



2014

Annual Activity Report

Eurostat



Table of Contents

INTRODUCTION:	3
THE DG IN BRIEF	3
THE YEAR IN BRIEF	7
EXECUTIVE SUMMARY	9
KEY PERFORMANCE INDICATORS (5 MOST RELEVANT)	9
POLICY HIGHLIGHTS OF THE YEAR (EXECUTIVE SUMMARY OF PART 1)	12
KEY CONCLUSIONS ON RESOURCE MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (EXECUTIVE SUMMARY ON PART 2 AND 3)	14
INFORMATION TO THE COMMISSIONER.....	15
1. POLICY ACHIEVEMENTS	16
1.1 ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES	16
1.1.1 POLICY AREA : PRODUCTION OF EUROPEAN STATISTICS	16
1.1.2 ABB ACTIVITY 3403 : PRODUCTION OF EUROPEAN STATISTICS.....	18
1.2 EXAMPLE OF EU-ADDED VALUE AND RESULTS/IMPACTS OF PROJECTS OR PROGRAMME FINANCED	30
1.3 ECONOMY AND EFFICIENCY OF SPENDING AND NON-SPENDING ACTIVITIES.	31
1.3.1 EXAMPLE 1	32
1.3.2 EXAMPLE 2	32
2. MANAGEMENT OF RESOURCES	33
2.1 MANAGEMENT OF HUMAN AND FINANCIAL RESOURCES BY DG ESTAT	35
2.2 BUDGET IMPLEMENTATION TASKS ENTRUSTED TO OTHER DGs AND ENTITIES.	45
2.3 ASSESSMENT OF AUDIT RESULTS AND FOLLOW UP OF AUDIT RECOMMENDATIONS.....	45
2.3.1 AUDITS PERFORMED BY IAC	46
2.3.2 AUDITS PERFORMED BY IAS.....	47
2.3.3 AUDITS PERFORMED BY THE EUROPEAN COURT OF AUDITORS	47
2.3.4 IAC ANNUAL OPINION	47
3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS	49
4. MANAGEMENT ASSURANCE	52
4.1 REVIEW OF THE ELEMENTS SUPPORTING ASSURANCE	52
4.2 OVERALL CONCLUSION ON ASSURANCE AND RESERVATIONS (IF APPLICABLE)	53
DECLARATION OF ASSURANCE	54

INTRODUCTION:

The DG in brief

Eurostat is the Union's statistical authority, designated by the Commission¹ to develop, produce and disseminate European statistics, in accordance with the statistical principles set out in the Treaty on the Functioning of the European Union². As further set out in the European statistics Code of Practice, European statistics shall conform to impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality, and shall not entail excessive burden on economic operators and households.

Eurostat's mission is to be the leading provider of high quality statistics on Europe. Its activity and statistics cover the whole range of EU policies. Eurostat supports the Europe 2020 strategy for a smart, sustainable and inclusive growth with statistical indicators. These indicators cover the areas of research and development, sustainable development and social indicators notably on employment, social inclusion and education. Eurostat has responsibilities in the economic governance of the EU for the verification of public finance statistic in Excessive Deficit Procedures (EDP) and under the Macroeconomic Imbalance Procedure (MIP) including the effective enforcement of budgetary surveillance (such as investigations and fines related to misrepresentation of data)³. Eurostat is also involved in the process for own resources verification, as further described below.

The main and key partners of Eurostat at European level are the National Statistical Institutes (NSIs), and other national bodies designated by each Member State to be part of the European Statistical System (ESS). The ESS is a functional partnership steered by Eurostat⁴, which offers a cooperation platform for developing high quality and harmonised official statistics based on shared statistical standards, methods, procedures, practices and tools. Its members participate in joint actions, such as collaborative networks and centres of excellence. EFTA countries participate in those joint actions under specific agreements⁵. Under the governance of the independent European Statistical Governance Advisory Board, Eurostat organises cycles of peer-reviews for checking the implementation of the European statistics Code of Practice by the ESS members.

Eurostat works closely with other European institutions, in particular with the European Central Bank⁶. The work with the ECB is organised via the European Statistical Forum (ESF) and the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). This work with European institutions may include the provision of data, as it is the case with the European Parliament.

¹ Article 6 (1) of Regulation (EC) No 223/2009 of the European Parliament and the Council of 11 March 2009 on European statistics, OJ L 87 of 31.3.2009 and Commission Decision 2012/504/EU of 17 September 2012, OJ L 25, 18.9.2012

² Article 338 TFEU

³ Commission Delegated Decision 2012/678/EU of 29 June 2012 on investigations and fines related to the manipulation of statistics as referred to in Regulation (EU) No 1173/2011 of the European Parliament and of the Council on the effective enforcement of budgetary surveillance in the euro area, OJ L 306 of 6.11.2012.

⁴ Regulation (EC) No 223/2009 of the European Parliament and the Council of 11 March 2009 on European statistics, OJ L 87 of 31.3.2009

⁵ Agreement on the European Economic Area, in particular Protocol 30 on specific provisions on the organisation of the cooperation in the field of statistics, OJ L 1 3.1.1994; Agreement between the European Community and the Swiss Confederation on cooperation in the field of statistics, OJ L 90, 28.3.2008

⁶ Memorandum of Understanding on the cooperation between the Members of the European Statistical System and the Members of the European System of Central Banks of 24 April 2013

Eurostat also cooperates with international organisations, such as the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN Statistics Division, UNSD; UN Economic Commission for Europe, UNECE), the International Monetary Fund (IMF) and the World Bank as well as with third countries in order to facilitate the comparability of European statistics with statistics produced worldwide and support improvement of statistical systems.

As to the development, production and dissemination of statistics within the internal organisation of the Commission, the role and responsibilities of Eurostat are laid down in a specific Commission Decision⁷. The Director General of Eurostat - the chief statistician⁸ of the European Union - is in particular responsible for ensuring close cooperation with the other Commission services as regards statistical activities, and for issuing statistical press releases. In consideration of the citizen's interest, Eurostat issued 200 News Releases in 2014. Three quarters of these News Releases were euro-indicators, providing information on developments in the euro-area and EU economies. Two new euro-indicator releases were introduced during 2014, with quarterly data on the job vacancy rate and on the general government deficit. Other releases targeted major Eurostat publications or important international events. The total number of written requests addressed to Eurostat for media and institutional support reached 3000 (2900 in 2013). At the end of 2014 Eurostat's Twitter account had 48000 followers.

The definition of the EU statistical priorities is based on multi-annual statistical programmes proposed by the Commission, and adopted by the Council and the European Parliament. 2014 was the second year of the 2013-2017 European Statistical Programme⁹ pursuing the response to statistical needs and the optimisation of the statistical processes in a context of high pressure on resources.

The programme provides for financial contributions by the Union in the form of grants, and the attribution of public procurement contracts needed for the production of European statistics. Eurostat awards contracts mainly to firms specialised in statistics or informatics services and grants mainly in support to actions performed by the National Statistical Institutes and other entities designated by each Member State to produce official statistics. The budget committed in 2014 amounted to 77.2 million EUR¹⁰.

As regards the human resources used to carry out the tasks assigned, as of 31 December 2014, Eurostat has 801 staff (637 establishment posts and 164 external personnel). Eurostat has developed working methods and tools in order to apply a strategic and integrated approach to planning, combining work plan with human and financial resources. This is particularly important in order to efficiently deal with its wide range of activities, including the most strategic ones, such as for example the Gross National Income (GNI) verification work which can be described as follows:

The Directorate General of the Commission in charge of the budget (DG Budget) is the authorising service with regard to own resources. However, Eurostat is the only Commission service that is in a position to check the application of the GNI Regulation, to propose methods to ensure the exhaustiveness and comparability of national GNI data, to verify that there have been no errors in the compilation of those data and to direct the work of the GNI Committee (which annually forms an opinion on the appropriateness of Member States' GNI data for own resource purposes with respect to reliability, comparability and exhaustiveness). Since the early days of Eurostat's involvement in own resources verification, it agreed with DG Budget on the division of responsibilities between the two services, in a

⁷ Commission Decision 2012/504/EU of 17 September 2012, OJ L 25, 18.9.2012

⁸ Commission Decision 2012/504/EU of 17 September 2012, OJ L 25, 18.9.2012

⁹ COM(2011) 928 final of 21.12.2011.

¹⁰ 78.4% credits of ESP and 21.6% credits sub-delegated to Eurostat by other Directorates General).

Memorandum of Understanding which includes good practice regarding GNI reservations (which allow Member States' GNI data to be revised after a cut-off date). DG Budget has the right and duty to be associated in this work, to be involved in any initiative and in the inspections visits carried out by Eurostat and to take the relevant initiatives in the financial area relating to the verification and modifications of GNI data.

The GNI verification work is carried out via a multi-annual verification cycle based on periodic inventories sent by Member States and an annual verification of GNI questionnaires and quality reports underlying the revision of data. The main indicators used in this area of activity are as follows:

Legality and Regularity indicators on own-resource GNI statistical control

	Indicators	2009	2010	2011	2012	2013	2014
<i>Multiannual verification cycle</i>							
Input							
1	Inventories received, including revised versions ¹¹	0	2	0	0	0	0
2	Inventories to be checked	25	27	27	2	0	0
3	Amount of inventory pages to be checked	12500	13500	13500	800	0	0
4	Number of inventories translated by the Commission, including revised versions	1	3	0	0	0	0
Output							
5	Number of questions or requests for additional data sent to the Member States in preparation of the mission	2391	909	109	0	3	144
6	Missions carried out	19	9	2	2	1	5
7	Missions carried out with participation of observers from other member states	16	9	2	2	0	0
8	Number of men/women-mission days carried out a) Eurostat b) Observers from Member States	146 76	65 53	20 16	13 5	6 0	34 0
9	Direct verifications	16	6	2	2	1	2
10	Mission reports presented to the GNI Committee	16	12	4	2	1	1
11	Action points presented to the GNI Committee in the mission reports	331	135	151	18	0 ¹²	0
12	Number of action points and/or reservations on which verification work was carried out during the year ¹³	NA	NA	Done	Done	Done	240
13	Number of documents presented to the GNI Committee relating to the GNI verification process and methodological issues ¹⁴	NA	NA	Done	Done	Done	14

¹¹ 27 Member States have transmitted their inventories, 12 of them were received in 2006.

¹² No formal action points were formulated. Actions to be taken within the existing reservations were presented.

¹³ This includes responses to Member States' questions in relation to action points and/or reservations, assessment of the reservations addressed by the Member States (often leading to additional questions and clarification requests from Eurostat and their subsequent analysis), cross-country analyses of reservations (which in principle imply verification of a given reservation in all Member States) etc. This indicator replaces and complements the previous indicator nr 17 introduced as from 2011 "Responses to Member States' questions in relation to actions points and reservations".

¹⁴ Indicator changed in 2014. Previous version of the indicator, introduced in 2011, read "Responses to methodological issues related to the GNI Committee work".

	Indicators	2009	2010	2011	2012	2013	2014
Results							
14	Number of general reservation points – end of year ¹⁵	25	25	27	3 ¹⁶	1 ¹⁷	1
15	Number of transversal reservation points – end of year ¹⁸	-	-	-	6	8	8; 132
16	Number of specific reservation points – end of year	4	4	2	105 ¹⁹	114 ²⁰	107
Annual verification of GNI Questionnaires and Quality Reports²¹							
Input							
17	GNI Questionnaires and Quality Reports received (first submissions) ²²						32
18	Number of revised GNI Questionnaires received in the course of verification (subsequent submissions) ²³						29
19	Number of revised Quality Reports received in the course of verification (subsequent submissions) ²⁴						33
20	Total amount of Quality Reports pages to be checked (original and subsequent submissions altogether) ²⁵						2223
21	Number of Quality Reports translated by the Commission, including revised versions ²⁶						4
Output							
22	Number of questions sent to the Member States in the course of verification of the GNI Questionnaires and Quality Reports ²⁷						176
23	Total number of GNI Questionnaires verified (original and subsequent submissions altogether) ²⁸						61
24	Total number of Quality Reports verified (original and subsequent submissions altogether) ²⁹						64
25	Answers to DG BUDG requests for the GNI OR data						12
26	Visits from Court of Auditors	4	4	4	8	2	3
Results							
27	Number of process-specific reservations – end of year ³⁰						28
28	Number of Member States for which a positive opinion of the GNI Committee on the appropriateness of the GNI data for own resource purpose has been adopted ³¹						28

¹⁵ Changed indicator introduced as from 2012.

¹⁶ The general reservations on EU-25 Member States were lifted in January 2012 and replaced by 103 specific reservations (see indicator 14). The general reservations for Bulgaria and Romania for 2007 were extended to 2008 in June 2012. In September 2012, the Commission issued a general reservation on Greek GNI data of 2008.

¹⁷ The general reservations on Bulgaria and Romania were lifted in January 2013 and replaced by 19 specific reservations (see indicator 14). In September 2013, the Commission extended the general reservation on Greek GNI data of 2008 to 2009.

¹⁸ New indicator introduced as from 2012. As from 2014 the disaggregated number of open transversal reservations in Member States is shown alongside the aggregated number of transversal reservations. The number of open transversal reservations in Member States at the beginning of 2014 was 169.

¹⁹ 103 specific reservation points were placed on EU-25 Member States in January 2012 as a direct result of lifting the general reservations from these MS (see indicator 12).

²⁰ 19 specific reservation points were placed on Bulgaria and Romania in January 2013 as a direct result of lifting the general reservations from these MS (see indicator 12).

²¹ This part gives more details on the annual GNI statistical control that until 2013 was not sufficiently reflected by the Legality and Regularity indicators (as there was only one relevant indicator nr 16 "Annual verification of GNI questionnaires and quality reports").

²² Indicator introduced for the first time in 2014.

²³ Indicator introduced for the first time in 2014.

²⁴ Indicator introduced for the first time in 2014.

²⁵ Indicator introduced for the first time in 2014.

²⁶ Indicator introduced for the first time in 2014.

²⁷ Indicator introduced for the first time in 2014.

²⁸ Indicator introduced for the first time in 2014.

²⁹ Indicator introduced for the first time in 2014.

³⁰ Indicator introduced for the first time in 2014.

³¹ Indicator introduced for the first time in 2014.

	Indicators	2009	2010	2011	2012	2013	2014
<i>Impact (for both multiannual and annual verification)</i>							
29	Number of countries that revised GNI due to their work on action points and/or reservations ³²						29
30	Number of action points and/or reservations that lead to revisions of GNI ³³						153

The year in brief

Major internal and external events as well as numerous key achievements and operational results marked for Eurostat the year 2014. For example:

- Major achievements were related to the Europe 2020 strategy and the production of high quality indicators. These concern amongst others the essential input for the European Semester including the production of the statistical annex of the Alert Mechanism report for the Macroeconomic Imbalances Procedure (MIP), the further development of the resource efficiency scoreboard and indicators for Education and Training 2020.
- The changeover to ESA 2010 (European System of National and Regional Accounts) was successfully managed and the standard was implemented in national accounts, accompanied by a communication strategy coordinated across the ESS. This is a major achievement, as ESA 2010 provides a revised set of concepts, definitions, classifications and accounting rules that enable the Member States to produce consistent, reliable and comparable statistical descriptions of their economies.
- In the area of social statistics, major progress has been achieved with the adoption of the new Labour Force Survey legal basis which provides the reference for the survey for several years. The Census Hub has been developed and opened in 2014 which enables a comparative dissemination of very detailed population and housing data in Europe, in an easy and user-friendly way. In the particular domains of income, living conditions, quality of life, education, health (including disability and health and safety at work) as well as social protection significant progress has been made in terms of availability and/or timeliness of data.
- GNI data were improved by implementing the results from the work on the majority of country-specific GNI reservations affecting years back to 2002 for most Member States.
- Eurostat obtained the agreement of its partners in the European Statistical System (ESS) on a guiding frame for the ESS development during the years up to 2020 "The ESS Vision 2020".
- The second round of ESS peer reviews was launched as a major contribution to the ESS reaching full compliance with the Code of Practice. This second round covered in 2014 peer review visits in 12 countries as well as Eurostat. The peer review of Eurostat was carried out by the European Statistical Governance Advisory Board (ESGAB). Its report was published and highlights that Eurostat is a well-run statistical office. The first reports of Member States will be published at the beginning of 2015.

³² Indicator introduced for the first time in 2014.

³³ Indicator introduced for the first time in 2014.

- Regarding Big Data, Eurostat achieved the agreement of an action plan within the European Statistical Committee (ESS) towards a joint strategy that contains the exploration of Big Data with the aim of later integration into official statistics.
- Eurostat successfully launched its new website with a complete design overhaul to make the website more attractive and easier to use.
- As part of the on-going development of a more integrated and project-oriented organisation, Eurostat carried out a reorganisation which resulted, among others, in the creation of five Task Forces limited in time, with clearly targeted missions, to speed up the changes and support strategic initiatives (such as Big Data and the organisation of the peer reviews mentioned above).

Numerous conferences marked the year 2014 of which the following should be particularly highlighted:

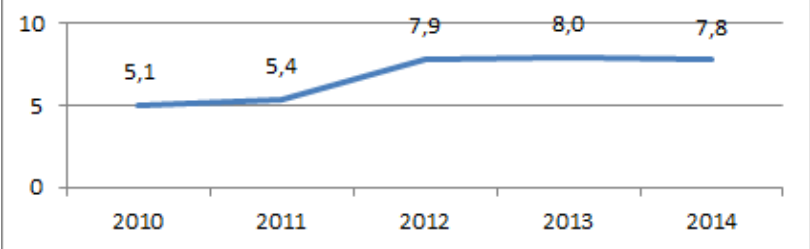
- Eurostat successfully organized a Big Data event which gathered a large number of specialists from National Statistical Institutes, international organisations and universities, and resulted in recommendations on methodological issues, training, planning and IT aspects which contributed to the ESS Big Data Action Plan and Roadmap 1.0.
- The annual conference of the Directors-General of the National Statistical Institutes (DGINS) resulted amongst others in the endorsement of the Riga Memorandum “Towards Better Measurement of the Globalised Economy”.
- The European Conference on Quality in Official Statistics (Q2014 Conference) presented different approaches and ideas on how to implement the European Statistics Code of Practice and on how to reinforce the quality of statistics using best international principles and practices.
- The MEETS (Modernisation of European Enterprise and Trade Statistics) conference presented the results of the successfully finalised MEETS programme 2009-2013, and provided important input for the future of business statistics, in particular as regards its integration and better reflection of globalisation phenomena.

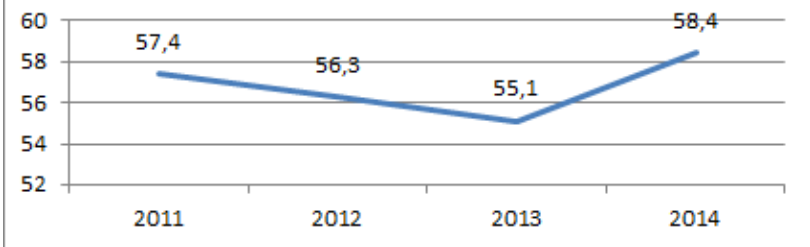
EXECUTIVE SUMMARY

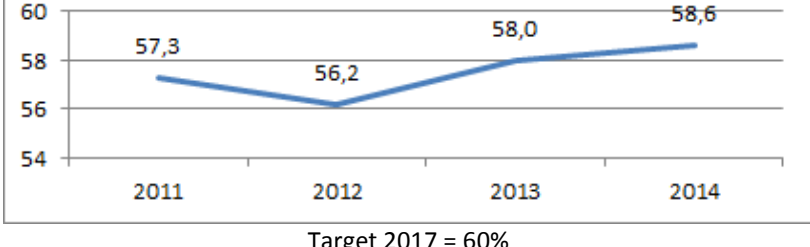
The Annual Activity Report is a management report of the Director-General of DG ESTAT to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources by reference to the objectives set in the management plan and the efficiency and effectiveness of internal control systems, including an overall assessment of the costs and benefits of controls.

Key Performance Indicators (5 most relevant)

The tables and graphs hereafter show the Eurostat impact indicator and the five most relevant key performance indicators:

Result/Impact indicator (description)	Trend	Target (or milestones)	Latest known results as per Annual Activity Report
Most relevant KPI 1 Number of data extractions (in millions) made by external users from Eurostat reference databases (EuroBase and Comext) via the Eurostat website, using the Data Explorer or Easy Comext	☺	 <p>Target 2017 = value of 2012 + 10% = 8.7 Millions</p>	
		The detailed analysis of this indicator gives a mixed picture: the slight decrease is due to fewer extractions made on international trade statistics (which account for ±1/5 of the total extractions) while the total extractions made on the other statistical domains have increased.	
Most relevant KPI 2 a) Percentage of users that rate as "Very good" or "Good" the overall quality of the data and services provided by Eurostat	☹	Target 2017 = 75% The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.	2012: 71% 2013: 70% 2014: 70%
b) Percentage of users that rate as "Very good" or "Good" the overall quality of European statistics.	☺	Target 2017 = 70% The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.	2011: 63% 2012: 63% 2013: 63% 2014: 64%
Most relevant KPI 3 Length of the time series of a sample of statistics: euro indicators (active series)	☺	Targets: <ul style="list-style-type: none"> Time series ≥ 15 years (%) = 60% in 2017. Time series ≥ 10 years (%): ≥ 90% each year. This target is not 100% because we have continuously to find a balance between the time series' "consistency throughout the whole duration of the programme" (see Specific Objective n. 4 above) and the goal of improving/adapting the statistics (e.g. with a new methodology), which may create breaks in the time series. 	≥ 15 years (%): 2012: 41.7% 2013: 40.7% 2014: 44.5% ≥ 10 years (%): 2012: 94.4% 2013: 94.8% 2014: 95.0%

Most relevant KPI 4: Timeliness of European statistics	
<p>a) Percentage of users that rate as "Very good" or "Good" the timeliness of European statistics for their purposes</p>	<p>😊</p>  <p>Target 2017 = 60%</p> <p>The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.</p>
<p>b) Timeliness of a sample of statistics: Principal European Economic Indicators (PEEIs) and Comext-Extra: average number of days of advance (positive) or delay (negative), in comparison to the legal target:</p> <ul style="list-style-type: none"> • PEEIs: Euro Area – monthly series • PEEIs: Euro Area – quarterly series • Comext Extra: Data sent by MS to Eurostat 	<p>☹️</p> <p>The target is to provide the statistics of the sample according to the legal deadlines, i.e. indicators should be ≥ 0.</p> <ul style="list-style-type: none"> • PPEEIs: Euro Area – monthly series 2012: -0.1 2013: -0.6 2014: -1.2 • PEEIs: Euro Area – quarterly series 2012: -10.2 2013: -10.1 2014: -10.5 <p>In 2014, about half of the PEEIs achieved the tight timeliness requirements. At Member States' level, the situation is rather mixed: some managed to reduce their transmission delays while for others the transmission delays stagnated or even slightly increased.</p> <p>😊</p> <ul style="list-style-type: none"> • Comext Extra: Data sent by MS to Eurostat 2012: +3 2013: +2 2014: +2

Most relevant KPI 5	
<p>Percentage of users that rate as "Very good" or "Good" the comparability of European statistics among regions and countries</p>	<p>😊</p>  <p>Target 2017 = 60%</p> <p>The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.</p>

The KPI *Percentage of Internal Control actions that have been achieved or are on target and in particular the actions defined following audit recommendations* listed in the MP 2014 has been replaced here by the KPI n. 3, which is related to the specific objectives of the operational activities.

The overall picture given by the KPIs is of a general improvement. More in details, it is worthwhile to note that:

- The users' satisfaction with the data and services provided by Eurostat (see KPI n. 2a) is higher than the users' satisfaction with the data alone (see KPI n. 2b), which can be interpreted as a sign that the services provided by Eurostat (dissemination tools, user supports, etc.) increase the value of the bare data.

- The indicators on the timeliness of European statistics (KPI n. 4) give a contrasted picture: while the objective measurement of the timeliness of a sample of statistics shows a deterioration, the negative trend of the user's satisfaction with the timeliness has been reversed.

Policy highlights of the year (executive summary of part 1)

With the **European Statistical Programme (ESP) 2013-17**³⁴, the EU provides financial support to national statistical authorities to produce or develop new statistics and implement new methodologies, classifications and standards. This support is expected to deliver statistics of a higher quality (in particular in terms of relevance, timeliness and comparability across Europe) feeding into the Europe 2020 scoreboard, the development and evaluation flagship initiatives and the EU monitoring of national policies (Stability and Growth Pact, Macroeconomic Imbalance Procedure, European Semester). At the same time the programme supports the elaboration of new methods of statistical production to increase efficiency gains and lower the administrative burden on businesses and citizens.

The financial implementation shows efficiency. The budget allocated by the European Parliament and the Council to the European statistical programme in 2013 and 2014 has an execution rate of 96 %. The execution on available commitment and payment appropriations both exceeded in 2013 and 2014 the targets set in the Management Plan. Furthermore, a trend of increased internal productivity is observed. The productivity and thus efficiency has risen in a period of diminishing human resources. This has been demonstrated by (1) the substantial increase in the data published (the total quantity of published values increased from 2012 to 2014 by more than 26%) and (2) the improvement of the overall quality of European statistics (the percentage of users that rate as "Very good" or "Good" the overall quality of European statistics has increased from 2012 to 2014 from 63% to 64%), while the total number of Eurostat's staff slightly decreased.

The implementation of the ESP is on track. Assuming that an objective is well on track when 75 % or more of its indicators are being fulfilled, 17 out of 23 detailed objectives are well on track, the other 6 showing only limited problems. In particular all Eurostat's projects classified as critical because of their strategic importance, the number of staff involved or the amount of financial resources were successfully concluded or on track.

Main achievements related to Europe 2020:

Reinforced economic governance and the new set of rules for economic and fiscal surveillance is a cornerstone in the Europe 2020 strategy. In 2014, essential input was timely delivered by Eurostat for the European Semester and for the first time, Eurostat was responsible for the production of the statistical annex of the Alert Mechanism report in the context of the Macroeconomic Imbalance Procedure (MIP). Eurostat as the data handler and provider has a direct access to all the data underlying the MIP indicators and is therefore better placed for drafting the Alert Mechanism Report. Thus, efficiency was enhanced.

The bi-annual validation of EDP (Excessive Deficit Procedure) data was successfully performed. The October notification was the first one undertaken under the new ESA 2010 (European System of National and Regional Accounts) standards, as laid down in Regulation (EU) No 549/2013³⁵.

The resource efficiency scoreboard was further developed to support the monitoring of the Europe 2020 flagship initiative on resource efficiency. The data centre on natural resources (EDCNR) was enriched to provide detailed information on each scoreboard indicator as well as on the concept and policy relevance of each natural resource. This was achieved by providing more detailed information on the environmental policy relevance, proposed and

³⁴ Based on Regulation (EC) No 223/2009 of the European Parliament and the Council of 11 March 2009 on European statistics, OJ L 87 of 31.3.2009

³⁵ Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European System of national and regional accounts in the European Union, OJ L 174,26.6.2013.

set targets, intended trends and indicators to better address the needs of the key users for further development and monitoring of the Union's resource related policies. Efficiency of the EDCNR was enhanced by, amongst others, its design as a central access point for a broad set of information and statistics on resource efficiency and natural resources. The implementation is on track, as can be seen from the fact that the EDCNR website went online in April 2014, thus five months earlier than planned.

In the area of social statistics, work continued for the development and production of high quality indicators for Europe 2020 and Education and Training 2020. Actions were launched to urge and financially support Member States for earlier delivery of data on poverty and inequalities. As a result, early indicators on material deprivation were published 6 months ahead of the legal deadline and final results for all indicators one month in advance. The collection of regional poverty was also supported with grants. Some countries have already provided the data; full coverage is expected in 2018. Regarding the Education and Training 2020 framework, Eurostat supported the development of the benchmark on learning mobility in initial vocational education and training (IVET) from households surveys and provided financial support to Member States; results are expected towards the end of 2015.

Regarding business statistics, the target indicators "R&D intensities" of the Europe 2020 Strategy were released on 17 November 2014, according to plan, and for the first time with a reference to ESA 2010. The data on transnationally coordinated research in relation to the national research and development budgets was produced faster than the previous year. This enhanced efficiency was achieved because of a more stabilized process in the Member States and in Eurostat.

Main other achievements include the launch of the new Eurostat website and of the Census Hub which enables a comparative dissemination of very detailed population and housing data in Europe in a user-friendly way.

The new legal act on European environmental economic accounts (Regulation (EU) No 538/2014) including modules on environmental protection expenditure, environmental goods and service sector and energy flow accounts was adopted.

Eurostat progressed towards the encompassing framework regulation FRIBS (Framework Regulation Integrating Business Statistics). This comprised in particular the conduct of ESS-wide user/data provider/National Statistical Institutes consultation.

The launch of the second round of the ESS peer reviews was another important achievement.

The ESS agreement on the ESS Vision 2020 was achieved and the process of modernisation of European Statistics successfully continued. The key modernisation projects and related supporting frameworks have been developed through a collaborative approach with Member States, in respect of the principles of subsidiarity. They cover areas such as information models and standards, data exchange network, statistical services, data warehousing, statistical validation, trade statistics and business registers.

Eurostat improved Gross National Income (GNI) data by implementing the results from the work on the majority of country-specific GNI reservations affecting years back to 2002 for most Member States.

With regard to Big Data for official statistics, an action plan was agreed at European level, and prototype applications have been designed and launched in the fields of health care, unemployment and population statistics, by exploring respectively the potential of visual analytics, web activity, and mobile phone data.

Eurostat has pursued the rationalisation of its own information systems and of statistical information systems inside the Commission. Production chains have been harmonised by implementing corporate solutions covering parts of social statistics, sectoral and regional statistics and general business statistics.

In relation to enlargement, neighbourhood policy and statistical cooperation, the screening report of Serbia's application of statistical legislation in its production process was issued. A

panel on statistics within the Eastern Partnership platform on "Economic Integration and Convergence with EU policies" was set up to launch intensive cooperation with the ENP (European Neighbourhood Policy) East countries on explaining and applying European standards in the production of statistics.

Furthermore, the first inventory of other statistics produced by Commission services was finalised and five new Memoranda of Understanding were signed with other DGs.

The evaluation of the Programme for the Modernisation of European Enterprise and Trade Statistics (MEETS) was finalised and the report was adopted by the Commission. Whilst the benefits of the MEETS programme for the Union, Member States, providers and users of related statistics are difficult to quantify as returns on investments will only materialise gradually over time, most actions focused directly or indirectly on improving efficiency in the production of business statistics. This was done e.g. through fostering integration, innovation of key production processes and knowledge transfers across the European Statistical System.

A mid-term evaluation of the European statistical programme covering the period 2013-2014 is on-going and will be transmitted to the European Parliament by June 2015.

As regards the implementation of the Management Plan 2014, only less than 3 % of the outputs planned have not been achieved.

Key conclusions on resource management and internal control effectiveness (executive summary on part 2 and 3)

In accordance with the governance statement of the European Commission, (the staff of) DG ESTAT conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. As required by the Financial Regulation, the Director-General has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

DG ESTAT has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented. Please refer to Part 3 for further details.

DG ESTAT has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks³⁶, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Audit work performed by IAC in 2014 identified risks regarding document management. Corrective actions have been immediately identified and implemented to mitigate the detected risks. Furthermore, IAC carried out an "Audit on Administrative Budget" which did not result in "critical" or "very important" recommendations and a "Follow-up Audit on Expenditure Lifecycle" where the only "Very important" recommendation which remained open, was

³⁶ At Eurostat, this refers to DGs to which appropriations have been subdelegated

downgraded to important. Further audit work was performed by the Court of Auditors on the "Excessive Deficit Procedure" (a final report is expected in the course of 2015), and by the IAS on the follow-up on the audit "DG ESTAT's preparedness to fulfil its role in the Economic Governance Framework" and on the follow-up on the audit "Strategy and Coordination of Statistical Data Production, Development and Dissemination". Please refer to Part 2 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of Commissioner Thyssen, responsible for Employment, Social Affairs, Skills and Labour Mobility, as well as for Eurostat.

1. POLICY ACHIEVEMENTS

1.1 Achievement of general and specific objectives

The table as follows shows the number and % of MP 2014 outputs by end-year status and by objective:

Status	Specific Objectives						Horizontal activities (ABB 3480 and 3481)		Total	
	1+4		2		3		N	%	N	%
Achieved	310	92,26	70	86,42	67	93,06	113	91,13	560	91,35
Not achieved	9	2,68	0	0,00	0	0,00	8	6,45	17	2,77
Outputs revised	17	5,06	11	13,58	5	6,94	3	2,42	36	5,87
Total	336	100	81	100	72	100	124	100	613	100

1.1.1 Policy area : Production of European Statistics

General objective: The European Statistical System to be the leading provider of high-quality statistics in Europe

a) *Performance table*

Policy area: Production of European Statistics		Spending programme: European Statistical Programme (ESP) 2013-2017.	
General objective: To be the leading provider of high quality statistics on Europe			
Impact indicator: Percentage of users that rate as "Very good" or "Good" the overall quality of the data and services provided by Eurostat. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
70.6%	70.3%	75%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)

b) Narrative

In order to support the implementation of evidence-based European Union policies and the Europe 2020 strategy, Eurostat continues to provide comparable, reliable and timely statistical information in areas such as macroeconomics, regional or sectoral statistics (e.g. energy, environment, climate, agriculture, transport), social and business statistics.

Eurostat responds to the need to reconcile the growing need for complex multidimensional statistics and the increased demand for quality and trust in official statistics with the substantial cuts in the financial and human resources in the European Statistical System (ESS).

The details hereafter under point 1.1.2 reflect Eurostat's significant achievements to further develop the European Statistical System as the leading provider of high-quality statistics in Europe by monitoring quality of the statistical information, implementing new methods of production, strengthening the partnership within the ESS and beyond, and thus supporting the implementation of evidence-based European Union policies and the Europe 2020 strategy.

c) Risk assessment (if applicable)

No risk materialised in the reporting year in relation to the general objective.

d) Conclusion

As evidenced above, the part "The European Statistical System to be the leading provider of high-quality statistics in Europe" of the spending programme managed by the DG is on track to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

1.1.2 ABB activity 3403 : Production of European statistics

Specific objective 1: Provide quality statistical information

Specific objective 4: Ensure that delivery of such statistics is kept consistent throughout the whole duration of the programme, provided that this does not interfere with the priority-setting mechanism of the ESS

a) Performance tables

Specific objectives: 1. Provide quality statistical information. 4. Ensure that delivery of such statistics is kept consistent throughout the whole duration of the programme, provided that this does not interfere with the priority-setting mechanisms of the ESS. Relevant general objective: To be the leading provider of high quality statistics on Europe		Spending programme: European Statistical Programme (ESP) 2013-2017.	
Impact indicator 1: Percentage of users that rate as "Very good" or "Good" the overall quality of European statistics. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
62.9%	64.4%	70%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)
Impact indicator 2: Number of data extractions (in millions) made by external users from Eurostat reference databases (EuroBase and Comext) via the Eurostat website (using the Data Explorer or Easy Comext). Source: Monitoring reports on Eurostat electronic dissemination.			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
7.87 millions	7.79 millions	number of extractions made in 2012 + 10% = 8.7 millions	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)

Impact indicator 3: Degree of achievement of the specific objectives n. 1 and 4 measured as percentage of the achievement of the outputs related to it. Source: Twice a year, Eurostat units give a mark to each of the MP outputs under their responsibility. The marks are the following: "Achieved", "Not achieved" or "Output revised" (which are counted as "Not achieved").			
Baseline	Current Situation	Milestone	Target
2013	2014	2017	2020
87.1%	92.3%	100%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)
Impact indicator 4: Length of the time series of a sample of statistics: Euro Indicators (active series). Source: ESTAT			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
<ul style="list-style-type: none"> • Time series \geq 15 years: 41.7% • Time series \geq 10 years: 94.4% 	<ul style="list-style-type: none"> • Time series \geq 15 years: 44.5% • Time series \geq 10 years: 95.0% 	<ul style="list-style-type: none"> • Time series \geq 15 years: 60% • Time series \geq 10 years: 90% 	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)
The targets are not 100% because we have continuously to find a balance between the time series' "consistency throughout the whole duration of the programme" (see Specific Objective n. 4) and the goal of improving/adapting the statistics (e.g. with a new methodology), which may create breaks in the time series.			

b) *Narrative*

In the area of macroeconomic statistics (national accounts, prices, key indicators, government finance statistics) Eurostat produced and disseminated high quality economic statistics for national accounts, balance of payments, prices and purchasing power parities. This particularly includes those for essential indicator sets such as Europe 2020, the Macroeconomic Imbalance Scoreboard, Sustainable Development Indicators and Principal European Economic Indicators. It furthermore includes statistics for essential administrative purposes such as Regional Gross Domestic Product (GDP) for structural funds, Gross National Income (GNI) for budgetary own resources and statistical and other information for staff remuneration and pension calculations.

Reinforced economic governance and the new set of rules for economic and fiscal surveillance constitute a cornerstone of the Europe 2020 strategy. Eurostat plays an important role in economic governance in view of the Excessive Deficit Procedure (EDP) and the Macroeconomic Imbalance Procedure (MIP).

Essential input was delivered for the Commission Alert Mechanism Report and related output for the launch of the 2015 European Semester. For the first time, Eurostat was responsible for the production of the statistical annex of the Alert Mechanism report in the context of the Macroeconomic Imbalance Procedure (MIP). This exercise was particularly challenging in view of the changeover of statistical manuals in the areas of national accounts

and balance of payments. Work also continued in 2014 in the context of the MIP regulation, and in the development of national quality templates for the domains covered by the MIP.

The bi-annual validation of EDP (Excessive Deficit Procedure) data was successfully performed. The October notification was the first one undertaken under the new ESA 2010 (European System of National and Regional Accounts) standards. Eurostat published, together with the press release, detailed tables showing the impact of the ESA 2010 changes both in the deficit and in the debt (by countries and by years). The publication of ESA 2010 data on debt and deficit was accompanied by annual and quarterly national accounts tables on the general government sector. A press conference announcing the results was held, and the results were communicated to the Economic and Financial Committee (EFC).

To strengthen the verification of government finance and EDP (Excessive Deficit Procedure) statistics, 20 visits to Member States were undertaken and 17 methodological ex-ante/ex-post advices were provided to the countries.

GNI (Gross National Income) data were improved by implementing the results from the work on the majority of country-specific GNI reservations and addressing a number of requirements and developments following from audits and other reviews of the GNI statistics system. The calculation of GNI was scrutinised in the reporting year given large revisions of GNI resulting from the work on GNI reservations (affecting years back to 2002 for most Member States) as well as statistical changes introduced in many Member States to coincide with the introduction of ESA 2010.

Further achievements in the area of macro-economic statistics were the more detailed breakdown of the euro area flash estimate of inflation and first transmission by Member States of quarterly price indices of owner-occupied housing, as well as the key contribution to the successful completion of the worldwide International Comparison Programme on purchasing power parities.

In the context of the application of the new staff regulation, support was provided by delivering statistical and other calculations to DG HR, the Council and Social Dialogue partners, together with associated technical explanations.

For the first time output-based purchasing power parities for hospital services were implemented – a pioneering work at international level.

The Commission adoption of the proposal for a framework regulation on HICP (Harmonised Index of Consumer Prices) was another achievement streamlining and simplifying the existing HICP legal framework and complementing it with the necessary elements to take into account current developments in price collection and methodology.

The Task Force EPSAS (European Public Sector Accounting Standards), created in 2014 to develop harmonised European Public Sector Accounting Standards, prepared a Commission Communication on EPSAS and the impact assessment, continued substantive technical discussions on the future EPSAS and worked on a better awareness of the project amongst political decision-makers.

The new ESA 2010 standards were successfully implemented in national accounts and balance of payments, with data transmitted by the Member States using a completely new data transmission standard which was accompanied by a communication strategy coordinated across the ESS methodological and other statistical changes. This included work on methodological manuals and guidelines.

Several publications were produced on quarterly deficit and debt, structure of government debt and taxation trends. Eurostat further promoted the use of detailed Classification of the Functions of Government (COFOG) data via five publications shortly after the dissemination of COFOG data in the public database. The methodological changeover to ESA 2010 was accompanied by a change in data structure definition and transmission format, and the provision of further information on the Eurostat website concerning the changeover.

News releases for macroeconomic statistics constituted an important Eurostat activity. A new euro indicator press release on the seasonally adjusted quarterly government deficit was introduced, including a new euro indicator press release on the seasonally adjusted quarterly government deficit. Eurostat continued to issue the press release on the quarterly government debt on a regular basis. News releases included market sensitive flash releases, and the project "GDP flash estimate at t+30 days" aiming at an early flash and thereby matching the US delay.

In relation to sectoral or regional statistics, major achievements were reached under the Europe 2020 flagship initiative on resource efficiency. One of these achievements was the further development of the resource efficiency scoreboard as a monitoring tool for EU policies. Some indicators have been slightly modified to reflect the changing policy needs whilst a few new elements were added to the scoreboard. The data centre on natural resources has been enriched to provide detailed information on each scoreboard indicator as well as on the concept and policy relevance of each natural resource, on existing or proposed targets and indicator needs. Enhanced compliance monitoring of data transmitted from Member States has been achieved in order to cover quality aspects. Further efforts to improve timeliness, completeness and punctuality in many statistical domains and most notably in agricultural and fisheries statistics, environmental statistics and accounts and energy have given positive results regarding the dissemination time.

Eurostat has published two general methodological guidelines on indicators. Whilst the publication "Getting messages across using indicators" is the final report of an expert group on indicator-based assessment, the publication "Towards a harmonised methodology for statistical indicators, Part 1 Indicator typologies and terminologies" is a contribution to a more harmonised indicator typology and terminology within and outside sustainable development monitoring.

The new legal act on European environmental economic accounts (Regulation (EU) No 538/2014) including modules on environmental protection expenditure, environmental goods and service sector and energy flow accounts was adopted by the Council and the European Parliament, and the adoption of an updated European Strategy for Environmental Accounts (ESEA 2014 - 2018) by the European Statistical System Committee was another major achievement in the reference year.

As regards regional statistics, major achievements include the first release of regional business demography data, improved timeliness of regional labour market indicators and the publication of data for maritime policy. The Eurostat regional yearbook 2014, accompanied by the interactive Statistical Atlas, was published with a special focus on regional competitiveness. The visualisation tool "Regional Statistics Illustrated" was further enhanced to include data on European cities and regional typologies. Methodological work focussed on harmonised methods to define Labour Market Areas, for which a Task Force was set up.

To prepare the LUCAS (land use / land cover) long term strategy and the LUCAS survey 2015, cooperation with policy DGs of the Commission and the European Environment Agency (EEA) has been intensified. Coordination with the national initiatives aimed at a better integration of statistical data from Member States. A series of use cases illustrate the importance of LUCAS data for different EU policy initiatives (environment, climate change, agriculture).

A new list of characteristics for the FSS (Farm Structure Survey) 2016 was adopted through Commission Regulation (EU) No 715/2014 increasing the relevance of the survey notably by taking into account environmental aspects that are prioritized in the revised Common Agricultural Policy (CAP), and the related legislation for definitions was prepared.

Eurostat launched a first dedicated user survey on Energy Statistics to better understand user needs and to disseminate data in a more user friendly way. The Energy Statistics Regulation (ESR) was amended to cover the final energy consumption in households by fuel and by use.

Early estimates of CO₂ emissions from energy use are regularly produced about 5 months after the reference year. In parallel, methods for bottom-up estimations of Greenhouse Gas

(GHG) emissions from different transport modes are now being developed and the work continues with rail and inland waterways.

Progress was achieved in the context of evidence based policy concerning the work for producing indicators needed to monitor the 2011 Transport White Paper targets, in particular regarding harmonised data collection in the field of road passenger traffic statistics.

As to achievements **in the area of social statistics**, work continued for the development and production of high quality indicators for key EU policies such as Europe 2020, Education and Training 2020, the underlying Joint Assessment Frameworks, and in the area of population and migration. Moreover, results from the five-year lifelong learning surveys were made available.

The indicator on material deprivation is being revised in order to have data available by 2015 based on this revision. Major methodological progress was achieved in various areas, such as the Labour Force Survey (LFS) and the Statistics on Income and Living Conditions (SILC)). Regarding the need to improve the timeliness of data on poverty and inequalities, and to ensure the collection of regional poverty data in the near future, improvement actions were launched, and substantial first results have been delivered.

A set of publications and new indicators on Measuring Progress, Well-Being and Sustainable Development were disseminated in 2014, and will be further developed with results of the dedicated Statistics on Income and Living Conditions (SILC) ad hoc module.

Implementing activities have been undertaken following the adoption of the Regulation on European demographic statistics in 2013. The process of revision of the Labour Force Survey (LFS) has progressed well, with a view to producing new and more detailed labour market data. The new legal framework for the LFS (Regulation (EU) No 545/2014) and Commission Delegated Regulation (EU) No 1397/2014 on the programme of ad hoc modules covering the years 2016 to 2018 were adopted in 2014. Timely EU 2020 and other Labour Force Survey (LFS) based indicators on education and life-long learning as well as new data on disability were made available. The ESSC (European Statistical System Committee) endorsed implementing regulations in the areas of education and health care expenditure.

In business statistics, the target indicators on "R&D intensities" of the Europe 2020 Strategy were released for the first time with a reference to ESA 2010.

Eurostat achieved the implementation of timeliness improvements for data on transnationally coordinated research in relation to the national Research and Development budgets as part of monitoring the European Research Area in the context of the Innovation Union flagship initiative of the Europe 2020 Strategy.

Furthermore, in the area of short-term statistics, the European Sample Scheme requirements were updated and the upgrading from GESMES (Generic Statistical Message) to the use of SDMX for European and international data structures is in preparation.

High quality data and metadata were produced in short-term business statistics, tourism statistics, structural business statistics, business demography, foreign affiliates statistics, foreign direct investment and international trade in goods and services and based on the Community Innovation Survey. The science and technology data were used for the new Innovation Output indicator; the results of the ICT survey were successfully released by Eurostat.

Testing of European Profiling of enterprises continued and – on the basis of a finalised methodology – will be continued in 2015 and onwards. The feasibility study on the use of mobile positioning data for tourism statistics (2012-2014) was finalised and the pilot work will be continued in 2015. Pilots on micro-data linking continued regarding structural business statistics and services trade by enterprise characteristics, and were initiated concerning structural business statistics with international trade statistics.

In the reporting year, Eurostat progressed towards the encompassing framework regulation FRIBS (Framework Regulation Integrating Business Statistics). This comprised in particular the

conduct of ESS-wide user/data provider/NSI consultation as input to an impact assessment, the streamlining of the definition of cross-cutting variables, the alignment of the NACE (European Classification of Economic Activities) breakdowns and of the data requirements.

As regards dissemination, Eurostat has a strong user-orientation in order to better understand and respond to the needs of experienced and less experienced users, and to attract a large public. In 2014, the main achievement was the implementation of the new Eurostat website launched in December, as a result of a consultation process with internal and external users. The technological infrastructure supporting the website has been replaced and the website has been subject to a complete design overhaul to meet more modern user expectations. The dissemination of statistical datasets via the European Union Open Data Portal has continued in 2014 in order to promote the reuse of public sector information. As far as publications are concerned, emphasis was placed on the production of cross-cutting publications in order to interest a larger and more diverse public. In 2014, the focus has been put on two flagship publications "Europe 2020 indicators" and "Youth in the EU". Statistics Explained, the Eurostat on-line encyclopaedia, has been extended and contains today more than 700 articles. Furthermore, a new European Statistical Data Support was put in place composed of 33 support centres (Eurostat, National Statistical institutes and a private company) covering 31 European languages.

Rationalisation and refocused priorities:

Work on rationalising and modernising water and forest statistics has progressed well. The Supply Balance Sheets of Agriculture have completely been phased out in accordance with the schedule approved by the European Statistical System Committee (ESSC). City statistics (Urban Audit) have been further rationalised according to the existing plan for a restructuring in close cooperation with DG REGIO.

Production and dissemination of labour market policy statistics were transferred to DG EMPL. The voluntary data collections of gross annual earnings (AGE) data and of labour costs statistics were discontinued. As far as collection, validation and dissemination of data on health and safety at work (EODS) is concerned, data collection is simplified with financial support from DG EMPL during a 4-year period. This will make it possible to carry out in-depth analysis of the quality of the data during this period in close cooperation between data producers and users.

The above achievements on specific objective 1 include the achievements of specific objective 4. The achievements on specific objective 1 and 4, together with their respective result indicators, are therefore jointly described above. This mirrors precisely the approach as pursued in the Management Plan 2014.

c) *Risk assessment (if applicable)*

No risk materialised in the reporting year in relation to specific objectives 1 and 4.

d) *Conclusion*

As evidenced above, the part "Provide quality statistical information" of the spending programme managed by the DG is on track to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective 2: Implement new methods of production

a) Performance tables

Specific objective: Implement new methods of production of European statistics aiming at efficiency gains and quality improvements.		Spending programme: European Statistical Programme (ESP) 2013-2017.	
Relevant general objective: To be the leading provider of high quality statistics on Europe			
Impact indicator 5: Percentage of users that rate as "Very good" or "Good" the timeliness of European statistics for their purposes. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
56.3%	58.4%	60%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)
Impact indicator 6: Timeliness of a sample of statistics measured as average number of days in advance (positive) or delay (negative), in comparison to the legal target: <ul style="list-style-type: none"> (a) PEELs: Euro Area – monthly series. (b) PEELs: Euro Area – quarterly series. (c) Comext-Extra: data sent by MS to Eurostat. PEELs: Principle European Economic Indicators Source for (a) and (b): Eurostat annual Status Report on Information Requirements in EMU to the Economic and Financial Committee. Source for (c): ESTAT.			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
(a) -0.1 days (b) -10.2 days (c) +3 days	(a) -1.2 days (b) -10.5 days (c) +2 days	The target is to provide the statistics of the sample according to the legal deadlines, i.e. indicators should be ≥ 0 .	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)

Impact indicator 7: Degree of achievement of the specific objective n. 2 measured as percentage of the achievement of the outputs related to it. Source: Twice a year, Eurostat units give a mark to each of the MP outputs under their responsibility. The marks are the following: "Achieved", "Not achieved" or "Output revised" (which are counted as "Not achieved").

Baseline	Current Situation	Milestone	Target
2013	2014	2017	2020
86.1%	86.4%	100%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)

b) Narrative

Regarding the general implementation of new methods of production at Eurostat, the process of modernisation of European Statistics successfully continued through the ESS Vision 2020. As a major achievement, the key modernisation projects (ESS Vision Implementation Projects – ESS.VIPs) and the related supporting frameworks have been developed through a collaborative approach with Member States, in respect of the principles of subsidiarity. They cover areas such as information models and standards, data exchange network, data warehousing, statistical validation, use of new data sources (administrative and big data) and key business projects (modernisation of trade statistics and the set-up of inter-operational business registers in the ESS).

Eurostat continued to support and reinforce the collaboration between ESS members for the transfer of knowledge, sharing and implementation of best practices and common innovative approaches in the production of statistics, development and implementation of methodologies and fostering research in official statistics.

Eurostat has pursued the rationalisation of its own information systems and of statistical information systems inside the Commission. Production chains have been rationalised by implementing corporate solutions covering parts of social statistics, sectoral and regional statistics and general business statistics.

A new round of peer reviews was launched in 2014. All EU and EFTA EEA countries (32 in total) as well as Eurostat are included in the exercise. All have completed the self-assessment questionnaires and during 2014 peer review visits have been conducted in 12 countries and Eurostat. The peer review of Eurostat, carried out by the European Statistical Governance Advisory Board (ESGAB), was finished and the report published. The report highlights that Eurostat is a well-run statistical office. Areas for improvement have been identified and will be addressed with appropriate actions. The first reports of Member States will be published at the beginning of 2015.

Implementation of standards such as reference metadata standards, standard quality report, code lists, SDMX (Statistical Data and Metadata Exchange) or other standards in the ESS made good progress. Rationalisation of purchases of external data sources and of the reuse of the Eurostat dissemination chain within the Commission has been launched as well as the process for the redesign of the Eurostat dissemination. Discussions between Eurostat and Member States were initiated in view of dissemination issues implementing the ESS Vision 2020.

Progress was achieved on the *Lisbonisation* of statistical legislation by the adoption of aligned Regulations by the European Parliament and the Council concerning the Labour Force Sample Survey and Intrastat (the system for collecting information and producing statistics on trade in goods between countries of the EU), and by the adoption by the

Commission of a proposal concerning Balance of Payment. In particular, Intrastat and Balance of Payments Regulations also included the aspect of streamlining the ESS governance by referring to the ESSC as responsible committee.

In relation to specific implementation measures, with the completion of the VIP NAPS 2 (National Accounts Production System), Eurostat successfully modernised the statistical production chain for key statistical domains, thus contributing to the implementation of the Eurostat vision by reengineering a complex production process.

The implementation of the recommendations made through a joint DG AGRI-Eurostat Task Force on the use of administrative sources for agricultural statistics has begun at Commission and national level. First concrete results are expected for the implementation of the farm sample survey 2016, and grants to Member States have been launched to develop pilot work on this issue.

Eurostat is systematically pursuing the optimisation of the statistical processes in an attempt to minimise and facilitate as far as possible the reporting burden for Member States, while complying with the requirements of the legal acts in place. Against this background, Eurostat together with DG ENER and the International Energy Agency (IEA) set up a technical group to reflect on how to streamline the former existing monthly oil statistics questionnaire which resulted in one single streamlined questionnaire serving all binding requirements.

Regarding the work on the ESS.VIP on validation, the main achievement was the development of the Validation Syntax (VALS) permitting the exchange of validation rules with Member States and the functional specifications for developing enhanced validation tools. An ESSNet project (collaborative network supported by a grant) was launched.

Several modernisation initiatives are on-going concerning the development of social data collections and population statistics in the next years, with significant achievements as well as the definition of objectives and milestones for the future. In particular, a Census Hub has been developed and opened in 2014 which enables a comparative dissemination of very detailed population and housing data in Europe, in an easy and user-friendly way. The collaborative network (ESSNet) on data collection for social surveys evolved further. Future work will focus in particular on web data collection and multiple mode data collection design.

Preparatory work for the ESS.VIP project on administrative data continued with the cooperation of Member States through a dedicated preparatory group.

The ESSNet ESBRS (European System of interoperable statistical Business Registers) has been launched. Furthermore, first steps have been made for structural business statistics, business demography, foreign affiliates and tourism statistics to move the validation towards National Statistical Institutes.

With regard to Big Data, the adoption of the ESS Action Plan and Roadmap 1.0 was a major achievement. Development of prototype applications on the use of Big Data in official statistics have been designed and launched in the fields of health care, unemployment and population statistics, by exploring respectively the potential of visual analytics, web activity, and mobile phone data.

Quality is included as one of the main elements of the ESS Vision 2020. As a conclusion of the implementation of the recommendation of the Sponsorship of Quality, the 2014 edition of the ESS Handbook on Quality was published.

Furthermore, Eurostat adopted a new error management policy and procedure applicable to all statistical domains contributing to improving the quality of European statistics disseminated by Eurostat and thus enhancing user satisfaction and confidence in Eurostat's products.

Rationalisation and refocused priorities:

In relation to the international trade package, Intrastat (the system for collecting information and producing statistics on trade in goods between countries of the EU) is being simplified. A fundamental revision and integration of all business related statistics is being undertaken aiming at providing a common legal framework for the collection, compilation, transmission and dissemination of statistics leading to a substantial burden reduction for businesses.

The support for ESS classifications and harmonised structural metadata through producing and releasing more guideline and explanations has been rationalised.

c) Risk assessment (if applicable)

No risk materialised in the reporting year in relation to specific objective 2.

d) Conclusion

As evidenced above, the part "Implement new methods of production" of the spending programme managed by the DG is on track to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective 3: Strengthen the partnership within the ESS and beyond

a) Performance tables

Specific objective 3: Strengthen the partnership within the European Statistical System and beyond in order to further enhance its productivity and its leading role in official statistics worldwide.		Spending programme: European Statistical Programme (ESP) 2013-2017.	
Relevant general objective: To be the leading provider of high quality statistics on Europe			
Impact indicator 8: Percentage of users that rate as "Very good" or "Good" the comparability of European statistics among regions and countries. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.			
Baseline	Current Situation	Milestone	Target
2012	2014	2017	2020
56.2%	58.6%	60%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)

Impact indicator 9: Degree of achievement of the specific objective n. 3 measured as percentage of the achievement of the outputs related to it. Source: Twice a year, Eurostat units give a mark to each of the MP outputs under their responsibility. The marks are the following: "Achieved", "Not achieved" or "Output revised" (which are counted as "Not achieved").

Baseline	Current Situation	Milestone	Target
2013	2014	2017	2020
92.8%	93.0%	100%	Long-term targets are not available (the procedure for extensions up to 2020 of the European Statistical Programme 2013-2017 has been just launched)

b) Narrative

In 2014, the improvements of the **governance structure of the ESS** were a major achievement. Several enhancements were applied to the operational procedures of the European Statistical System Committee (ESSC), increasing trust and involvement of the different members. Four meetings of the ESS Committee and the annual DGINS (Directors General of the National Statistical Institutes) Conference have taken place resulting in the Memorandum "Towards better measurement of the globalised economy".

The ESS structure was reinforced, with the creation of a Resource Directors Group for the European Statistical System. Under its auspices, a Task Force on Cooperation Models was created for contributing to the establishment of innovative and flexible cooperation models within the ESS.

In order to streamline and coordinate various actions related to the implementation of the ESS Vision 2020, in 2014 a Vision Implementation Group (VIG) consisting of senior managers of the National Statistical Institutes (NSIs) has been established. It advises the ESSC and prepares recommendations for its Vision-related decisions. The scope of its responsibilities comprises all current and future ESS.VIPs, ESS nets and other initiatives pertaining to the implementation of the ESS Vision 2020, including assisting the Commission in the preparation of legislation.

Supporting the relations with the European System of Central Banks was mainly ensured via the implementation of the Memorandum of Understanding between the ESS and the ESCB (European System of Central Banks). The second meeting of the European Statistical Forum and its Bureau allowed achieving positive results and increasing collaboration between both systems.

The rules of procedure of the European Statistical Advisory Committee (ESAC) were reviewed, aiming at a better functioning body namely via the establishment of a new Executive Board to steer its work. The work year of the European Statistical Governance Advisory Board (ESGAB) focused on the Eurostat peer review to assess compliance with the European Statistics Code of Practice.

Cooperation with **international organisations** continued successfully ensuring that Eurostat participated appropriately in the work of international bodies and contributed towards coordination in the Global Statistical System and at EU level. Thus, the EU spoke with one voice at main international fora such as the United Nations Statistical Commission. Eurostat contributed to the Compilers Guide for the Manual on Statistics of International Trade in Services (MSITS), and to the report of the Friends of the Chair Group on globalisation to be presented to the UN Statistical Commission. Furthermore, Eurostat contributed to the drafting of international guidelines on business registers to be presented to the UN Statistical Commission and to the Conference of European Statisticians. Two editions of Global Forum

on Tourism Statistics were co-organised. Eurostat plays a leading and coordinating role in the Inter-Agency Group (IAG) and G20 world-wide process for a number of the IAG recommendations paving the way for international data sharing and promoting SDMX (Statistical Data and Metadata Exchange). The European Section of the UN-GGIM (Global Geospatial Information Management) was created and recognized by the United Nations for whose transition and preparatory phases Eurostat played a leading role.

The monitoring of relevant policies and programmes in the framework of the EEA agreement was ensured in collaboration with the EFTA Secretariat. All stages towards the approval of the 2014 EU-Switzerland statistical work programme were efficiently managed.

In relation to enlargement, neighbourhood policy and statistical cooperation, the screening of Serbia's application of statistical legislation in its production process was carried out and the screening report was issued by the end of 2014. Based on the "Strategy for statistical cooperation with the enlargement countries for the period 2014-2020", a stable financing for statistical cooperation programmes until 2020 has been secured. A panel on statistics within the Eastern Partnership platform on "Economic Integration and Convergence with EU policies" was set up in 2014 to launch intensive cooperation with the ENP (European Neighbourhood Policy) East countries on explaining and applying European standards in the production of statistics. A Statistics Code of Practice for the ENP South countries based on the European Statistics Code of Practice was developed and finalised during 2014. Eurostat designed a pan-African statistical cooperation programme aiming at delivering better quality data for the African integration process. As regards cooperation with High Income Countries, exchange of information and knowledge was guaranteed through issues such as the follow-up of Memoranda of Understanding roadmaps and the organisation of visits.

Significant progress was made concerning the **European Master in Official Statistics (EMOS)** with the finalisation of the feasibility study, the launch of the implementation phase and the ESSC agreement on the EMOS concept and governance framework as well as the establishment of the EMOS Board.

c) Risk assessment (if applicable)

No risk materialised in the reporting year in relation to specific objective 3.

d) Conclusion

As evidenced above, the part "Strengthen the partnership within the ESS and beyond" of the spending programme managed by the DG is on track to meet its multiannual objectives for this objective and has achieved the annual performance indicators or outputs and milestones in the reporting year.

Specific objective 4: Ensure that delivery of such statistics is kept consistent throughout the whole duration of the programme, provided that this does not interfere with the priority-setting mechanism of the ESS

The achievements related to this specific objective 4 are included in specific objective 1. The achievements on specific objective 1 and 4, together with their respective result indicators, are therefore jointly described above in point 1.1.2. This mirrors precisely the approach as pursued in the Management Plan 2014.

1.2 Example of EU-added value and results/impacts of projects or programme financed

The EU added-value of the European Statistical Programme (ESP)

European statistics have a clear transnational character. Member States can only ensure the actual collection of the statistical information at national level, but a coordinated approach to the development, production and dissemination of European statistics as a whole is needed to guarantee the required coherence and comparability of the statistics relevant for the activities of the Union. High quality statistics are essential to enable policy makers to make informed decisions and to monitor progress towards set objectives. The EU's strategic objectives like Europe 2020 rely on the European statistical data in order to provide evidence basis for EU policy definition, implementation, monitoring and evaluation. The multi-annual character of the ESP guarantees the necessary financing to ensure consistency of statistical data. The development, production and dissemination of European statistics under the ESP cannot be sufficiently achieved by the Member States and it is therefore better achieved at EU level. The Commission/Eurostat coordinates the necessary harmonisation of statistical information at European level in all statistical domains covered by the ESP. The added value of EU action has been and continues to be that it allows for the concentration of the statistical activities on EU policies and issues of relevance for the European Statistical System as a whole. In addition, it contributes to an effective use of resources and to supporting national authorities to do what they need to do but do not always have the capacity to do, for instance in terms of priority-setting, harmonisation and methodological development. The productivity and thus efficiency has risen in a period of diminishing human resources. This is reflected by (1) the substantial increase in the data published (the total quantity of published values increased from 2012 to 2014 by more than 26%) and (2) the improvement of the overall quality of European statistics (the percentage of users that rate as "Very good" or "Good" the overall quality of European statistics has increased from 2012 to 2014 from 63% to 64%), while the total number of Eurostat's staff slightly decreased.

Examples of specific projects from the ESP demonstrating EU-added value

- Government finance statistics

Eurostat ensures that the government deficit and debt figures and, in general, government finance statistics, are of the highest possible quality and comparability. This also goes for the statistics under the Macroeconomic Imbalance Procedure (MIP). Government Finance Statistics (GFS) play a key role in the monitoring of EU economic policies. Eurostat has the sole competence for the methodology underlying these statistics. Eurostat is the guardian of the consistent implementation of the European System of Accounts (ESA) as regards the general government sector by the Member States. When necessary, Eurostat furthermore provides interpretations of the ESA (ESA 2010 since September 2014), and the MGDD (Eurostat's Manual of Government Deficit and Debt) based on advice from the EU statistical community. In conducting this task, Eurostat therefore guarantees the equal treatment of Member States in this matter and the respect of principles outlined in the Code of Practice for European Statistics.

- Social indicators for EU policies

Under "People's Europe", the ESS provides social indicators that are a direct input to Union policies, to set quantified policy targets and to measure the progress against them. Examples:

- of the ten Europe 2020 headline indicators, four are produced from social statistics: (1) employment rate, (2) early leavers from education and training, (3) tertiary educational attainment, and (4) people at risk of poverty and social exclusion;

- unemployment is one of the eleven main indicators of the Macroeconomic Imbalance Procedure (MIP);
- there are nine indicators on employment, poverty and social exclusions among the twenty-six MIP auxiliary indicators;
- the European surveys on ICT usage in households and by individuals provide statistics on citizen's use of new technologies and new lifestyle choices. They are directly linked to the information requirements of the Digital Agenda.

In all these cases, there is European added value in that these indicators, produced in a consistent way across the EU, are accepted as a basis for policy negotiations and for the monitoring of progress; in this sense, they are more effective than indicators produced at national level.

- EuroGroups Register (EGR)

Eurostat and the statistical authorities of the Member States and EFTA countries are operating and developing the EuroGroups Register (EGR). The EGR is a central statistical register, covering multi-national enterprise groups active in Europe. The EGR ensures that the national statistics compilers have a harmonised picture on the enterprise groups' structures and characteristics when compiling national statistics related to globalisation as well as related to other national enterprise statistics, involving a consistent delineation of cross-border phenomena. At the same time the EGR reduces the burden on Member States as they only deliver the national parts of the multinational groups to the central register instead of mapping complete group structures.

1.3 Economy and efficiency of spending and non-spending activities.

According to the financial regulation (art 30), the principle of economy required that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and the best price. The principle of efficiency concerns the best relationship between resources employed and results achieved.

The respect of these principles is continuously pursued through the implementation of internal procedures and predefined practices. These procedures ensure that activities are executed in an efficient manner (e.g. the different workflows contribute to the efficient cooperation between staff, units, etc.) and according to the principle of economy (e.g. the procurement rules ensure procurement in optimal conditions).

DG ESTAT is continuously fine-tuning its internal arrangements in order to improve the efficiency and economy of its operations. The following two initiatives show how these principles are implemented in our DG:

1.3.1 Example 1

ESS Vision Implementation Portfolio

Eurostat set up a portfolio of projects (European Statistical System Vision Implementation portfolio) to implement the strategic aims of the ESS Vision 2020. The overall goal of the portfolio is the modernisation of the production of European statistics by harnessing the potential of big data and other emerging data sources; realising economies of scale through sharing services and skills among ESS partners; enhancing the use of modern information technology and introducing innovative methods of data collection, production and dissemination. The implementation of the portfolio will result in improved quality of statistical products and services, reduced burden for respondents and more efficient use of resources, in line with the rationalisation policy of the European Union.

1.3.2 Example 2

My IntraComm collaborative site for planning, monitoring and reporting activities.

In the context of the IT rationalisation, DGs were asked to phase out the locally developed IT tools for preparing their management plans and replace them with generic corporate tools³⁷. Eurostat has taken this opportunity for setting up a collaborative site that goes beyond the preparation of the management plan and covers:

- Framework lists, such as: specific objectives, priority areas and detailed sub-objectives defined in the European Statistical Programme 2013-2017.
- Planning and monitoring lists: processes, projects (and their outputs), catalogue of statistical products, IT work, services provided to other DGs, Key Performance Indicators (KPIs) of horizontal activities and the improvement action plan based on the results of the annual user' satisfaction survey.
- Internal control lists: a risk register and all internal control actions.
- Project management, with information on project's team, dates and resources and the related repository of projects' documents (such as the business cases).

The main goals of this collaborative site are to:

- facilitate and improve managerial tasks by providing in a single location all the information related to planning, monitoring and reporting activities;
- contribute to the reduction of the administrative burden;
- contribute to cost reduction and efficiency gains by reducing the number of ad hoc tools/templates/tables used for gathering or providing information related to planning, monitoring and reporting activities.

³⁷ Such as MS Office or My IntraComm collaborative sites (SharePoint)

2. MANAGEMENT OF RESOURCES

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes. This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports by Authorising Officers by sub-delegations (AOSDs);
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports of the ex-post supervision or audit;
- the opinion and the observations of the Internal Audit Capability (IAC);
- the observations and the recommendations reported by the Internal Audit Service (IAS);
- observations and the recommendations reported by the European Court of Auditors (ECA).

This section reports the control results and other relevant elements that support managements' assurance on the achievement of the internal control objectives³⁸. It is structured in three separate sections: (1) the DG's assessment of its own activities for the management of its resources; (2) the assessment of the activities carried out by other entities to which the DG has entrusted budget implementation tasks; and (3) the assessment of the results of internal and external audits, including the implementation of audit recommendations.

In 2014, the financial operations managed by Eurostat were exclusively under direct management mode. The commitments concerned the second year of the European Statistical Programme (ESP) 2013-2017, while the payments were linked both to the current ESP programme as well as to the closure of the previous two programmes, i.e. the Statistical Programme 2008-2012 and the Modernisation of European Enterprise and Trade Statistics (MEETS) programme. Moreover, 2014 was the second year when Eurostat had been allocated budget for a preparatory action on European farm prices and margins observatory³⁹.

As a Service-DG, Eurostat not only uses the budget appropriations of those programmes ('own credits'), but is also responsible for the use and control of budget appropriations sub-delegated from other DGs (11 in 2014) in order to provide the European Union with a high-quality statistical information service.

³⁸ Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

³⁹ More details on the targets and results of financial management indicators are provided in annex 10

Overview of the commitments and payments executed on Eurostat budget lines

Operational appropriations (own and sub-delegated to Estat)

	Commitments (EUR)	Payments (EUR)
European statistical programme 2013-2017	57 897 658	22 454 511
Completion of Community statistical programmes (2003-2007 and 2008-2012)	0	25 030 062
Completion of Modernisation of European Enterprise and Trade Statistics (MEETS)	0	9 418 769
Total Eurostat's programmes	57 897 658	56 903 342
Preparatory action on European farm prices and margins observatory	86 234	387 670
Total Eurostat	57 983 892	57 291 012
Sub-delegated appropriations to Eurostat	16 387 216	8 272 577
TOTAL operational	74 371 108	65 563 589

Source: BO ABAC; including the amounts sub-delegated by DG ESTAT to DG DIGIT and DG TAXUD.

Administrative appropriations

	Commitments (EUR)	Payments (EUR)
De-centralised administrative appropriations of the Global envelope (Heading 5)	3 769 139	3 299 021
Support expenditure for operations in the Statistics policy area (BA lines)	2 942 287	3 117 953
TOTAL administrative	6 711 426	6 416 974

Source: BO ABAC.

Commitments and payments per expense type

Financial transactions			Commitments	Payments
Grants	Own appropriations	Number	229	387
		Amount (EUR)	23 226 090	21 142 399
	Sub-delegated appropriations	Number	57	80
		Amount (EUR)	5 394 542	4 840 358
Procurements	Own appropriations	Number	413	1018
		Amount (EUR)	32 862 524	36 148 614
	Sub-delegated appropriations	Number	16	49
		Amount (EUR)	3 298 914	3 432 219
TOTAL amounts			64 782 070	65 563 589

Source: BO ABAC; the C8 and R8 fund sources are included in the above amounts.

Appropriations subject to the financial management control reporting herein

	Commitments (EUR)	Payments (EUR)
Operational appropriations	74 371 108	65 563 589
Support expenditure for operations in the Statistics policy area (BA lines)	2 942 287	3 117 953
TOTAL operational and BA	77 313 395	68 681 542

Source: BO ABAC.

2.1 Management of human and financial resources by DG ESTAT

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

ESTAT managed two types of expenditure, Grants and procurement. The Eurostat Control Strategy 2013-2017 covers both of them. It combines complementary standard ex-ante controls (grants and procurement), risk-based and random reinforced ex-ante controls (grants) and ex-post controls (grants) or ex-post quality review of procedures (procurement) to ensure the legality and regularity of operations and sound financial management. Financial controls planned in 2014 have been implemented, including the annual control programme for grants:

GRANTS

Control effectiveness as regards legality and regularity

The principle of effectiveness set out by the Financial Regulation concerns the attainment of the specific objectives set and the achievement of the intended results. In terms of financial management and control, the main objective (among the five internal control objectives) remains ensuring that transactions are legal and regular.

DG ESTAT has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

Beneficiaries of grants donated by Eurostat are by majority National Statistical Institutes of the Member States of the European Union and of Enlargement Countries and the Statistical Institutes of the EFTA-Countries. They are public sector organisations and partners of Eurostat within the European Statistical System (ESS). They regularly undergo audits and controls by national and international organisations to verify compliance with legality and regularity and are integrated within different quality assurance frameworks. They do not belong to a high-risk environment.

Expenditure linked to grant agreements paid to those beneficiaries constitutes around 88%⁴⁰ of the budget of Eurostat regarding grants (own and sub-delegated appropriations). In accordance with Regulation 223/2009, grants are awarded without calls for proposal to the members of the ESS.

Eurostat's control-strategy takes due account of this environment and is formalised over the period 2012-2017. The control strategy is implemented via the following layers of controls:

- 1) All payment transactions are subject to mandatory ex-ante controls before payment according to Art. 66(5) of the Financial Regulation;
- 2) Additional in-depth ex-ante controls are implemented requesting supplementary supporting documentation from the beneficiaries to be verified by Eurostat. They are performed before payment, aiming to reinforce financial controls and better prevent errors before final payments. In-depth ex-ante controls are performed on a two-fold basis:
 - Beneficiaries to be controlled are selected on a random approach (own appropriations)
 - Beneficiaries to be controlled are selected on a risk-based-approach (own and sub-delegated appropriations)
 Out of the total number of beneficiaries receiving payments in the year (33 NSI), 18 beneficiaries were covered by in-depth ex-ante controls in 2014.
- 3) Furthermore, Eurostat performs ex-post controls after final payments. These controls are also intended to identify errors not detected during ex-ante controls. The transactions controlled, concern mainly grant agreements with final payment of previous years and not from the reporting year.

Based on an annual risk assessment, beneficiaries are selected for in-depth ex-ante or ex-post controls and an annual control programme is adopted by the senior management. The random sampling is made all over the year.

Ex-ante controls

Programming, evaluation and selection:

For the programming, evaluation and selection stage mitigating controls are in place to ensure the proposals received contribute towards the achievement of the EU statistical programme objectives, are compliant with rules and to prevent fraud. 100% of transactions (projects, proposals, award reports) are covered by checklist-based operational and financial ex ante control and hierarchical validation according to the financial circuits. Proposals received are subject to a prior evaluation by an evaluation committee.

	Indicator	Results 2014
Ex-ante controls	% of number of invitations for proposals ⁴¹ successfully concluded/number of invitations for proposals planned in the MP/WP	94.4%
	% of number of successful invitations for proposals/total number of awards	100%

⁴⁰ Based on 2013 figures.

⁴¹ According to Article 5 of Regulation (EC) No 223/2009, NSIs and other national authorities responsible for the development, production and dissemination of European statistics as designated by Member States may receive grants without a call for proposals in accordance with Article 168(1)(d) of Regulation (EC, Euroatom) No 2342/2002. They receive invitations to submit proposals.

Contracting:

Mitigating controls are in place to ensure that the actions and funds allocation is optimal, that procedures comply with the regulatory framework and to prevent fraud. 100% of draft grant agreements are subject to checklist based operational and financial ex ante verification and hierarchical validation according to the financial circuits.

	Indicator	Results 2014*
Ex-ante controls	% of budget value implemented/budget allocated (budget execution in terms of commitment appropriations)	97.48%*

*The result is based on appropriations available on C1 fund sources, both on ESTAT budget lines and sub-delegated lines to ESTAT in 2014 (grants and procurements).

Based on the high number of successful invitations for proposals, we conclude that the controls related to the selection and contracting phases contribute to the legality and regularity of the grants commitments.

Payments:

Each payment request is covered by ex-ante verification. In order to further strengthen the internal control system and provide additional assurance to the Authorising Officer by Delegation, reinforced ex-ante controls have been carried out on a sample of transactions (either risk-based or random) on the basis of additional supporting documentation requested from the beneficiaries. This control approach aims for correction of errors before payment. In addition, measures have been taken to further reduce the risk of errors in the future by introducing simplified payment scheme for staff cost (unit cost⁴²) and by sharing with the beneficiaries lessons learnt.

The **total error rate corrected before payment** (as a follow-up of standard and reinforced ex-ante controls) for the 2014 reporting year is **2.04%** (ESTAT appropriations)

Out of the controlled population (ESTAT appropriations) 81.1% of the grants concern the Community Statistical Programme 2008-2012 (including MEETS programme), and the remainder 19.1% concern the Community Statistical Programme 2013-2017. The error rate for the Community Statistical Programme 2008-2012 including MEETS programme is 2.12% and 0.07% for the Community Statistical Programme 2013-2017. No recurrent weaknesses have been identified.

Therefore, the **total error rate corrected before payment** (as a follow-up of standard and in depth ex-ante controls) for the 2014 reporting year is **2.04%** (ESTAT appropriations):

N° of payments	Amount claimed (Eur)	Amount paid (Eur)	Non eligible amount (Eur)	Detected error rate*
230	26,361,109.0	25,823,654.0	537,455.0	2.04%

*Errors corrected before payment

⁴² In 2014, one third of Eurostat major grant beneficiaries (NSI) use unit cost for staff cost reimbursement.

Ex-post controls

Five ex-post controls were finalised in 2014 on the basis of the 2012 -2017 control strategy. They were carried out by external audit firms. One further control is foreseen to be completed within the 1st quarter 2015.

These controls concern grant agreements concluded under the European Statistical Programme 2008-2012 and agreements funded via cross sub-delegated credits. An ex-post control of one grant agreement of the MEETS-programme is launched for 2015.

The implementation of the ex-post controls finalised in 2014 resulted in a detected error rate of 0,46% for the Statistical Programme 2008-2012 (i.e. corrections of in total EUR 3.466,67).

Qualitative analysis

Throughout the year, Eurostat has analysed the main causes and types of error detected. When necessary, beneficiaries have been invited to improve their internal control system and follow-up controls are programmed every year to monitor the compliance with requirements. The 2012-2017 control strategy aims to produce a dissuasive effect and had proved to have a pedagogical impact as beneficiaries are recurrent ones. All errors detected ex-ante are corrected before payment. Re-assurance is given by complementary ex-post controls, and corrections are made based on those controls. In 2014, these control activities allow to conclude that no element call into question the assurance.

The control objective is to ensure that the DG has reasonable assurance that the total amount of all financial operations authorised during the reporting year which would not be in conformity with the applicable contractual or regulatory provisions, does not exceed 2% of the total expenditure.

In order to reach this conclusion, Eurostat reviews the reporting of exceptions and non-compliance events, defined as control overrides or deviations from policies and procedures, and the results of the compulsory ex-ante controls and ex post controls and supervisory activities.

During the reporting year there were 3 exceptions recorded in the registry of exceptions and non-compliance events amounting to EUR 16,214. These concerned formal compliance issues which do not impact negatively on the assurance provided on the overall budget.

Overall conclusion on control effectiveness as regards legality and regularity

Based on the results of the controls performed and indicators reported above, for the reporting year (ESTAT appropriations), the residual error rate (RER) after ex post controls performed in 2014 on grant agreements is 0.248%⁴³ (cumulative detected error rate 0.251%) and thus below the materiality level of 2%.

⁴³ One ex post correction has not been considered relevant for this exercise as the ex post correction has been applied to 100% transactions still controllable therefore no remaining residual error rate. Additionally the systematic error was not representative for the rest of the population.

Paid amount in 2014* 1	Ex post detected error rate** cumulated for SP 2008-2012 (%) 2	Part of SP 2008-2012 non audited by ex post 3	RER (%) 4=2*3	Amount at risk (Eur) 5=1x4
21,142,399.0	0.251%	98.9% ***	0.248%	52,483.7

*Source AAR part 2

**Fully recovered

***Based on risks-based ex-post controls. In 2014 major efforts were dedicated to ex-post controls on sub-delegated credits.

The control objective has been met. No weakness that may have a significant impact on assurance has been identified.

Control efficiency and cost-effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls (direct including indirect and overhead costs).

- For grants, it is estimated that around EUR 1,163,521 EUR were invested in controlling 804 grants procedures (from planning to commitment included) of a total value of EUR 28,620,632 EUR. Thus 4.1% of the total grant value was dedicated to control. These controls are to large extent mandatory according to the Financial Regulation.
- An estimated amount of EUR 661,108 were invested in financial operations (from establishing the payment, grant monitoring and eventually recoveries) controlling 726 financial transactions worth EUR 25,982,757. Thus 2.5% of the total payment amount was dedicated to control.
- For supervisory measures an estimated amount of EUR 93,467 was invested to review ex post 17 financial transactions.

Cost of control indicators includes all the costs related to both operational and financial controls (direct, indirect and overheads).

Grants - The minimum set of indicators for ex ante and ex post controls (FTE for all stages combined: direct, indirect and overheads):

Stage	Indicators (annual indicators)	Description
Overall indicator	Overall cost of control (%)	Total cost of controls of process / total expenditure executed during the year (payments made) related to section 2.1; from the expenditure is excluded the amount delegated or subject to a distinct discharge report = 7.4%
All controls for the programming, evaluation and selection of proposals	Cost of evaluation and selection procedure/ value contracted (%)	Cost of programming + evaluating + selecting grants / value of grants contracted = 2.7 %
From legal commitment up to payment included	Cost of control from contracting and monitoring the execution up to payment included/ amount paid (%)	Cost of controls related to the contracting and subsequent monitoring of the execution /amount paid= 4.0 %

Ex post	Cost of control ex post audits/ value of grants audited	Total cost related to ex post audits / grants audited = 1.0 %
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Overall control system for ex ante and ex post control (FTE for all stages combined: direct, indirect and overheads)

Total cost of financial management & control FTE⁴⁴ / total value of operational payments made	7.4% - 2014
Total benefits of financial management and control (excl. the non-quantifiable benefits) /total value of operational payments made)	Mainly non-quantifiable (see assessment in the text)
Total benefits of financial management and control (excl. the non-quantifiable benefits) /total costs of financial management and control)	29.7% - 2014

Eurostat quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 and estimates their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls (as per Annex 3, table 8). In addition, there is a certain number of non-quantifiable but undeniable benefits resulting from the controls operated. Eurostat considers these controls as being necessary based on the analysis of its control environment performed when designing its 2012-2017 control strategy. As planned, a mid-term evaluation of the control strategy was conducted in 2014. Necessary adjustments were included to reflect on the change in the control environment (such as the unit cost scheme for staff cost) a from 2015.

In terms of overall control cost-effectiveness, the cost of FTE staff involved in financial management and control of the grant programme (operational and financial agents) represents 7.4%⁴⁵ of the total value of operational payments made. A major part of these controls is mandatory. It should be underlined that this overall indicator is very sensitive and highly linked to the volume of payments made during the year. Compared to last year the total cost of controls were lower by 25% in value (less transactions, efficiency gain) and the total payments went down by 10%. In conclusion, the evolution of this overall indicator should be compared with caution.

The benefits of control in non-financial terms cover: better value for money, deterrent effects, efficiency gains, system improvements and, as mentioned above, compliance with regulatory provisions. These are major benefits in an environment characterised by recurrent beneficiaries.

To reach a conclusion as of the relative efficiency of the controls, it is necessary to analyse the evolution of these efficiency indicators over time and/or to compare them with relevant benchmarks.

To further improve the efficiency of grant management, Eurostat finalised in 2014 the design of a simplified form of grants⁴⁶, aiming to introduce as from January 2015 unit costs as single

⁴⁴ Excl. FTE involved in other Commission functions, such as policy development, monitoring of EU law enforcement, etc. [for nearly "pure" grant management DG/EA, this can be approximated by comparing the administrative/operating budget to the total operational budget.]

⁴⁵ Compared with 5.9% last year calculated on the full value of grant paid in 2013. In 2014 only the net payments were used (much lower value). Accordingly, the 2 figures are not comparable.

⁴⁶ Commission Decision of 11.9.2014 authorising the use of reimbursement of unit costs under the European Statistical Programme.

payment scheme for the reimbursement of direct eligible personnel costs for grants awarded under the European Statistical Programme 2013-2017. This will facilitate the preparation and control of the budget and cost claim for both, Eurostat and beneficiaries. The mid-term assessment of the 2012-2017 control strategy performed in 2014 took account of this change factor.

PROCUREMENTS

Financial management and control for procurements are grouped around three core processes: 1) Procurement (from the assessment of needs, the selection of the suppliers, award decision until establishment of financial commitment), 2) Financial operations (from payment, contract monitoring and eventually recoveries) and 3) Supervisory measures (including 'ex post' controls and management checks).

Control effectiveness as regards legality and regularity

Eurostat has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, and the nature of payments.

The following controls are performed:

- All payment transactions are subject to mandatory ex-ante controls before payment according to Art. 66(5) of the Financial Regulation
- Ex-post controls quality review on internal transactions are carried out on procurement transactions on demand. They focus on the procedural correctness of procurement transactions. There are no financial errors and corrections deriving from those type of supervisory control; hence there is no error-rate.

The control objective is to ensure that the DG has reasonable assurance that the total amount of all financial operations authorised during the reporting year which would not be in conformity with the applicable contractual or regulatory provisions, does not exceed 2% of the total expenditure.

In order to reach this conclusion, Eurostat reviews the reporting of exceptions and non-compliance events, defined as control overrides or deviations from policies and procedures, and the results of the compulsory ex-ante controls and ex post controls and supervisory activities.

During the reporting year there were 5 instances recorded in the registry of exceptions and non-compliance amounting to EUR 64,795. These concerned formal compliance issues which do not have a negative impact on the budget.

For the second consecutive year, in addition to the ex-ante controls, a supervisory quality review was carried out in 2014 on three procurement files. One non-compliance issue was detected with no impact on materiality. Additional corrective actions are in the phase to be implemented. No financial or reputational procurement errors were detected.

In conclusion, the analysis of the available control results, the assessment of the weaknesses identified and that of their relative impact on legality regularity has not unveiled any significant weakness which could have a material impact as regards the legality and regularity of the financial operations and it is possible to conclude that the control objective as regards legality and regularity has been achieved.

Control efficiency and cost-effectiveness

Eurostat has produced an estimation of the costs of the three main control processes. However, as the estimation of the volume of errors prevented and detected ex ante, is only a part of the related benefits, as a consequence, it is not possible to determine the overall cost-effectiveness of controls by comparing costs with the benefits; it is necessary to consider also the efficiency indicators retained. To do so, DG ESTAT has defined efficiency measures for the controls associated with the three core processes:

- For Procurements, an estimated EUR 1,481,968 were invested in controlling 1,072 procurement procedures (from planning to commitment included) for contracts with a total value of EUR 39,103,725. Thus 3.79% of the total contract value was dedicated to control. The procurement procedures are to a large extent governed by a regulatory requirement which cannot be curtailed. In addition, Eurostat considers that the necessity of these controls is undeniable.
- An estimated amount of EUR 1,088,207 were invested in Financial operations (from establishing the payment, contract monitoring and eventually recoveries) controlling 1,072 financial transactions⁴⁷ worth EUR 42,698,786. Thus 2.55% of the total payment amount was dedicated to control.
- For supervisory measures an estimated amount of EUR 19,140 was invested to review three financial transactions worth EUR 2.949.700.

Cost of control indicators includes all the costs related to both operational and financial controls (direct, indirect and overheads).

Procurements: The minimum set of indicators for ex ante and ex post controls (FTE for all stages combined: direct, indirect and overheads): minimum set of indicators:

Stage	Indicators (annual indicators)	Description
Overall indicator	Overall cost of control (%)	Total cost of controls of process / total expenditure executed during (including admin.expenditure) the year (the payments made) = 6.1 %
Stage: procurement stage up to Selection of the offer & evaluation	Cost of controls of the evaluation and selection procedure/ value contracted (%)	Cost of preparing the needs assessment, specifications, publishing , evaluating the offers, notifying the tenderers/value of procurement contracted = 1.9 %
Stage; financial transaction	Related cost of control/ amount paid (%)	Related cost for all transactions related to this stage (Commitments, payments, RO)/ amount paid only = 3,9 %
Stage: supervisory measures	Related cost of control of the supervisory measures/ value of transactions checked (%)	An estimated amount of EUR 17.140 was invested to review three financial transactions worth EUR 2.949,700.

⁴⁷ By simple coincidence the number of procurement procedures and the number of financial transactions corresponds.

Overall control system for ex ante and ex post controls (FTE for all stages combined: direct, indirect and overheads)

Total cost of financial management & control FTE⁴⁸ / total value of operational payments made*)	6.1% - 2014
Total benefits of financial management and control (excl. the non-quantifiable benefits) / total value of operational payments made	Mainly non-quantifiable (see assessment in the text)
Total benefits of financial management and control (excl. the non-quantifiable benefits) /total costs of financial management and control	n.a.

Eurostat quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls. In addition, there are also a number of non-quantifiable but undeniable benefits resulting from the controls operated. Eurostat considers that the necessity of these controls is not questioned, as the totality of the appropriations would be at risk if the above controls were not in place.

In terms of overall control cost-effectiveness, the cost of FTE staff involved in financial management and control of the procurements has decreased: 6,1% of the total value of operational payments made. Like for grants, this overall indicator is very sensitive and highly linked to the volume of payments made during the year. Compared to last year, the total cost of controls increased by 6.2% in value due to the higher number of financial transactions and the total payments increased by 18%. If the number of financial transaction remains stable and the payments value decreases, then the overall indicator is deteriorating. In conclusion, the evolution of this overall indicator should be compared with caution.

Based on the mid-term assessment of the control strategy 2012-2017 conducted in 2014, the initial objectives were kept and adjustment will be done to cope with the new provisions on procurement; training campaigns and awareness raising actions on rules and good practices for managing procurement procedures and contracts will be put in place and workshops on simplified financial circuits will be carried out.

Benefits of controls

Controls performed have allowed the identification of specific actions to further improve the control environment. The benefits of control in non-financial terms cover: better value for money, deterrent effects, efficiency gains, system improvements and, as mentioned above, compliance with regulatory provisions.

Conclusion

To reach a conclusion as of the relative efficiency of the controls, it is necessary to analyse the evolution of these efficiency indicators over time and/or to compare them with relevant benchmarks. This is not currently possible, as this is the first year in which DGs will calculate the minimum set of indicator.

⁴⁸ Excl. FTE involved in other Commission functions, such as policy development, monitoring of EU law enforcement, etc. [for nearly "pure" grant management DG/EA, this can be approximated by comparing the administrative/operating budget to the total operational budget.]

Fraud prevention and detection

In accordance with the Commission's overall approach, DG ESTAT adopted its "Anti-Fraud Strategy 2014-2017" on 30 October 2013. The strategy is complemented by an anti-fraud action plan. From 2014-2017, the strategy action plan, the fraud risks and their criticality are annually reviewed and monitored. The reporting year was the first year of application of the strategy. All the resulting measures with implementation dates by 2014 have been fully implemented. The implementation of measures with later implementation dates are on track.

Indicator	Target 2014	Achieved or on target end 2014
Percentage of anti-fraud actions included in the anti-fraud action plan open on 1 January that have been achieved or are on target on 31 December	90 %	100 % (achieved or on target)
Number of Eurostat staff trained on IT security measures, fraud aspects or ethics/integrity per year	30	37

One case was transmitted to OLAF for investigation. During the same period, one case has been dismissed by OLAF.

In principle, the controls aimed at preventing and detecting fraud are not unlike those intended to ensure the legality and regularity of the transactions (the unintentional errors). Still, DG ESTAT has embedded the risk of fraud in the risk assessment matrix which support the design of its annual control programme of in depth controls. During the reporting year, 20 payments requests from 18 beneficiaries for an estimated value of € 1,146,399 were subject to in-depth controls; which resulted in the detection of errors corrected before payments for a value of € 7,233 (0,51% error rate for the random and risk based approach).

Other control objectives: use of resources for their intended purpose, reliability of reporting, safeguarding of assets and information

Under its mission to be the leading provider of high quality statistics in Europe, Eurostat is responsible for ensuring the production of European statistics for the EU policy purposes.

The data and information systems that support Eurostat's mission are therefore highly important assets that play an essential role in maintaining its operational effectiveness, legal compliance and as such need to be protected. In this context, particular importance is attributed to the controls performed as regards the IT security and data integrity and safeguarding of sensitive information regarding Eurostat secure environment hosting confidential statistical information, the applications used for transmission of sensitive information (EDAMIS) from and to Member States or other EU institutions or bodies, and the dissemination chain and web site used for publication of statistics and press releases.

As far as the IT security and data integrity is concerned, the control objectives in place are mainly related to the definition and dissemination of ESTAT information security policy, implementation of the controls defined in the IT security policy, monitor the access to IT infrastructure and control of access and use of IT infrastructure and information. In 2014 there were no incidents recorded regarding data integrity in the reception and transmission of information including the web site.

Regarding the safeguarding of sensitive information, the control objectives are mainly the identification and definition of sensitive information in Eurostat, access to sensitive information and control of access to sensitive information. During 2014 no incidents related to breach of confidentiality were reported.

On the basis of the results of the controls performed and as no major weaknesses were

identified in the course of the year, it is concluded that the control objectives have been met.

2.2 Budget implementation tasks entrusted to other DGs and entities.

This section reports and assesses the elements that support the assurance on the achievement of the internal control objectives as regards the results of the DG's supervisory controls on the budget implementation tasks carried out by other Commission DGs and entrusted entities distinct from the Commission.

Cross-sub-delegations

Eurostat's activities covered by crossed sub-delegation include the sub-delegations in favour of the Director-General for Informatics (DIGIT) and the Director-General of the Directorate-General for Taxation and Customs Union (TAXUD).

Eurostat cross-sub delegates administrative appropriations to DG DIGIT for the IT infrastructure consolidation. Moreover, the cross-sub-delegation of operational appropriations to DG DIGIT authorizes expenditure related to infrastructure for statistical data collection, processing and dissemination as well as INSPIRE, SIMSTAT and other projects' hosting. The sub-delegation requires annual reporting on the use of the funds. In 2014, Eurostat sub-delegated to DG DIGIT EUR 2 373 807 and EUR 973 833 for commitments and payments respectively, all budget lines included. In this context, Eurostat received a note from DG DIGIT, dated 05/02/2015 confirming that there were no material matters to report concerning the management of these funds.

The cross-sub-delegation in favour of DG TAXUD authorizes expenditure operations on the BA administrative and on the operational budget lines for assistance activities supporting the use by DG ESTAT, of the CCN/CSI (Common Communication Network and Common System Interface) interoperability framework for the SIMSTAT (Single Market Statistics) project. In the framework of this cross sub-delegation, 650.000 EUR were committed on the operational budget line in 2014 while the level of payments reached 84 600 EUR on the BA line and 586 212 EUR on the operational line. The sub-delegation requires annual reporting on the use of the funds. In this context, Eurostat received a note from DG TAXUD, dated 20/01/2015, confirming that there were no material matters to report concerning the management of these funds.

2.3 Assessment of audit results and follow up of audit recommendations

This section reports and assesses the observations and conclusions reported by auditors which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

During the period of reference, Eurostat internal control system has been covered by four new audits and six follow-up audits, from the internal auditors (IAS and IAC) and the ECA. Management has accepted all the recommendations formulated. Action plans have been defined to cope with risks identified, and have been assessed as adequate by the auditors. The various management measures included in the action plans have been or are being implemented as foreseen.

Neither the IAC nor the IAS issued any "critical" recommendations.

The implementation of one "very important" recommendation on the set up of the sensitive information in Eurostat has been delayed from June 2014 to June 2015. Several corrective actions have already been taken and implemented. Outstanding actions are being taken to meet the June 2015 deadline.

The IAC expressed the opinion that the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the processes audited, except for the specific issues set out in detail in point 2.3.4.

2.3.1 Audits performed by IAC

In accordance with its risk based multiannual audit planning 2013 – 2015, in 2014 the IAC carried out three new audits, namely on "Document Management", "Administrative Budget" and "Business Continuity".

In the audit on "**Administrative Budget**" IAC concluded that *"the internal control system in place provides reasonable assurance regarding the achievement of the business objectives set up for the management of administrative budget"*. No "critical" or "very important" recommendations were issued.

In the report of the audit on "**Document Management**", the IAC issued two "very important" recommendations concerning the file management (registration, filing, preservation and archiving/ elimination) and the treatment of personal data, sensitive information, EU Classified Information (EUCI) including use of Security markings in ARES. An action plan has been prepared and is being implemented.

An audit on "**Business Continuity Management**" was carried out in the year 2014. The final audit report of 16/02/2015 issued two "very important" recommendations regarding Business Continuity Plan and Disaster Recovery Planning and IT Business Continuity. An action plan will be established.

Furthermore, the IAC carried out four follow-up audits on "MEETS", "Statistical Processes II – Migration Statistics", "Human Resources" and on "Expenditure Lifecycle".

IAC assessed in the follow-up audit on "**MEETS**" that all six reviewed recommendations could be closed.

The follow-up audit on "**Statistical Processes II - Migration Statistics**" concluded that all recommendations were considered as implemented and could be closed.

In the follow-up audit on "**Human Resources**" IAC concluded that four recommendations could be closed. One "important" recommendation remained open.

In the follow-up audit on "**Expenditure Lifecycle**" IAC assessed that six recommendations could be closed, one recommendation ("very Important") was downgraded to "important" and an action plan has been prepared to implement it.

Regarding the follow-up of recommendations issued the previous years, implementation of corrective measures concerning six "very important" recommendations on "**Sensitive Information**" and "**Statistical Processes III – Agriculture Statistics**" is on-going. One "very important" recommendation, stemming from the audit on "Sensitive information" and concerning the set-up of sensitive information in ESTAT, is overdue for more than six months. The implementation of all the other "very important" recommendations is on track.

The last recommendation related to the audit on "**The evaluation function in Eurostat**" (namely the Recommendation 7) was also implemented.

2.3.2 Audits performed by IAS

In accordance with the "IAS Strategic Audit Plan 2013 -2015", IAS carried out a follow-up audit on "Strategy and Coordination of Statistical Data Production, Development and Dissemination" in 2014. A further follow-up audit on "DG ESTAT's preparedness to fulfil its role in the Economic Governance Framework" was also carried out in 2014.

The follow-up audit on "**Strategy and Coordination of Statistical Data Production, Development and Dissemination**" concluded that 9 recommendations were closed.

One remaining "very important" recommendation of this audit concerning the definition of roles and responsibilities between DG ESTAT and policy DGs producing statistics is considered by DG ESTAT implemented by 31/12/2014.

The follow-up audit on "**DG ESTAT's preparedness to fulfil its role in the Economic Governance Framework**" concluded that *"all the recommendations addressed to DG ESTAT that resulted from the audit have been adequately and effectively implemented."*

Three "very important" recommendations of the audit on "**Management of Local IT**" (issued in 2013) still need to be fully implemented by DG ESTAT. They concern the definition and implementation of the project management framework, in the IT risk assessment and in IT security, and in security requirements for managing confidential data. It has to be noted that the implementation of the corrective measures is on track.

2.3.3 Audits performed by the European Court of Auditors

The "very important" **ECA recommendation 2012/AUD/0179** (stemming from the ECA Annual Report 2012) "Review control framework for the verification of GNI data" is being implemented. There are no further "very important" open recommendations stemming from annual reports of the European Court of Auditors.

There are no further "very important" recommendations from the European Court of Auditors.

In its Special Report 11/2013 "**Getting the Gross National Income (GNI) Data Right: A More Structured and Better-focussed Approach Would Improve the Effectiveness of the Commission's Verification**" the Court of Auditors issued 9 "important" recommendations. An action plan was established and is being implemented.

During the reporting period the European Court of Auditors conducted an audit on the "**Excessive Deficit Procedure**". The final report is expected for 2015.

2.3.4 IAC annual opinion

On 16 February 2015, the IAC transmitted its Annual Opinion⁴⁹ on the state of control of the Directorate General as for 31 December 2014. Based on the results of the audits as described in the objectives and scope of the engagements carried out and finalised by the IAC of DG ESTAT during 2014, the internal control system in place in DG ESTAT provides reasonable assurance regarding the achievement of the business objectives set up for the processes audited, except for the following issues:

⁴⁹ ARES(2015)641272 – 16/02/2015

- **Audit on Document Management**

Very important recommendations regarding

- Document registration, filing, preservation and archiving / elimination; File management (Recommendation 2)
- Treatment of personal data, sensitive information, EU Classified Information including use of Security markings in ARES; ARES e-signatories, Virtual Entities and user management (Recommendation. 3).

Management prepared an Action Plan to mitigate the risks identified. The implementation is not yet due for Recommendation 2, and Recommendation 3 was marked as "ready for review" by management on 28 January 2015.

- **Audit on Business Continuity Management**

Very important recommendations regarding

- Business Continuity Plan
- Disaster Recovery Planning and IT Business Continuity

3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

The Commission has adopted a set of internal control standards, based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with these standards is a compulsory requirement.

DG ESTAT has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

The DG's annual review of its implementation of the Internal Control Standards (ICS 15) was based on an initial desk review by the ICC staff, followed by input from relevant horizontal units responsible for the implementation of the 16 ICS. This has led to the 'top-down' assessment of the DG's internal control status at the end of the reporting year, with respect to both the ICS compliance and the effectiveness of the control arrangements in place. Furthermore, the "bottom-up" information on internal control issues received through the AOSDs' reports has been checked and follow-up actions have been identified. Finally, the IAC's Opinion has been taken into account as well. This analysis had enabled the ICC to report the state of internal control and his recommendations to the Director-General (including his suggestions for any ICS to be prioritised during the next year).

The functioning of the internal control systems has been closely monitored throughout the year by the systematic registration of exceptions in the financial area and internal control weaknesses. The underlying causes behind these exceptions have been analysed and corrective and alternative mitigating controls have been implemented when necessary.

Concerning the overall state of the internal control system, generally the DG complies with the three assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the DG to its key risks.

Further enhancing the effectiveness of the DG's control arrangements in place, by inter alia taking into account any control weaknesses reported and exceptions recorded, is an on-going effort in line with the principle of continuous improvement of management procedures.

The analysis of the AOSDs report identified two issues. However, the two issues were not significant at DG level, appropriate actions have been identified / put in place and the residual risk level is considered low.

As a result of the assessment of the risks underlying the auditors' observations together with the management measures taken in response, the management believes that the residual risk does not raise any assurance implications. Corrective and mitigating measures are being implemented as part of the on-going continuous efforts in terms of further improvements of the internal control.

Several corrective actions have been put in place to implement the Special report 11/2013 of the Court of Auditors and Council requests concerning GNI, including a temporary reinforcement of the staff. Otherwise, based on a risk assessment requested by the Internal control coordinator beginning 2015, no significant weaknesses of the internal control system were detected.

In its management plan for the reporting year, DG ESTAT had foreseen a number of measures to improve the effective implementation of ICS 6 "Risk management Process", ICS 8 "Processes and Procedures", ICS 9 "Management Supervision" and ICS 11 "Document Management". By the end of the reporting year, these measures were fully implemented as

far as ICS 6, 9 and 11 are concerned. Progress was made concerning Processes and Procedures, but further measures still have to be implemented in 2015 taking due account of the specificities of Eurostat environment. Despite of improvements made as regards management supervision, in consideration of the high turnover in Senior Management in 2014 and the further developments needed by Eurostat internal management tool on Programming, Monitoring and Reporting ("PMR"), ICS 9 "Management Supervision" will again be prioritised in 2015.

In its annual review of its implementation of the Internal Control Standards, DG ESTAT asserted that it is compliant with all 16 ICS. The ICS 15 "Assessment of Internal Control Systems" will be prioritised in 2015 in order to further reflect on possible change of the internal process. Concerning derogations to mandatory staff mobility in relation to sensitive function, two Heads of unit hold their jobs since 2009. However, both have taken on some additional responsibilities in the recent past justifying to defer the date of their mandatory mobility. These mobility issues will be tackled via a second wave of Heads of unit mobility in the forthcoming months of 2015 (the first wave took effect on 01/01/2015).

DG ESTAT monitors centrally the mitigation of risks relevant at DG level. One of them is considered "critical" and concerns the exposure of Eurostat due to the Greek crisis. The risk is mitigated by the on-going implementation of the Joint Overall Statistical Greek Action Plan (JOSGAB). Action plans are in place to mitigate all centrally monitored risks, the implementation of the action plans is closely monitored.

In conclusion, the internal control standards are effectively implemented. In addition, DG ESTAT will pursue further improvements on the efficiency of its internal control system in the area of ICS 8 "Processes and Procedures", 9 "Management Supervision" and decided to conduct an in-depth analysis of ICS 15 "Assessment of Internal Control Systems".

Reporting from Authorising Officers by sub-delegation – follow-up previous issues:

- **Staff issues –link to AAR 2010**

Eurostat, like other Commission DGs, is clearly affected by the Commission's zero growth in HR from 2010 and subsequent staff reduction since 2012. Specialised expertise remains difficult to find in the areas of IT and some statistical domains, and the lack of candidates on the relevant reserve lists for statistical profiles still persists. It has turned out particularly difficult to find Croatian nationals with adequate statistical profiles to fill posts earmarked for that nationality. The lack of staff in certain areas increases the risk that Eurostat might not be able to fulfil parts of its work or will be able to do that but only with delays or decrease in the output quality. In addition, Eurostat still needs to rely on contract staff for some permanent core business areas. Even though the maximum length of contracts of contract agents has been extended in the new Staff Regulations, there is a risk of inadequate transfer or loss of know-how after the departure of contract agents, if core tasks are performed by staff with assignments of limited duration. In order to cope with the overall situation, Eurostat has continued to undertake important initiatives. Eurostat's approach for the redeployment of human resources FRAME (Framework for Resource Allocation Management in Eurostat) was used throughout year 2014 for the fifth time in a row. It allowed Eurostat to redirect human resources to those areas of work considered of highest priority.

It was thus possible to successfully continue projects in support of Eurostat's new vision on re-engineering statistical production systems. Moreover, the first round of the YPSILON induction programme (Young Professional Statisticians Induction and Learning Offer for Newcomers) was successfully finalised, and a new round will be launched in 2015. Finally, a 3-year strategic Human Resources plan 2015-2017 was adopted by senior management.

- **Follow-up of exception procedure on provisions relating to Article 172a (2)(e) – link to AAR 2008**

Article 172 a (2)(e) of the Implementing Rules of the Financial Regulation that entered into force in May 2007 stipulates that "administrative expenditure, staff and equipment costs, including the salary costs of personnel of national administrations" may be considered as eligible to the extent that they relate to the costs of activities which the relevant public authority would not carry out if the projects concerned were not undertaken.

An exception procedure was recorded in 2008, which specifies that provisions under Article 172 a (2)(e) were not checked for calls for proposals launched from May 2007 up to December 2008 and will not be checked when payment requests for grants agreements resulting from these calls for proposals are received. At the same time, the decision has been taken on measures to implement these provisions from 2009 onwards. Relevant information has been provided to stakeholders, and a system of certification has been implemented since 2009, in order to allow controls of compliance at each step of the grant process (calls for proposals/invitation letters to submit proposals; grant agreement; request for payment).

In 2014, there were no payments anymore on grant agreements following calls for proposals launched from May 2007 up to December 2008. Therefore, this issue can be closed.

4. MANAGEMENT ASSURANCE

This section reviews the assessment of the elements reported in Parts 2 and 3 and draw conclusions supporting of the declaration of assurance and namely, whether it should be qualified with reservations.

4.1 Review of the elements supporting assurance

The information reported in Parts 2 and 3 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG ESTAT.

Outcome of the evaluation

The IAC has provided a qualified opinion on the state of control. Risks related to the recommendations issued are addressed with specific action plans, with one exception (Audit on Business Continuity Management) where the action plan will be prepared (final report issued on 16/02/2015).

For grants, the total error rate corrected before payment as a result of ex-ante controls, including reinforced controls (own appropriations), is 2.04%. Financial corrections had to be made based on the results of ex-post controls conducted in 2014 for the Statistical Programme 2008-2012 (detected error rate 0.46 %). The residual error rate (RER), for the reporting year (ESTAT appropriations), correspond to 0.248%⁵⁰ which is below the materiality level of 2%. It has to be noted that the RER is based on the results of risk based ex-post controls and accordingly, it has to be considered as the maximum error rate.

The risks related to public procurement are effectively mitigated by means of independent ex-ante verifications covering 100% of transactions. All errors detected are corrected. Supervisory controls are performed to identify and correct any weaknesses in the applied procedures.

DG ESTAT continued in 2014 with the implementation of actions plans addressing audit recommendations. Two audit reports in 2014 contained "Very important" recommendations. Action plans have been / will shortly be drawn up and are being / are going to be implemented. DG ESTAT invested significant efforts in 2014 in the quick and successful implementation of action plans addressing audit recommendations which was reflected in the final closure of eight "very important" recommendations by IAS and one very important" recommendation by IAC.

The two outstanding issues from previous AARs (i.e. difficulties related to staff allocation and recruitment; exception procedure regarding the application of the implementing rules of the Financial Regulation relating to Article 172a(2)(e)) have been monitored during 2014 and the latest is closed.. The issue of difficulties related to staff allocation and recruitment is assessed under control (see point 3 above), with a limited risk level and consequently acceptable from the point of view of sound financial management.

No significant material matters have been reported to Eurostat as regards the management of crossed sub-delegations.

⁵⁰ Cumulated RER.

4.2 Overall conclusion on assurance and reservations (if applicable)

No specific issues and weaknesses or shortfalls in the management and internal control systems that give rise to material reservation that would have an impact on the assurance contained in the annual declaration have been identified. Weaknesses identified do not represent any significant deficiency in the system. In addition, corrective actions have already been defined and implemented. Therefore, it was concluded that a reservation would not be necessary.

In view of the control results and all other relevant information available, the AOD's best estimation of the risks relating to the legality and regularity for the expenditure authorised during the reporting year (EUR 60,4 million) is between 0% and 2%, which implies an amount at risk of below EUR 0.25 million.

The internal control strategy foresees the implementation of further controls during subsequent years aimed to detect and correct these errors. It is not possible to identify the specific errors and amounts which will be effectively corrected in the coming years, yet the implementation of these corrective controls since 2009 have resulted on average in recoveries and financial corrections representing EUR 0,075 million or 0.02% of the average payments over the same period. This percentage applied to this year's payments made (resulting in EUR 0,0137 million) provides the best available indication of the corrective capacity of the ex-post controls systems implemented by the DG.

Taking into account the conclusions of the review of the elements supporting assurance and the expected corrective capacity of the controls to be implemented in subsequent years, it is possible to conclude that the internal controls systems implemented by DG ESTAT provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes. Furthermore, it is also possible to conclude that the internal control systems provide sufficient assurance with regards to the achievement of the other internal control objectives.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

DECLARATION OF ASSURANCE

I, the undersigned, Walter Radermacher,

Director-General of Eurostat,

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁵¹.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the internal audit capability, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Luxembourg, 26 March 2015

Signed

Walter RADERMACHER

Director General

⁵¹ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.