZSO will report to Eurostat the list of main missing variables and on the situation as regards the shortcomings in entity coverage which may result from this reduced plan. The CZSO report should propose a realistic plan to overcome these shortcomings. This action point anticipates action point 6³ and replaces action point 8⁴ of the May 2012 UDV. *Deadline: end of January 2013*⁵

In particular, Eurostat took note of the deficiencies and shortage of coverage of the data reporting at local government level, in particular for government operations relating to debt cancellations, swap cancellations, off-market swaps, capital injections, super dividends and sale and leaseback operations.

1.2. Data sources and EDP inventory

Introduction

A new version of the EDP inventory was sent to Eurostat in December 2011. Eurostat thanked to the CZSO for providing the completed and detailed new version of the EDP inventory before the official deadline of February 2013. With regard to the recent developments, it was proposed to incorporate the latest change in the method for recording of accrual taxes and the implementation of the AAO. The updated EDP inventory should also include the data flow chart of the EDP processes, which was provided to Eurostat prior the UDV.

Findings and conclusions

4. Eurostat welcomed the completion of the new version of the EDP Inventory and invited the CZSO to update it with the latest available information, in particular relating to the new data sources and the new method for the recording of taxes. Eurostat also invited the CZSO to include a data flow chart of EDP processes in the revised EDP Inventory. *Deadline: February 2013*⁶

2. Follow-up of the EDP dialogue visit of 16-17 May 2011

Introduction

Most of the action points of the previous EDP mission on 16-17 May 2011 have been completed. A sufficient progress has not been still achieved in the reporting of specific

² Action point 4: Eurostat is looking forward to seeing the AAO implemented for the April 2013 EDP notification and requests CZSO to send a progress report and the updated action plan for its implementation by October 2012.

³ Action point 6: By June 2013, the CZSO reports to Eurostat results of the assessment of reliability and comparability of the source data and about suggested actions.

⁴ Action point 8: Eurostat requests the CZSO to report, by October 2012, on currently missing data that can be drawn from the CSUIS and Operative Data System module of the CSUIS.

⁵ This action point was completed on 31 January 2013.

⁶ This action point was completed on 28 February 2013.

operations at the local government level. During the UDV in May 2012, the CZSO had informed Eurostat that the situation would improve in the EDP reporting in April 2013, after introduction of the new AAO.

Discussion and methodological analysis

A discussion on the issue took place under the agenda point 4, relating to the specific operations for local government.

3. Analysis of EDP tables – follow-up of the October 2012 EDP reporting

Introduction

At this point, the reporting of certain transactions and outstanding issues from the October 2012 EDP reporting were discussed.

Discussion and methodological analysis

Gross fixed capital formation (P.51)

Eurostat enquired about the systematic and, in some years, significant revisions of P.51 reported in the EDP tables. The CZSO explained that the data are revised due to different data sources available for the April and October EDP notifications. The preliminary data in April, coming from the balance sheets or cash data of government units, are revised in October, on the basis of the data coming from the annual statistical questionnaires. As clarified by the CZSO, the introduction of the AAO would reduce the number of revisions, starting in the April 2013 EDP notification. Revisions would still be expected in case of the units not covered by the AAO.

Currency and deposits (F.2)

In the October 2012 EDP notification, the Czech statistical authorities revised the transaction in F.2 for 2011 by 0.1% of GDP, reported in the EDP table 3B. The revision was explained by a double recording of currency and deposits in public accounts, which concerned the specific analytical accounts of a purely technical character and did not constitute real deposits. Based on further information from the MoF, the CZSO eliminated the specific accounts from the transaction in F.2.. Since the adjustment relating to the elimination of the analytical accounts requires detailed information from the MoF, this would be provided to the CZSO on regular basis. The Czech statistical authorities confirmed that the issue of double recording of the analytical accounts was not relevant for local government.

With reference to the note provided prior the visit, Eurostat asked about the reasons of differences in F.2 transactions for 2010-2011, when compiled from administrative data sources and money and banking statistics. It was concluded that the Czech authorities would send a note, clarifying the issue and indicating the possible reasons.

Trade credits (AF.71) reported in the EDP table 4

In July 2012, a new Eurostat decision on the statistical recording of some operations related to trade credits incurred by government units, was published. In this respect, Eurostat enquired

about the existence of these operations in general government. According to the CZSO, existing data sources did not allow to distinguish such transactions in trade credits. Due to higher level of aggregation of the data for other accounts receivable/payable in public accounts, mainly significant transactions in F.71 could be examined in detail. Eurostat also asked the CNB about the information on factoring operations available from money and banking statistics.

Findings and conclusions

5. The Czech statistical authorities will send a note explaining the reasons for differences in data on currency and deposits between the money and banking statistics and the administrative data sources for 2010 and 2011. *Deadline: end of January 2013*⁷
6. The CNB will send to the CZSO and to Eurostat a note specifying whether factoring operations involving trade credits are reported in money and banking statistics. Eurostat expected that the decision on statistical recording of trade credits would be implemented in the April 2013 EDP reporting. *Deadline for sending the note: end of January 2013*⁸

4. Methodological issues and recording of specific government transactions

4.1. Delimitation of general government

4.1.1 Practical implementation of the market/non-market test

Introduction

The CZSO is the main authority responsible for the sector classification of units and for maintaining of the Register of economic entities (RES). In the latest EDP mission in 2011, Eurostat took note that the 50% test for sector classification of units had not been carried out on regular basis. During this EDP mission, the issue was further followed up. By the end of 2012, Member States were required to send to Eurostat on a compulsory basis the Questionnaire on government controlled units classified outside general government. The availability of sources for the questionnaire and related compilation issues were also examined. Under this agenda item, a reporting of the claim held by CPP Transgas in government accounts was also discussed.

Discussion and methodological analysis

Eurostat asked about any possible constraints concerning the transmission of the Questionnaire on government controlled entities classified outside general government by the end of 2012. The CZSO confirmed that the questionnaire would be sent at the required deadline and that the Register of economic entities would be used as the main data source.

⁷ This action point was completed on 31 January 2013.

⁸ This action point was completed on 31 January 2013.

Following the conclusions of the EDP dialogue visit in 2011, Eurostat enquired whether the 50% test for sector classification of units was undertaken on regular basis. The CZSO confirmed that the semibugetary organizations and non-financial corporations were now tested every year according to ESA95 rules. Furthermore, new ESA2010 criteria for sector classification were in parallel applied for the government units. There was a plan to apply the ESA2010 rules also for nonfinancial corporations in the future. Upon the Eurostat question on the size of the revision related to the implementation of new ESA2010 rules, the CZSO mentioned that no significant revisions were expected in this respect.

Concerning hospitals, the Czech statistical authorities confirmed that the 50% test was undertaken on a regular basis. Since the results of the market/non-market test were close to 100%, the hospitals were treated as market units, classified outside the general government.

CPP Transgas

The issue was discussed for the first time in the EDP dialogue visit in 2011. CPP Transgas is a public corporation, 100% owned by the Czech government. Until 2009, the public corporation was classified in the nonfinancial corporations sector and a claim of government against CPP Transgas was reported in the EDP Questionnaire table 8. The claim (4566 million CZK) has existed since before 1990 and relates to the construction of gas facilities by the former USSR in the former Czechoslovak Republic. At the same time, CPP Transgas keeps in its books a claim of the same amount 4566 million CZK against Ukraine and Kazakhstan. Following conclusions of the 2011 mission, the Czech statistical authorities reclassified CPP Transgas into the general government sector since 2010. Accordingly, in the EDP Questionnaire table 8 the government claim was removed from the “claims against public corporations” via other changes in volume.

Upon the Eurostat enquiry, the Czech statistical authorities confirmed that the government claim on CPP Transgas still existed and was not shown in the EDP Questionnaire table 8 due to consolidation. Concerning the related claim of CPP Transgas against Ukraine and Kazakhstan, the Czech authorities confirmed that the claim was still recorded in the books of the public corporation. However, it was not reported in the EDP Questionnaire table 8 since the reclassification of the corporation in 2010. In this respect, Eurostat requested the CZSO to report the claim of CPP Transgas as “foreign claims of central government” in the table 8. It was also concluded that the Czech statistical authorities would examine the recoverability of the claim on regular basis.

Findings and conclusions

7. Eurostat welcomed the forthcoming transmission of the questionnaire on government controlled entities classified outside government and took note that the 50% test is now conducted on an annual basis. *Deadline for sending the questionnaire: end of December 2012*⁹
8. The CZSO will amend Table 8¹⁰ of the Questionnaire relating to the EDP notification in order to record the claim held by CPP Transgas as foreign claims of central government. The Czech statistical authorities will regularly check the

⁹ This action point was completed on 31 December 2012.

¹⁰ Central government claims, debt cancellation

accounts of CPP Transgas in order to provide a follow up of these foreign claims.
*Deadline: April 2013 EDP notification*¹¹

4.1.2 Classification of semi-budgetary organizations, government controlled entities and non-profit institutions

Introduction

Under this agenda item, a follow up of the UDV action point 13¹² relating to the “government control” test was discussed. Furthermore, the UDV action point 14¹³ relating to the test procedure for non-profit institutions (NPIs) was recalled.

Discussion and methodological analysis

As clarified by the CZSO, a new unit is classified into its sector according to the preliminary information provided in a specific questionnaire. Until receiving financial data from statistical surveys, the sector classification of the unit is mainly based on the legal form, kind of activity, ownership of government, etc. In case of joint stock companies, data on ownership are collected by a private company, Cekia, and are used for applying the government control test. Upon the Eurostat enquiry, the CZSO admitted that there could be cases of units with less than 50% of government ownership, however, still controlled by the government. According to the CZSO, data on government participation are not yet available for such units. It was concluded to keep the UDV action point 13, focusing on application the government control test for the biggest companies with the government ownership under 50%.

With reference to the UDV action point 14, Eurostat asked about progress in establishing the government control test procedure for the NPIs classified in S.15. The CZSO explained that due to the large number of small entities, exhaustive data for NPIs were not available. The market/non-market test was undertaken on the results of sample surveys, launched every 5 years for a specific group of NPIs. Prior to the visit, the Czech statistical authorities provided a note on the criteria which are used for the sector classification of the new NPIs.

Findings and conclusions

9. Eurostat maintained action point 13 of the UDV in relation to the control criteria of large companies with government ownership less than 50%. The threshold for large companies should be proposed by the CZSO¹⁴.

¹¹ The action point was completed in the April 2013 EDP notification.

¹² Action point 13: CZSO will provide Eurostat, by the end of 2012, with a report on the preparation of the procedure to establish an exhaustive register of government controlled units.

¹³ Action point 14: CZSO will provide Eurostat, by the end of 2012, with a report on the test procedure for NPIs.

¹⁴ The reply to the action point 13 was sent on 14 December 2012. The completion of the action point will be further followed up.

4.2 Implementation of accrual principle

4.2.1. Accrual taxes and social contributions

Introduction

The issue of regular and significant revisions of tax receivables has been raised during earlier EDP dialogue visits. Following a request of Eurostat in the latest EDP mission in 2011, the Czech statistical authorities provided a simulation for estimates of final settlements of income taxes using additional data. In February 2012, based on the provided data, Eurostat recommended to the Czech national authorities:

- In the April EDP reporting, for the estimate of corporate income taxes (CIT), to use a method taking into account the actual accrual CIT for the previous year, extrapolated by a growth coefficient of an "added value" indicator for nonfinancial corporations and a "change in profit" indicator for financial corporations.
- In the October EDP reporting, for CIT and personal income taxes (PIT), to follow a method of the shifting of final settlement data for January till August into the related period and the using cash data for September - December in the calculation.

Discussion and methodological analysis

The Czech statistical authorities confirmed that the methods described above were used in the previous two EDP notifications. Since the differences between the actual accrual CIT and the estimated CIT varied a lot between the years in the simulation, it was concluded that the reliability of the method used in the April EDP notification would be monitored.

4.2.2. Accrued interest, consolidated interest

Introduction

Interest is recorded on an accrual basis for central government and social security funds. During the latest mission in 2011, Eurostat was informed about the plan to provide accrual data on interest for local government in 2013.

Discussion and methodological analysis

The Czech statistical authorities confirmed the information. The data on accrual interest for local government as a part of the AAO would be reported in the April 2013 EDP notification for 2012 data. Upon the Eurostat enquiry, the Czech statistical authorities clarified that the accrual interest expenditure for state debt was calculated by instrument.

Findings and conclusions

10. Eurostat took note that the interest expenditure for local government would be recorded on an accrual basis in the next EDP reporting. *Deadline: April 2013 EDP notification*¹⁵

4.2.3. EU flows

Introduction

In the note provided prior the visit, the CZSO described the method for recording of EU flows used in national accounts. Since the EU grants are allocated via the National Fund, being a part of the working balance, all the revenues and expenditures labelled as EU flows, are excluded in the first step. Accordingly, only the flows relating to the government units as final beneficiaries are added back to total revenues and total expenditures. A difference between the revenues and expenditures labelled as EU flows, is recorded as other accounts receivable/payable related to the EU flows.

Discussion and methodological analysis

Eurostat enquired about possible cases of financial corrections or suspended payments from the European Commission, as it had been previously recognized in a few Member States. The MoF representative mentioned that it was the case of four operational programmes. In 2012, the Commission decided on a financial correction of the payments for pre-financing of the expenditures which were carried out by the State Budget in the same year. The amount of the corrections of around 11.2 bn CZK would be deducted from the future requests for the reimbursement to the Commission and would be considered as national public expenditure, without a following compensation from the EU. The MoF representative also explained that the official letter of DG REGIO notifying the decision on the correction had already been sent to the Czech authorities. According to the available information, it was expected by the MoF that the Czech authorities would accept the financial corrections proposed by the Commission in its letter sent in 2012.

Findings and conclusions

11. Eurostat took note that the European Commission has suspended the reimbursement of some structural funds amounting to around 11.2 bn CZK. According to the available information, the amount should be recorded in national accounts as government expenditure, D.9, compensated by a reduction in other accounts receivable, F.7, in 2012.

4.2.4 Military equipment

Introduction

In the EDP related questionnaire, the CZSO report a lease contract for aircrafts (Gripens) which was recorded as a financial lease in 2005. The related annual instalments (planned until

¹⁵ The action point was completed in the April 2013 EDP notification.

2015) are included in the working balance as expenditure and eliminated in other adjustments in EDP table 2A.

In 2009 and 2010, cash advances for the acquisition of armoured wheel transporters (Pandur) were paid. The impact of cash prepayments included in the working balance and not followed by a delivery was eliminated through the item "Excluding of prepayment from expenditures" in the EDP table 2A. In 2011 the equipment was delivered and financed by both cash and advances.

Discussion and methodological analysis

The Czech national authorities confirmed the information mentioned above and notified Eurostat that the subsequent delivery of the armoured wheel transporters is expected to occur also in the next year.

Findings and conclusions

12. Eurostat took note of the way of recording of the military equipment in the EDP tables and related questionnaire.

4.2.5 Time of recording of other transactions

Introduction

Under this agenda point, the recording of subsidies in national accounts was discussed. In the October 2012 EDP notification, the Czech statistical authorities revised B.9 for 2011 due to a methodological change. In particular, the revision in the amount of 2925 million CZK referred to "payables from unpaid subsidies to non-government units".

Discussion and methodological analysis

The CZSO clarified that the payables were never included in the balance sheet of the State Budget (the Ministry of Industry and Trade), neither in April 2012 nor in October 2012. Information about the payable of the Ministry was, however, obtained from the additional source (Final State Account) in April 2012. Accrual recording of the payables related to unpaid subsidies in the balance sheet was implemented with a new accounting system in 2010. The CZSO explained that the subsidies paid by budgetary organizations are recorded in national accounts on a cash basis, since the balance sheet item referring to the payables from unpaid subsidies did not allow identifying a counterpart unit. Information about the counterpart of the payables from unpaid subsidies is available to the CZSO only exceptionally, mostly in the case of significant amounts.

4.3. Recording of specific government transactions

4.3.1 Guarantees

Introduction

The Czech statistical authorities sent prior to the mission, data on the stock of guarantees assumed by government and a list of guarantee calls for the period 2008-2011. Following the prudent approach, the CZSO record in national accounts a capital transfer for the whole

amount of the guarantee at the time of the cash call and the relating debt is recorded as being assumed by government. During the latest mission in May 2011, the Czech statistical authorities informed Eurostat about a planned tender for environmental guarantees which was aimed to choose a private company to remove the remaining environmental damages in particular localities.

Discussion and methodological analysis

The Czech statistical authorities confirmed the way of recording and explained that, based on the approach described above, every repeated call is recorded as a debt repayment. The Czech statistical authorities indicated no available data on guarantees for local government. Nevertheless, Eurostat requested to report the data which were found available during the UDV mission in May 2012. In particular, it concerned the guarantees provided by the capital city of Prague and the Central Bohemian Region.

As regards the environmental guarantees, the CZSO record in the national accounts a capital transfer payable by government at the time when the payment for incurred damage is approved, i. e. every year. The Czech statistical authorities stated that bids for the tender on environmental damages had been submitted, however, finally the tender was cancelled.

In respect to export insurance guarantees, the Czech authorities clarified that the amount of the state guarantee is stipulated by the law as a maximum limit of insurance capacity for every year. The guarantee has not been called yet.

Findings and conclusions

13. The CZSO will include the data on guarantees available for some local government units (capital city of Prague and Central Bohemian Region) into the next EDP reporting. *Deadline: April 2013 EDP notification*¹⁶

4.3.2 Debt assumptions, debt cancellations and debt write-offs and foreign claims

Introduction

In the note provided before the mission, the CZSO confirmed that no debt assumptions were recorded for general government since 2004. The Czech statistical authorities also provided a list of debt cancellations for the period 2008-2011, which mostly referred to foreign claims and debt cancellations within general government. Debt write-off operations in central government were considered as negligible and recorded as other changes in volume of assets in national accounts.

Discussion and methodological analysis

Eurostat did not raise any particular issue.

4.3.3 Capital injections in public corporations, dividends, privatisation

Capital injections in public corporations

¹⁶ The action point was completed in the April 2013 EDP notification.

Introduction

Following the prudent approach, the CZSO record the capital injections provided to public corporations as nonfinancial transactions. At the local government level, there is a lack of information about capital injections.

Discussion and methodological analysis

Upon the Eurostat question on the capital injections provided to national development banks, CZSO indicated no transactions in this respect. As far as the data for the local government units were concerned, the CZSO confirmed that no data were available for capital injections and final beneficiaries. The situation should improve in the April 2013 EDP notification, when the first data coming from the AAO would be reported, including the counterpart information. Concerning the units not covered by the AAO, the CZSO indicated a possibility to examine the individual data for the most significant amounts of the capital injections.

Dividends

Introduction

The Czech statistical authorities report detailed data on dividends for central government in the EDP related questionnaire. The predominant part of the dividends came from a public company CEZ, a. s. No super dividends were reported for general government in the period 2008-2011.

Discussion and methodological analysis

The Czech statistical authorities undertake a test for super dividends only for central government units. Data for local government level were expected to be available in April 2013. The CZSO confirmed that no super dividends occurred in central government and the issue of interim dividends would be further analysed.

Privatisation

Introduction

The Czech statistical authorities provide detailed information about privatisation receipts in the EDP related questionnaire. In the last three years, no significant transactions were reported for the general government.

Discussion and methodological analysis

The Czech statistical authorities confirmed this information.

4.3.4 Public private partnerships (PPP)

Introduction

According to the note provided prior to this visit, there are few PPP projects at central government level under revision and one ongoing PPP project at local government level.

Discussion and methodological analysis

The Czech statistical authorities confirmed that the project for the construction of a new municipal transport base in Pilsen was concluded in May 2012. According to the preliminary view, it should be recorded on balance sheet of government, impacting the government deficit and debt. Eurostat asked the Czech statistical authorities to provide more information about the project.

Concerning the data availability for government subsectors, the MoF explained that the projects undertaken by the central government units have to be approved by the government. Until now, three of them had also been submitted to the CZSO for examination. For the PPP projects of local government units, the obligation to submit the projects for government approval does not exist, and an alternative source of information has to be used. There is a gentlemen agreement between the CZSO and the MoF that the projects with a value under 0.5 bn CZK would not be submitted to the CZSO. The CZSO also mentioned a questionnaire, providing a complete set of information for the purposes of a risk assessment.

Based on the information provided in the note, Eurostat requested a clarification on the concessions in local government. According to the MoF, the projects mostly concerned the water sector and did not imply the acquisition of assets.

Findings and conclusions

14. The Czech statistical authorities will send to Eurostat the PPP contract for the construction of a new municipal transport base in Pilsen. The contract should be accompanied by a CZSO opinion on the recording of related operations in national accounts. *Deadline: end of January 2013*¹⁷

4.3.5 Derivatives: Swap cancellations, Off-market swaps, Options

Introduction

Financial derivatives are mostly used by the MoF and a few government units classified in central government, namely the Railway Infrastructure Administration and the Support and Guarantee Agricultural and Forestry Fund. At the local government level, mainly interest rate swaps are used. Social security funds do not report operations related to the financial derivatives.

Discussion and methodological analysis

Upon the Eurostat enquiry about the existence of the off-market swaps and swap cancellations, the Czech MoF confirmed that no such operations had been undertaken by the MoF in the past. Concerning the local government units, only partial information is available, mostly for the biggest municipalities.

¹⁷ The action point was completed on 31 January 2013 and on 25 April 2013.

Findings and conclusions

15. The Czech statistical authorities will conduct a survey on the existence of off-market swaps and cancellation of swaps in the municipalities of Prague, Brno and Ostrava and will report the results to Eurostat. *Deadline: April 2013 EDP notification*¹⁸

4.3.6 Other: notably Sale and lease back operations, Securitisations, UMTS, Carbon trading rights

Sale and lease back operations

Introduction

The Czech statistical authorities report no available information about the sale and leaseback operations for the general government in the EDP related questionnaire. In 2012 the CZSO undertook some steps in order to obtain the relevant information.

Discussion and methodological analysis

The CZSO informed Eurostat that in 2012 the relevant data on the sale and leaseback operations were surveyed via the annual questionnaire for the government units. Based on the results, no operations were reported for 2011. There is also an intention of the CZSO to integrate the data collection into the new AAO. The CZSO informed Eurostat about the particular case of the sale and leaseback operation undertaken by a central government unit, the Railway Infrastructure Administration, in 2012. The related transactions involving negligible amounts would be reported in the April 2013 EDP notification.

Securitisations

Introduction

According to the note provided prior the EDP visit, the MoF and the CNB report no occurrence of securitisation operations, nor new UMTS licences. Information about the securitisation operations at the local government level is not available.

Carbon trading rights

Introduction

As explained in the note provided by the CZSO before the EDP dialogue visit, the Czech Republic received both the emission trading permits under the Kyoto Protocol (AAUs) and the European Union Allowances (EUAs). In the Czech government accounts, operations related to the emission permits have been recorded since 2008.

Discussion and methodological analysis

In the Czech government accounts, the emission trading permits were recorded as a stock of non-produced nonfinancial assets (AN.2), occurred via an economic appearance of non-produced nonfinancial assets (K.3). The permits issued and assigned by government to

¹⁸ The action point was completed on 15 March 2013.

producers for free, were recorded as a capital transfer (D.9) and as acquisitions less disposals of non-produced nonfinancial assets (-K.2). A sale of the emission permits was recorded as revenue.

Regarding the valuation, the CZSO used data on the average market price which was based on transactions in permits in the BlueNext spot market. The data were delivered to the CZSO by the Energy Regulatory Office. The changes in valuation were reflected in a revaluation account.

Stemming from the explanation provided by the CZSO, Eurostat found the existing recording of the emission permits in the Czech national accounts inappropriate. In particular, it was underlined that the emission permits issued for free did not imply the recording of capital transfer.

Findings and conclusions

16. Eurostat will send a note to the CZSO specifying the reasons why the current recording of emission permits does not seem to be in line with the newly established rules. *Deadline: end of January 2013*¹⁹.

4.3.7 Government operations relating to the financial crisis

Introduction

In the context of financial stability measures, the CNB provided a loan to the IMF for amount of 1.03 bn EUR in 2010, with a guarantee of the Czech government. In 2012, the government approved a guarantee for the full amount of the second loan, to be provided by the CNB to the IMF. The loan amounted to 1.5 bn EUR and has not yet been drawn.

Discussion and methodological analysis

The Czech statistical authorities explained that the CNB required a guarantee of the Czech government for the loan which was aimed to increase a rescue fund of the IMF. According to the CNB representative, the MoF acted as the financial agent for the operations with the IMF, which would be now arranged in a different way. Eurostat mentioned a possibility to reroute the transaction via government accounts. Since there was some uncertainty about the occurrence of similar agreements in other Member States, Eurostat asked the CNB to provide a note with details of the loan.

Findings and conclusions

17. The Czech statistical authorities will send a note explaining the details of a loan provided by the CNB to the IMF, with a guarantee of the Government. The note should clarify the nature of the operations, whether they are bilateral or multilateral, amounts involved, and whether the operations need to be rerouted through government accounts. If it appears to be multilateral, Eurostat will inquire with the

¹⁹ The action point was completed on 29 January 2013.

other Member States on the treatment of the transactions to agree on a consistent recording and will report back to the CZSO. *Deadline: 15 December 2012*²⁰.

4.3.8 Ex-ante advice: restitution of confiscated property to churches and religious organisations, private health insurance companies

Introduction

Since many years, the Czech government intended to compensate churches and religious organisations for the property confiscated in the past. Upon the CZSO requests, Eurostat provided a preliminary advice on the statistical recording of the related transactions in 2008 and again in 2011, based on the updated information from the CZSO. In November 2012, the Czech Parliament finally approved the legal act which was supposed to come into force in January 2013.

Discussion and methodological analysis

According to the explanation provided by the Czech statistical authorities, claims of the churches and religious organisations would be settled in cash (59 bn CZK) and in kind (land and real estate for an amount of around 75 bn CZK). The financial compensation paid in 30 annual instalments should be recorded as one-off expenditure, D.9 payable by government, and incurrence in government liabilities (F.7 payable). The effect of inflation, increasing each annual payment, would be recorded as interest payable by government (D.41) in 30 years. The restitution in kind would imply the recording of a capital transfer in kind (D.9) and negative capital formation (P.5) or other changes in volume of assets, without the impact on government deficit.

The Czech statistical authorities clarified that the settlement in the form of financial assets, described in the 2011 request for advice, would not be considered in the new legal act. The CZSO informed about the planned questionnaire which should be launched in cooperation with the Ministry of Culture in order to obtain the relevant information about the property to be restituted.

Findings and conclusions

18. The Czech statistical authorities will send to Eurostat a note describing the details of the foreseen restitution of confiscated property to churches and religious organisations and confirm the recording of these operations in national accounts, in line with the Eurostat advice of 14 December 2011. *Deadline: end of January 2013*²¹

5. Pension reform

Introduction

In November 2012, the Czech Parliament approved a new act, introducing a new fully funded

²⁰ The action point was completed on 14 December 2012.

²¹ The action point was completed on 31 January 2013.

pension scheme. Since 2013, the Czech pension system consists of three pillars – the first public pillar (PAYGO), the new fully funded pillar (opt-out) and the third pillar for the voluntary pension insurance. In this context, the main features of the pension reform and an estimated impact on government accounts were discussed.

Discussion and methodological analysis

The Czech MoF clarified that the new fully funded pillar is intended for the people aged between 18-35 years. Participation to the fully funded pillar is voluntary, however, it becomes mandatory after the decision on entering. In the first six months of 2013, the new fully funded pillar remains open for the eligible population. After this deadline, only people below 35 years of age can join. Under the current conditions set up for the fully funded pillar, 3% of social contributions paid by participants are diverted out of the first pillar to the private pension funds, provided that the participant would contribute by additional 2% of private savings. The MoF indicated that the expected participation of the eligible population would be around 10%. Consequently, this would reduce the government revenues by approximately 45 bn CZK in the coming 3 years (6 bn CZK in 2013, 19.3 bn CZK in 2014 and up to 20 bn CZK in 2015)²².

Eurostat enquired about the eligibility of the Czech pension reform to the specific feature of the systemic pension reforms, as defined by the Council Regulation No. 1177/2011. In this respect, the Council and the Commission shall give due consideration to the implementation of pension reforms introducing a multi-pillar system that includes a mandatory, fully funded pillar and the net cost of the publicly managed scheme. DG ECFIN representative noted that, based on the preliminary discussions, the Czech pension reform did not qualify as the systemic pension reform, at least with regard to the requirement of the mandatory participation and the broad coverage. The Czech statistical authorities were not immediately in a position to comment on the eligibility of the pension reform.

Findings and conclusions

19. Eurostat will send a note to the CZSO, analysing the eligibility of the pension reform, which has been recently approved by the Czech Parliament, to the special feature of the EDP on systemic pension reforms. *Deadline: end of January 2013*²³

6. Other issues

Introduction

Eurostat enquired about the measures taken by the Czech statistical authorities in order to implement ESA 2010 methodology in the Czech national accounts.

Discussion and methodological analysis

The CZSO confirmed that the implementation of ESA 2010 is a priority task. In this respect, a working group of senior experts from the national statistical authorities was established to

²² According to the updated information from the Czech Convergence Programme, the impact of the pension reform would be 6.1 bn CZK in 2013, 7.1 bn CZK in 2014, 7.9 bn CZK in 2015 and 7.9 bn CZK in 2016.

²³ The action point was completed on 31 January 2013.

deal with the methodological proposals and their implications on the Czech reporting system. Eurostat informed about several forthcoming initiatives that related to the ESA 2010 implementation, in particular the Task Force on the updating of the MGDD and the Seminar on the introduction of ESA 2010.

Annex I: List of participants

François Lequiller	Eurostat
Lena Frej Ohlsson	Eurostat
Luca Ascoli	Eurostat
Daniela Ilavská	Eurostat
Juraj Húšťava	Eurostat
Milan Lisický	DG ECFIN
Robert Gadsby	ECB
Marek Rojíček	Czech Statistical Office
Jan Heller	Czech Statistical Office
Ludmila Vebrová	Czech Statistical Office
Václav Rybáček	Czech Statistical Office
Veronika Šťastná	Czech Statistical Office
Marie Trejbalová	Czech Statistical Office
Marie Laštovková	Czech Statistical Office
Alena Tokošová	Czech Statistical Office
Antonín Buš	Czech Statistical Office
Jana Koderová	Czech Statistical Office
Ilona Ptáčková	Czech Statistical Office
Marie Frýdmanová	Ministry of Finance
Dagmar Pavlová	Ministry of Finance
Lubomír Chaloupka	Ministry of Finance
Petr Hovorka	Ministry of Finance
Tereza Havelková	Ministry of Finance
Vojtěch Čížík	Ministry of Finance
Tomáš Joch	Ministry of Finance
Martin Cícha	Ministry of Finance
Michael Rech	Ministry of Finance
Pavel Křeček	Ministry of Finance
Petr Kusý	Ministry of Finance
David Bauer	Ministry of Finance
Michal Svoboda	Ministry of Finance
Tomáš Jindřich	
Michal Týfa	Ministry of Finance
Jan Hloušek	Ministry of Finance
Miroslav Polach	Ministry of Finance
Ivan Matalík	Czech National Bank
Milan Belloň	Czech National Bank
Jaroslav Kochaniček	Czech National Bank

Annex II: Main conclusions and recommendations from the EDP upstream visit to the Czech Republic in 2012



EUROPEAN COMMISSION
EUROSTAT

Directorate D: Government Finance Statistics (GFS)
Unit D.4: GFS Quality Management and Government Accounting



Restricted

Luxembourg, 28.8.2012

EDP upstream dialogue visit to the Czech Republic 22 - 24 May 2012 Main conclusions and recommendations – *Final*

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 Article 8 of Regulation (EC) 479/2009 as amended by Regulation (EU) 679/2010. Another point of interest was to review the Czech Statistical Office's (CZSO) ability to utilise its powers under Article 16 of Regulation (EC) 479/2009 as amended.

I. General statements

Eurostat staff visited the Czech Republic 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 which includes mechanisms to ensure the high quality of statistical indicators, especially for statistics related to EDP. The aim of this visit was to gather information on the accounting, auditing, control and reporting systems in place and to assess the strengths and weaknesses of those systems.

Eurostat, in coordination with the CZSO, reviewed practices regarding the management and control of the flows of public finance data from public entities to the CZSO which are used to compile the ESA deficit and debt, as well as government accounting practices in place.

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

II. Main conclusions and recommendations

By reference to the 2006 Code of Practice (CoP) Peer Review, the Czech Statistical Office (CZSO) is acting on the basis of a solid national legislation which also gives a strong legal mandate for GFS/EDP data collection and compilation.

1. Governance

Cooperation with key players: Ministry of Finance (MoF) and the Czech National Bank (CNB)

While cooperation arrangements with the CNB concerning GFS/EDP are formalised in a specific cooperation agreement between CZSO and the CNB, cooperation with the MoF is based on a general cooperation agreement between the two institutions without any specific reference to GFS/EDP. Furthermore, CZSO explained that the MoF is not a State Statistical Service in the sense of the Czech Statistical Law, and hence it is not a member of the Czech statistical system. Eurostat recommends that the CZSO launches a reflection in order to establish a working platform that formalises and integrates cooperation on GFS/EDP Statistics between CZSO, MoF and CNB under the leadership of CZSO. The platform should also integrate the existing GFS working group which for the time being operates without a clear basis or remit. The platform should be given a clear remit, a clear allocation of tasks and responsibilities among the member institutions, and decision making procedures which are based on documented rules of procedure that ensure the leadership of the CZSO on GFS/EDP methodology and compilation issues, including quarterly GFS data for EDP purposes. The new set-up should ensure that the supply and compilation chains comply with legal statistical requirements, in particular those of Regulation (EC) No 223/2009, the European Statistics CoP and Regulation (EC) No 479/2009 as amended.

Cooperation with other key players

Eurostat recommends that the CZSO establishes formal cooperation arrangements with the Ministry of the Interior (MoI) and the Ministry of Education, Youth and Sports (MoEYS) as these institutions make a significant contribution to updating the business register, the classification of economic entities as government controlled entities and the supply of upstream data from those entities.

Cooperation with upstream providers

Eurostat recommends that, instead of the CZSO establishing its own network of statistical correspondents, the MoF gives CZSO direct access to the network of correspondents they have established in entities reporting data to the new Central System of Accounting Information of the State (CSUIS). This is in line with both the Czech Statistical Law and Art 16 of Regulation (EC) 479/2009. The CZSO will thus receive quick feedback on clarification issues and access to additional ad-hoc information when and where it is needed.

Action point 1: By the end of 2012 the CZSO reports to Eurostat on the concrete progress achieved with respect to the implementation of the three recommendations formulated above (working platform for cooperation between CZSO, MoF and CNB, cooperation with other key players, access to the network of correspondents).

2. Domain specific quality management, risk assessment, design and organisation of GFS processes

The GFS compilation processes inside CZSO are, to a large extent, manual, fragmented and not sufficiently documented. Eurostat also noted the lack of quality management, risk assessment and internal control functions, and business continuity plans, at office level. The quality reviews referred to in the peer review report 2006 carried out in the context of the CoP seemed to have been of an ad-hoc nature and did not cover GFS/EDP activities. Eurostat therefore recommends devising a domain specific system of process level documentation and documentation control for GFS. This system should be combined with a GFS-specific business continuity plan taking into account risk assessment considerations.

Action point 2: By the end of 2012, the CZSO reports to Eurostat on the concrete progress achieved with respect to the devising of a domain-specific system of process level documentation and documentation control for GFS.

3. Resources and capacity issues

The level of staffing assigned to GFS and more particularly, EDP Statistics (5 experts in the CZSO and 3 experts in the MoF) seems sufficient to cope with current GFS requirements. In the absence of a systematic approach to in-house GFS staff training, Eurostat recommends that CZSO designs and implements a formalised and structured approach to GFS training, tailored to the individual needs of GFS staff, taking into consideration staff mobility and business continuity issues.

Action point 3: By the end of 2012, the CZSO reports to Eurostat on the concrete progress achieved with respect to the implementation of a formalised and structured approach to GFS training, tailored to the individual needs of GFS staff.

4. New Public Sector Accounting System (Central System of Accounting Information of the State)

Eurostat welcomes the development and effective implementation by the Czech authorities, the MoF in particular, of an accruals-based public sector accounting system achieved within only two years. This is a very short period of time for such a challenging undertaking.

On the other hand, Eurostat notes that CZSO was involved in this project only at a late stage so that additional effort has been required for the new accounting system to meet GFS data needs.

Eurostat recommends that the integrated cooperation platform, comprising CZSO, MoF and CNB recommended above, will also need to ensure that the CZSO is consulted and involved as early as possible on issues concerning upgrade and design of or access to systems comprising administrative data, in particular public sector accounting and reporting issues.

In order to remedy the inability of the CSUIS to serve GFS needs, the Auxiliary Analytical Overview (AAO) has been designed as an additional module of the CSUIS in cooperation between the MoF and the CZSO, and which is being gradually implemented. The CZSO, in response to action point 3 of the final findings of the standard dialogue visit to the Czech Republic on 16-17 May 2011, forwarded to Eurostat a report compiled by the MoF concerning weaknesses in the new public sector accounting system and the CSUIS in particular. The AAO is planned to first deliver a comprehensive set of data for the April notification in 2013 on 2012. Eurostat therefore recommends that the report and the road map for its implementation be regularly updated in order to monitor its effective implementation.

Furthermore, Eurostat understands that the process of entering the data by upstream entities into AAO is manual and is not integrated with CSUIS. Eurostat therefore recommends that CZSO, in cooperation with MoF, assess the interconnection of CSUIS and AAO with regard to the risks that may stem from manual input of data separately to CSUIS and to AAO and consider the possibilities of upgrading the system in order to have a comprehensive and interconnected tool.

Action point 4: Eurostat is looking forward to seeing the AAO implemented for the April 2013 EDP notification and requests CZSO to send a progress report and the updated action plan by October 2012.

Furthermore, Eurostat recommends that the MoF grants CZSO online access to the 'Operative Data System' module of the CSUIS that contains relevant information on budgetary organisations, beyond that supplied by the AAO. In Eurostat's view, this seems to be possible both under the CZ Statistical Law and Art 16 of Regulation (EC) 479/2009.

Action point 5: Eurostat requests CZSO to send a progress report on the issue of the online access for CZSO to the 'Operative Data System' module of the CSUIS by October 2012.

5. Data Quality

Eurostat notes, that as a response to the problems with the quality of the data in the early implementation phase of the system, a multi-layer system of sophisticated controls has been implemented by the MoF in the CSUIS. These are basically access, authorisation, consistency and plausibility checks. However, the reliability of the basic data depends on the concrete implementation and interpretation of the public sector accounting standards and the effectiveness of the internal and external audit arrangements in place, on which the CZSO and the MoF both rely.

Eurostat understands that the public sector accounting standards, as currently implemented, may leave large scope for different interpretations and there may be significant risks concerning the reliability and comparability of the primary accounting data and the methodology of financial reporting. In this connection, the 2011 annual report of the Czech Supreme Audit Office (SAO) states the following: *"The absence of a conceptual framework and clear definition of terms thus leads to the non-uniform application of accounting regulations and, in the end, to the reporting of incomparable information and to the impossibility to assess the reported balances of certain accounts or even the reliability of the financial statements as a whole"*.

Eurostat recommends that the CZSO, in cooperation with the MoF in its capacity as the standards setter for public sector accounting, establish an independent assessment of the situation concerning the reliability and comparability of the source data. This assessment will enable the standards setter to take effective corrective action where necessary, and taking into account the views of CZSO.

Action point 6: By June 2013, the CZSO reports to Eurostat results of the assessment of reliability and comparability of the source data and about suggested actions.

In this context Eurostat recommends a formal, closer and systematic cooperation between the CZSO and the SAO. In a first stage, and as a result of this cooperation, the CZSO should be in a position to refocus its data control activities on higher risk data.

Action point 7: Eurostat requests CZSO to send a progress report on cooperation between the CZSO and the SAO and an action plan by October 2013.

Eurostat also recommends that the CZSO invests more effort into analysing the full potential of the CSUIS regarding data availability where, for instance, off-balance information on some specific government transactions (e.g. guarantees) may already be available.

Action point 8: Eurostat requests the CZSO to report, by October 2012, on currently missing data that can be drawn from the CSUIS and Operative Data System module of the CSUIS.

Eurostat also recommends that the CZSO, in cooperation with the MoF, communicate in a more targeted and systematic way the purpose and the benefits of the new public sector accounting system and the CSUIS both to users and upstream suppliers. The combination of targeted communication actions with further effort on training upstream suppliers and system users should improve the acceptance of the new system and the quality of the upstream data that are uploaded to the system.

Action point 9: Eurostat requests the CZSO to report, by the end of 2012, on the actions taken with a view to implementing additional communication and training actions targeted to CSUIS users and upstream providers.

6. Data supply and data supply chain

In its recent Eurostat standard dialogue visit to the Czech Republic (16-17 May 2011), Eurostat made the following statement (quoted from the standard dialogue visit report): "With respect to specific government transactions Eurostat took note of the existing practice of recording these operations at the central government level, while the unavailability of data at the local government level was rather preoccupying". The AAO, which is meant to remedy this weakness, is planning to deliver a comprehensive set of 2012 data in 2013 and achieve in full its planned coverage, i.e. municipalities from 1000 inhabitants and above, in 2014.

Eurostat therefore recommends that the planned cut-off threshold be achieved as currently planned and invites the CZSO to have carried out, by then, a reflection targeted to the representative coverage of municipalities taking into account the necessary reliability of EDP statistics on one hand and the need to avoid unnecessary burden on respondents on the other.

Action point 10: Eurostat is looking forward to seeing the planned coverage of municipalities and other entities at local government level by the end of 2014 and requests the CZSO to send a progress report on implementation by October 2013.

In the context of documenting and potentially redesigning GFS processes inside CZSO, Eurostat also recommends the integration of the supply chain of upstream data provided by government controlled entities, universities, research institutes and infrastructure agencies classified within the General Government sector, as well as of social security entities in the CSUIS.

Action point 11: Eurostat invites CZSO to provide a migration plan by October 2013 regarding the possibility of including additional entities to the data collection via CSUIS.

Eurostat notes that accounting data from municipalities and their supervised entities supplied to CSUIS are channelled by the correspondents of the MoF at regional level either directly by electronic means or indirectly via regions that give a final authorisation.

Eurostat reserves its position with respect to this practice until scope, content and responsibilities derived from the authorisation procedure have been clarified and sufficiently documented. The CZSO should be informed about the scope and outcome of such authorisation.

Action point 12: Eurostat invites CZSO to provide, by the end of 2012, the necessary documentation regarding the scope and outcome of the authorisation performed by regions.

7. Register of government controlled units

Information on government controlled units in Member States is a necessary input for EDP and other monitoring purposes, and crucial for the delineation of the general government sector.

Eurostat welcomes the systematic approach and the level of investment exerted by the CZSO for ensuring the exhaustiveness and up-to-dateness of its business register (register of economic entities - RES). However, Eurostat recommends that the documentation regarding the classification of institutional units needs to be formalised and recommends that the change management to the register be documented.

Eurostat stresses the importance that the so-called questionnaire of government controlled units, recently circulated by Eurostat (questionnaire on public corporations), be fed directly with relevant information contained in the business register.

As regards the operation of the 'government control' test for entities to qualify as government controlled units, Eurostat notes that basically the test is exclusively based on government ownership (of more than 50%).

While acknowledging the practical difficulties of such an operation, Eurostat recommends that CZSO devise a procedure for the government control test that complies with ESA95 requirements potentially based on materiality considerations.

Action point 13: CZSO will provide Eurostat, by the end of 2012, with a report on the preparation of the procedure to establish an exhaustive register of government controlled units.

As regards the non-profit institutions (NPIs), Eurostat recommends that for those entities classified under S.15 as non-profit institutions serving households, the CZSO devise a test procedure which ensures that NPIs are neither controlled nor financed by government, in line with ESA95.

Action point 14: CZSO will provide Eurostat, by the end of 2012, with a report on the test procedure for NPIs.

III. Final remarks

In view of procedural arrangements within the framework of EDP dialogue visits, in accordance with article 13 of Regulation 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 is foreseen to take place later in 2012.