



2017

Annual Activity Report

EUROSTAT



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THE DG IN BRIEF

Eurostat is the statistical authority of the European Union. Its mission is to provide high-quality statistics for Europe. European statistics is developed, produced and disseminated in accordance with the statistical principles enshrined in Article 338 of the Treaty on the Functioning of the European Union and further elaborated in Regulation (EC) No 223/2009 on European statistics¹ and the European statistics Code of Practice². European statistics shall conform with the principles of impartiality, reliability, objectivity, professional independence, cost-effectiveness and statistical confidentiality, and not entail excessive burden on economic operators and households. Eurostat shall act independently in ensuring the production of European statistics according to established rules and statistical principles³.

By providing reliable, comparable and timely statistical information, Eurostat supports the evidence-based EU policies and the implementation of 10 Commission Priorities. This was also reflected in the 2017 edition of the brochure on the contribution of European statistics to the 10 Commission Priorities 'European statistics for European policies – A wealth of data to underpin the Commission's priorities' demonstrating how European statistics provided by Eurostat link to the Commission priorities.

It is also involved in the process for own resources verification, as it checks the application of the Gross National Income (GNI) regulation, proposes methods to ensure the exhaustiveness and comparability of national GNI data, verifies that there are no errors in the compilation of those data and directs the work of the GNI Committee.

Eurostat was attributed competences in the economic governance of the EU. These comprise the verification of public finance statistics in Excessive Deficit Procedures (EDP) as well as responsibilities under the Macroeconomic Imbalance Procedure (MIP) and in the effective enforcement of budgetary surveillance taking the form of investigations and recommendations for fines related to misrepresentation of data⁴.

The National Statistical Institutes (NSIs) and other national authorities designated by each Member State to produce official statistics are the key partners of Eurostat, and part of the ESS⁵. The ESS is a functional partnership steered by Eurostat, 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. European Economic Area countries and Switzerland participate in the ESS under specific agreements⁶ which set out issues such as the provision of data to Eurostat and the participation in joint actions. Technical cooperation with the European Free Trade Association (EFTA) in the field of statistics is laid down in an administrative arrangement⁷.

Eurostat and its partners in the ESS continuously invest in the modernisation of European

¹ 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, as amended by Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015, OJ L 123 of 19.5.2015

² The revision of the European Statistics Code of Practice was adopted by the European Statistical System Committee (ESSC) in November 2017.

³ Art 6(2) of Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics, OJ L 87 of 31.3.2009, as amended by Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015, OJ L 123 of 19.5.2015.

⁴ 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.

⁵ Article 4 of Regulation (EC) No 223/2009, as amended by Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015, OJ L 123 of 19.5.2015.

⁶ 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

⁷ Administrative arrangement between the Statistical Office of the European Union (Eurostat) and the EFTA Secretariat regarding technical cooperation in the field of statistics, ARES(2016)6727642 of 01.12.2016.

statistics under the ESS Vision 2020⁸ and implement new methods of production through a portfolio of projects and supporting frameworks.

Close working relationships are maintained with other European institutions. Examples of such working relations is Eurostat's provision of special statistical service for the European Parliament for its pension liabilities, based on an administrative arrangement, and the statistical dialogue between the Eurostat Director-General and the European Parliament Economic and Monetary Affairs Committee. As far as the Council is concerned, Eurostat considers users' needs, amongst others, in legislative negotiations on statistical files including on the European Statistical Programme (ESP). The working relationships with the European Central Bank (ECB)⁹ and the European System of Central Banks are particularly close¹⁰. The work with them is organised via the European Statistical Forum and the Committee on Monetary, Financial and Balance of Payments Statistics.

In addition, Eurostat cooperates at international level with third countries and with international organisations, such as the Organisation for Economic Co-operation and Development (OECD), the United Nations Statistics Division, the United Nations Economic Commission for Europe, the International Monetary Fund, the World Bank, the Food and Agriculture Organisation and the International Labour Organisation in order to facilitate the comparability of European statistics with statistics produced worldwide and to support improvement of statistical systems.

In view of Eurostat's emphasis on high quality of European statistics, Eurostat organises cycles of peer-reviews for checking the implementation of the European Statistics Code of Practice by the ESS members under the guidance of the independent European Statistical Governance Advisory Board¹¹.

As to the development, production and dissemination of statistics within the Commission, the role and responsibilities of Eurostat are laid down in a specific Commission Decision¹². By way of that Decision, the Commission has confirmed its commitment to maintaining confidence in the European statistics falling under Eurostat's responsibility. The Director-General of Eurostat - the Chief Statistician of the EU¹³ - has the sole responsibility for deciding on statistical matters with a view to safeguarding high quality European statistics. In that respect, the Director-General of Eurostat cooperates closely with the other Commission services to ensure that user needs are taken into account.

In pursuit of its mission of providing high-quality statistics for Europe, Eurostat continuously puts efforts to modernise its communication policy by e.g. revamping its website to make it visually more attractive and user-friendly, and implementing a digital communication strategy.

Multi-annual statistical programmes proposed by the Commission, and adopted by the European Parliament and the Council define the EU statistical priorities. 2017 was the last year of the European Statistical Programme (ESP) 2013-2017¹⁴ pursuing the response to statistical needs and the optimisation of the statistical processes in a context of high pressure on financial and human resources. The European Parliament and the Council adopted in October Regulation (EU) No 2017/1951¹⁵ amending Regulation (EU) No 99/2013 on the ESP 2013-17, by extending it until 2020.

The ESP (whose management mode is direct management) is implemented through

⁸ The [ESS Vision 2020](#) is a common strategic response of the European Statistical System to the challenges that official statistics is facing. It was adopted by the ESS Committee in May 2014.

⁹ 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;

¹⁰ Memorandum of Understanding between Eurostat and the European Central Bank / Directorate General Statistics on the quality assurance of statistics underlying the Macroeconomic Imbalances Procedure of 7 November 2016.

¹¹ Decision No 235/2008/EC of the European Parliament and of the Council of 11 March 2008 establishing the European Statistical Governance Advisory Board, OJ L 73 of 15.3.2008.

¹² Commission Decision 2012/504/EU of 17 September 2012, OJ L 25, 18.9.2012

¹³ Commission Decision 2012/504/EU of 17 September 2012, OJ L 25, 18.9.2012

¹⁴ COM(2011) 928 final of 21.12.2011.

¹⁵ OJ L 284, 31.10.2017

grants and 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 NSIs and other entities designated by each Member State to produce official European statistics. In 2017, the total operational commitment appropriations made (own and sub-delegated to Eurostat) amounted to 93.78 MEUR. Eurostat has developed working methods and tools in order to apply a strategic and integrated approach to planning, combining the information on the work plan with the information on human and financial resources.

Regarding the human resources allocated to carry out the tasks assigned, as of 31 December 2017, Eurostat had 753 staff members (602 establishment plan posts and 151 external personnel).

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of Eurostat to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitute the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties¹⁶.

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

General

Eurostat's mission is to provide high-quality statistics for Europe. It supports the 10 Commission Priorities by delivering the statistical information needed to design, implement, monitor and evaluate EU policies. At the same time, Eurostat is engaged in developing and promoting standards, methods and procedures allowing the costs effective production and dissemination of comparable and reliable statistics.

Given its mission and the fact that Eurostat is not a policy DG, it contributed to the achievement of the policy and programmes' objectives of other DGs by providing high-quality statistics.

The objectives pursued by Eurostat may be influenced by external factors, such as the capacity of NSIs to deliver the data of the expected quality in a context of budgetary constraints. Furthermore, the results of the ESP as a spending programme may be affected by the co-financing capacity of the beneficiaries, in particular for the modernisation of statistical production.

The Eurostat performance during 2017 is on course to meet the long-term policy, programme and operational objectives, as detailed in sections 1.1.1 and 1.1.2.

In Eurostat's judgement, its operational expenditure authorised in 2017 has contributed to the policy achievements and generated Union added value. In order to provide a consolidated judgement on the operational expenditure contribution to the policy achievements, Eurostat:

1) monitored and verified the number of outputs (which are listed in the annex of the Eurostat [Annual Work Programme 2017](#)) achieved by specific objective, and their percentage in relation to the overall number of outputs;

Specific objective 1: Provide quality statistical information

Specific objective 2: Implement new methods of production.

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

¹⁶ Article 17(1) of the Treaty on European Union.

Status	By ESP Specific Objective						AWP Total	
	1 ¹⁷		2 ¹⁸		3 ¹⁹		N.	%
	N.	%	N.	%	N.	%		
Achieved / On target ²⁰	193	95.1	48	88.9	27	100.0	268	94.4
Cancelled or not fully achieved	7	3.4	2	3.7	0	0.0	9	3.2
Revised	3	1.5	4	7.4	0	0.0	7	2.5
All status	203	100.0	54	100.0	27	100.0	284	100.0

Eurostat has analysed in details the outputs with a status other than "Achieved / On target". None of them put in danger the achievements of the ESP objectives. The causes can be broken down in the following main categories:

- Dependency on international partners and Member States, in particular for standard setting and methodological developments.
- HR related issues.
- IT related issues.
- Outputs revised after evaluation/tests or users' feedback and new requests.
- Outputs delayed because on-going evaluation/reflection.
- Short term peak of overwork.

Corrective actions are being or will be soon taken; for instance, an overall review of the HR allocation will be performed in order to ensure that Eurostat's resources are adequate and well distributed to effectively support Commission priorities.

2) established a link by specific objective between outputs²¹ and budget actually executed²²;

Objective in ESP	Total number of outputs achieved / on target for Specific Objective	Budget executed in 2017 (m EUR)
1	193	35.7
2	48	20.2
3	27	1.5
Total	268	57.4

¹⁷ Specific objective 1: Provide quality statistical information.

¹⁸ Specific objective 2: Implement new methods of production.

¹⁹ Specific objective 3: Strengthen the partnership within the ESS and beyond.

²⁰ 'Achieved or on target' means that the work is proceeding according to the plan, i.e. the work on the annual outputs has been completed and the work on the multi-annual outputs is proceeding without serious problems (and therefore the outputs are expected to be achieved on schedule).

²¹ The number of outputs planned is linked to the implementing measures through the specific objectives.

²² Amount spent recorded in ABAC on the Financing Decision 2017.

In consideration of the above, Eurostat judges that 57.4 m EUR²³ contributed to the implementation of 94.4% of the outputs of Management Plan 2017.

As regards the efficiency of the financial implementation of the ESP on a multi-annual perspective, on the budget allocated by the European Parliament and the Council to the ESP in 2013-2020, Eurostat has an execution rate of 97.85²⁴.

Furthermore, Eurostat can report a positive trend regarding the internal productivity and efficiency. This is demonstrated by the increase in the data made available to the users (the total amount of values available in Eurostat public databases increased from 2016 to 2017 by 14% while the total number of Eurostat's staff decreased by more than 3.5% (781 staff members in 2016 in comparison to 753 in 2017)).

Main achievements

Eurostat reached numerous key achievements and operational results in the year 2017.

Eurostat issued around 200 news releases and 340 news items. These together more than doubled the amount of statistical news published by Eurostat in 2016. This enabled an extended range of topics to be covered, notably on the occasion of EU or international events, to better meet media expectations.

- In 2017, Eurostat provided comparable, reliable and timely information and thus supported the evidence-based implementation of EU policies, in particular the 10 Commission Priorities and the Europe 2020 strategy.
- The reporting year was characterised by important legislative activities. In terms of horizontal legislation, the European Parliament and the Council adopted in October Regulation (EU) No 2017/1951 amending Regulation (EU) No 99/2013 on the European statistical programme 2013-17, by extending it until 2020. The extension of the ESP has provided the framework for more timely and detailed statistics in key policy areas such as the European Pillar of Social Rights or the Energy Union. The second mid-term evaluation of the ESP started at the end of the year and is set to be concluded in 2018. In the context of the new Multiannual Financial Framework it will support the preparation of the impact assessment of the new ESP beyond 2020. The preliminary results of the second mid-term evaluation indicate that the ESP's objectives are being fulfilled, as almost all detailed objectives are on track for completion by the end of the programme. The evaluation also shows that the programme is run efficiently and it provides a clear EU-added value. The first results also suggest that the ESP is contributing to satisfy the information needs of different categories of users but that some changes, in the way statistics are produced, may be necessary to maintain and improve the relevance of the programme.

²³ Out of 59.6 mEUR of the FD 2017 (without co-delegated credits)

²⁴ Voted budget and EFTA contributions.

Eurostat made increased use of infographics, videos and other innovative products aimed at a general audience to enhance the attractiveness of its news releases, news items and social media posts.

Presentations on Eurostat products and services were made to around 40 groups from the media, institutions and the society. A particular emphasis was placed on relations with EU Representations in the Member States, in view of their key role as relays to the society.

The media, institutional and user support treated around 5 000 requests in 2017.

- Regarding macroeconomic statistics, in the reporting year, Eurostat produced in the area of 'National Accounts, Prices and Key Indicators' 68 news releases and their underlying data. This accounts for 34% of all news releases of Eurostat and a substantial share (42%) of Euro indicator²⁵ releases. For the first time country level data of the Harmonised Index of Consumer Prices (HICP) flash estimate were released alongside the euro area data. Furthermore, the timeliness of euro area quarterly sector accounts has been further improved in 2017 to around T+94 after the end of the reporting period, from around T+102 days in 2016. Concerning Government Finance Statistics (GFS), the bi-annual assessment of EDP data was carried out satisfactorily. The April and October 2017 notifications were undertaken under the Europeans System of Accounts (ESA) 2010 guidelines.
- In relation to the Investment Plan for Europe, Eurostat has worked actively during the last year on the clarification of the statistical rules for the recording of investments in general and Public-Private Partnerships (PPPs) and Energy Performance Contracts in particular.
- Following-up on the ECOFIN conclusions of November 2016, Eurostat has cooperated closely with the Economic and Financial Committee (EFC) on enhanced co-operation and communication on EDP (Excessive Deficit Procedure) including the establishment of procedures related to EDP methodological work. These procedures aim at ensuring a structured process of conceptual development and implementation of methodology underpinning EDP data, taking into account consistency with other national accounts data while enhancing transparency and predictability.
- Eurostat coordinated the development of an indicator set to monitor progress towards the Sustainable Development Goals (SDGs) in an EU context (EU SDG indicator set) and released a communication package on SDGs including a detailed monitoring report, a short, visual brochure, a series of Statistics Explained articles and a new dedicated web section.
- In the area of social statistics, new innovative statistical products have been delivered for the reinforced role of social indicators to further support the social dimension of Europe, in particular flash estimates of income distribution, new data on skills and labour mobility, and joint distribution of income, consumption and wealth at the household level for the analysis of inequalities. A new web site has been setup for the dissemination of the indicators in the social scoreboard of the European Pillar of Social Rights.
- In relation to business statistics, for the Digital Single Market and thus in view of achieving one of the 10 Commission priorities, Eurostat produced the first EU-wide statistics on the collaborative economy.

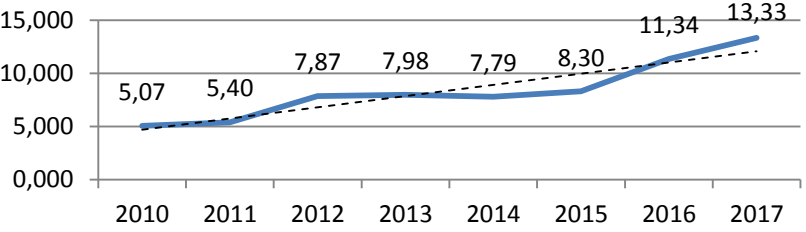
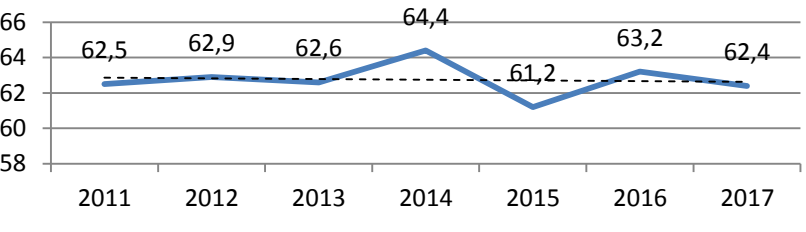
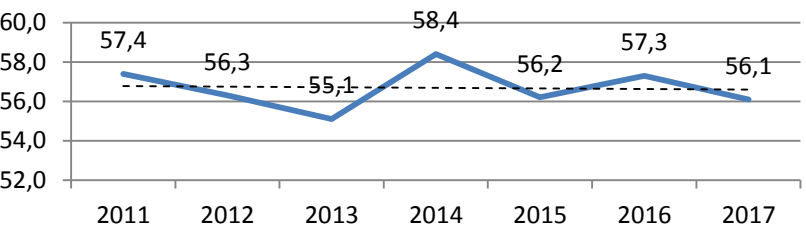
²⁵ https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/key-indicators-euro-area_en

- Eurostat has also substantially advanced with the modernisation of production methods of statistics, in particular as regards data validation, data preparation and shared services.
- Furthermore, the European Statistics Code of Practice was updated by the European Statistical System Committee (ESSC) in November 2017 with regard to the use of new data sources.
- In 2017, Eurostat renewed its range of news publications, issuing around 200 news releases and 340 news items. These together more than doubled the amount of statistical news published by Eurostat in 2016. This enabled an extended range of topics to be covered, notably on the occasion of EU or international events, to better meet media expectations.

Eurostat intensified communication with the users of European statistics. It tweeted more than 800 messages through the year, gaining nearly 25 000 new Twitter followers (now 110 000 followers). Eurostat tweets can reach wide audiences: a tweet on regional GDP per capita gained 180 000 views and more than 12 000 responses. Eurostat launched a Facebook page at the beginning of the year, which with around 400 posts in 2017 already has more than 10 000 followers. Just as for Eurostat tweets, Facebook posts can reach wide audiences: the one for Europe Day gained 140 000 views and more than 21 000 responses. The media, institutional and user support treated around 5 000 requests in 2017.

b) Key Performance Indicators (KPIs)

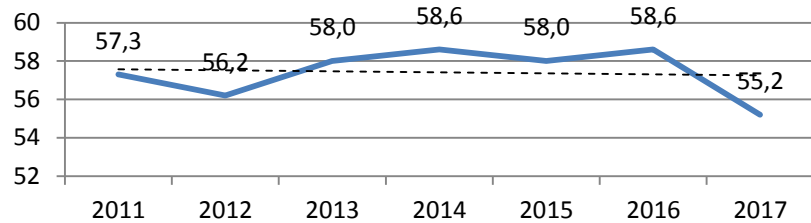
The tables and graphs hereafter show Eurostat five most relevant key performance indicators (KPIs):

Five most relevant performance indicators (description)	Target and latest known results
<p>1. Number of data extractions (in millions) made by external users from Eurostat dissemination databases via the Eurostat website.</p> <p>Source: Eurostat – more information can be found in the monthly Monitoring report on Eurostat electronic dissemination (available on demand).</p>	 <p>Target: Positive (approximately linear) trend</p> <p>After few years of stability, an increase in end users' data extractions has followed the deployment of the new version of the website (Dec 2014).</p>
<p>2. Quality of European Statistics: percentage of users that rate as 'Very good' or 'Good' the overall quality of European Statistics.</p> <p>Source: Annual user satisfaction survey carried out by Eurostat (documentation available on demand).</p>	 <p>Target = overall positive trend</p> <p>The number of positive opinion is almost identical to the one in the starting year, giving an overall constant trend.</p>
<p>3. Timeliness: percentage of users that rate as 'Very good' or 'Good' the timeliness of European Statistics for their purposes.</p> <p>Source: Annual user satisfaction survey carried out by Eurostat (documentation available on demand).</p>	 <p>Target = overall positive trend</p> <p>The trend that underlines the variable annual scores (quite normal in this kind of opinion surveys) is constant.</p>

4. Comparability²⁶:

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 Eurostat (documentation available on demand).

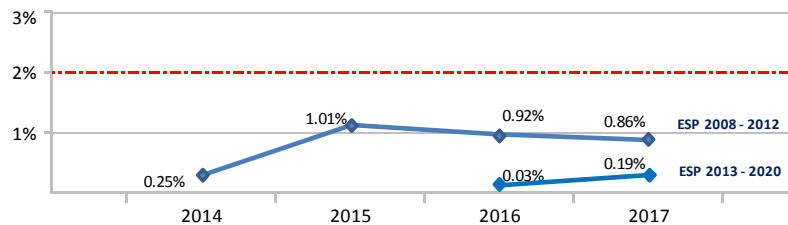


Target = overall positive trend

Reversing the positive trends of the last years, the score went down this year resulting in an overall constant trend.

5. Residual Error Rate (RER)

ESP 2008-2012 (including MEETS - Modernisation of European Enterprise and Trade Statistics)
ESP 2013-2020



ESP 2008-2012 (including MEETS): The cumulative RER in 2017 remained stable at low level, significantly below the materiality threshold of 2%.

ESP 2013-2020: The cumulative RER 2017 for the ESP 2013-2020 was calculated at 0.19%, thus only marginally above the previous year figure (0,03%).

The KPIs indicate that the usage of European statistics is steadily increasing and the satisfaction of the users with the quality of the data remains stable. Although the result for KPI 4 is lower than in previous years, the variation is quite limited. This can be explained by the fact that the survey is anonymous and thus the users who reply can change every year. In addition, this only measures the perception and not the real data comparability. The extended ESP to 2020 aims to further increase the quality of the data and so the satisfaction of the users. Eurostat will also consider what more can still be achieved on the data quality when preparing the proposal for the future post-2020 ESP.

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, (the staff of) Eurostat 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. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. Eurostat has assessed the internal control systems during the reporting year and has concluded that the ICS are implemented and functioning as intended apart from

²⁶ KPIs 2, 3 and 4 must be cautiously interpreted because they only measure the perception of quality, timeliness and comparability of European statistics. Furthermore, the numbers refer to a sample of anonymous users which can vary over the years.

the specific area disclosed by the IAS audit report. Please refer to AAR section 2.1.3 for further details.

In addition, Eurostat has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks, 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. Please refer to Section 2.1 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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also 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. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

1.1 Achievement of general and specific objectives

The following table shows the end-2017 status of all Eurostat activities that have produced 2017 outputs (which are listed in the annex of the Eurostat [Annual Work Programme 2017](#) and which are also referred to in the Programme Statement where additional information can be found), grouped by ESP Specific Objectives:

Status	By ESP Specific Objective						AWP Total	
	1 ²⁷		2 ²⁸		3 ²⁹			
	N.	%	N.	%	N.	%	N.	%
Achieved / On target ³⁰	193	95.1	48	88.9	27	100.0	268	94.4
Cancelled or not fully achieved	7	3.4	2	3.7	0	0.0	9	3.2
Revised	3	1.5	4	7.4	0	0.0	7	2.5
All status	203	100.0	54	100.0	27	100.0	284	100.0

Eurostat has analysed in details the outputs with a status other than "Achieved / On target". None of them put in danger the achievements of the ESP objectives. The causes can be broken down in the following main categories:

- Dependency on international partners and Member States, in particular for standard setting and methodological developments.
- HR related issues.
- IT related issues.
- Outputs revised after evaluation/tests or users' feedback and new requests.
- Outputs delayed because on-going evaluation/reflection.
- Short term peak of overwork.

Corrective actions are being or will be soon taken; for instance, an overall review of the HR allocation will be performed in order to ensure that Eurostat's resources are adequate and well distributed to effectively support Commission priorities.

²⁷ Specific objective 1: Provide quality statistical information.

²⁸ Specific objective 2: Implement new methods of production.

²⁹ Specific objective 3: Strengthen the partnership within the ESS and beyond.

³⁰ 'Achieved or on target' means that the work is proceeding according to the plan, i.e. the work on the annual outputs has been completed and the work on the multi-annual outputs is proceeding without serious problems (and therefore the outputs are expected to be achieved on schedule).

In 2017, 94.4% of planned outputs were achieved or have been on target. The outstanding outputs had no significant impact on the achievement of the objectives. Performance is substantially in line with the performance in 2016.

1.1.1 General objectives of the policy

Under its mission to provide high-quality statistics, Eurostat contributed to the achievement of the policy and programmes' achievements of other DGs. Eurostat is not a policy DG. It has the full responsibility for the provision of official statistics as leading provider for the EU. Eurostat's independence and its responsibility for statistical activities were further clarified by the amendments to Regulation (EC) No 223/2009³¹.

The objectives pursued by Eurostat may be influenced by external factors, such as the capacity of NSIs to deliver the data of the expected quality in a context of budgetary constraints. Whilst constraints on resources at national and European level increase, there are new challenges for official statistics such as new data sources, new statistical and analytical methods and tools, competition among data providers and new users' needs. Furthermore, as a spending programme, and in particular for the modernisation of statistical production, the results of the ESP may be affected by the co-financing capacity of the beneficiaries. A first mid-term evaluation was completed in 2015 covering the first two years of the ESP (2013 and 2014), as requested in the legal act. A second mid-term evaluation of the ESP started at the end of the year to be concluded in 2018. It has been decided to carry out this second mid-term evaluation to support the preparation of the impact assessment of the new ESP beyond 2020 in the context of the new Multiannual Financial Framework, as requested by the Better Regulation. The evaluation covers the years 2015-2017.

Eurostat's cross-cutting contribution to the achievement of the overall political objectives of the Commission is highlighted with the choice of General Objective 11³² in the Strategic Plan 2016-2020, as the statistical products and services produced, developed and disseminated by Eurostat constitute key data and information assets that are managed and safeguarded by Eurostat in an efficient and effective manner.

Eurostat provided comparable, reliable and timely statistical information in areas such as economy, social affairs, environment etc., and thus supported the evidence-based implementation of EU policies, the Europe 2020 strategy and the 10 Commission priorities.

This was also reflected in the 2017 edition of the brochure on the contribution of European statistics to the 10 Commission Priorities 'European Statistics for European Policies – A wealth of data to underpin the Commission Priorities'. The brochure demonstrates how European statistics provided by Eurostat link to the Commission Priorities. The brochure was sent to all Members of the European Parliament, Commission Director Generals, Directors, and to other key contacts and proved to be a very useful document among users.

The Coordination Group 'Indicators and Sustainable Development' (CGI) continued to look at the implementation of a Eurostat Action Plan, with actions linked to four streams: Indicator methodology, policy use and legal aspects; Indicator sets; GDP and beyond; and Indicator communication (including training). Under the group's supervision, Eurostat defined an indicator set to monitor progress towards the SDGs in an EU context – a large number of users and stakeholders were consulted – and released a first EU SDG monitoring report and other related products based on it. Eurostat also developed a

³¹ Regulation (EU) 2015/759 of the European Parliament and of the Council of 29 April 2015, OJ L 123 of 19.5.2015

³² General objective 11: To help achieve the overall political objectives, the Commission will effectively and efficiently manage and safeguard assets and resources, and attract and develop the best talents.

shorter metadata template and a new quality grading system to be used for long-term policy indicators. Eurostat released the third and last part of a manual 'Towards a harmonised methodology for statistical indicators'. Eurostat launched a work stream to increase the visibility of policy indicator sets on Eurostat website. Finally, Eurostat engaged in the Commission-wide exercise 'Budget Focused on Results', which aims at identifying performance indicators with a view to use them in the context of the next Multi-annual Financial Framework. Eurostat provided its statistical expertise on indicators, and the work will be taken forward in the development of a concept paper.

In February 2017, Eurostat created the Task Force 'Statistical Products and Services' to define a catalogue of statistical services that Eurostat will offer to the Commission, to develop a service delivery model (including monitoring and customer satisfaction evaluation) and to establish a service management model (including governance and funding aspects). The statistical services catalogue will increase awareness that Eurostat supports policy DGs with both data collection and data purchase, including through framework contracts, as well as providing single entry points for those requests.

The details hereafter under point 1.1.2 reflect Eurostat's major achievements.

1.1.2 Specific objectives of the Strategic Plan 2016 - 2020

Specific objective 1: Provide quality statistical information

Total number of outputs achieved / on target for Specific Objective 1	Budget executed in 2017
193	35.7 m EUR

The following table shows the main outputs in 2017 for specific objective 1 as of 31 December 2017 (reflecting the Management Plan 2017):

Important items from work programmes/financing decisions/operational programmes			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Catalogue of statistical products ³³	Produce and disseminate statistics	2017	95.7 % achieved

These items are subset of the outputs referred to in the table under paragraph 1.1; for an analysis of the incurred problems, please see the text under that table.

³³ See Eurostat [Annual Work Programme 2017](#)

Other important outputs			
Description	Indicator	Target date	State as of 31 December 2017
Proposal amending Nuts Regulation (2015/ESTAT/036)	Adoption by the Commission	1Q/2017	Regulation was adopted by the European Parliament and the Council on 12/12/2017.
Proposal for a Regulation on gross national income (2013/ESTAT/007)	Adoption by the Commission	2Q/2017	Proposal was adopted by the Commission on 20/6/2017. Trilogue negotiations to be started in early spring 2018.

The following table shows the end-2017 status of Eurostat activities related to the main output 'Catalogue of statistical products' of specific objective 1:

Status	Activities related to the Catalogue of statistical products	
	N.	%
Achieved or on target ³⁴	90	95.7
Cancelled or not progressed according to plan	3	3.2
Revised	1	1.1
Total	94	100.00

Regarding macroeconomic statistics (national accounts, prices, key indicators, governance finance statistics), in the reporting year, Eurostat produced in the area of 'National Accounts, Prices and Key Indicators' 68 news releases and their underlying data. This accounts for 34% of all news releases of Eurostat and a substantial share

In the reporting year, Eurostat produced in the area of 'National Accounts, Prices and Key Indicators' 68 news releases and their underlying data. This accounts for 34% of all news releases of Eurostat and a substantial share (42%) of Euro indicator releases. For the first time country level data of the HICP flash estimate were released alongside the euro area data.

(42%) of Euro indicator releases. In this area, products included market sensitive flash releases: 8 for quarterly GDP (Gross Domestic Product) and 12 for monthly HICP (Harmonised Index of Consumer Prices). In addition to news releases, 6 news articles were published in the website section 'What's new'. For the first time country level data of the HICP flash estimate were released

alongside the euro area data.

The MIP (Macroeconomic Imbalances Procedure) scoreboard was released as the Statistical Annex to the Alert Mechanism Report, with complete data, and a Quality Report released in cooperation with the ECB. Eurostat and ECB undertook the two first joint information visits to Member States, under the umbrella of the Memorandum of Understanding on the quality assurance of statistics underlying the MIP.

³⁴ 'Achieved or on target' means that the work is proceeding according to the plan, i.e. the work on the annual outputs has been completed and the work on the multi-annual outputs is proceeding without serious problems (and therefore the outputs are expected to be achieved on schedule).

Furthermore, the timeliness of euro area quarterly sector accounts has been further improved in 2017 to around T+94 after the end of the reporting period, from around T+102 days in 2016.

As regards methodological guidance, in 2017 six publications were issued in the area of 'National Accounts, Prices and Key Indicators'. These were two statistical methodological handbooks - on Cyclical Composite Indicators (in collaboration with the UN Statistics Division and Conference Board) and Rapid Estimates (in collaboration with the UN Statistics Division) - a 'Practical guide in processing supermarket scanner data', a 'Technical manual on owner-occupied housing and house price indices (2nd edition)', a working paper on 'Commercial property price indicators: sources, methods and issues' and a 'Guide on inventories in national accounts' (jointly with the OECD). Furthermore there has been substantial methodological work on globalisation issues, including with regard to restructuring of multinationals and related to GNI (Gross National Income).

Example:

Since the start of ESA 2010 data transmissions in September 2014, Eurostat has continuously monitored compliance, data availability and quality. A review of the ESA 2010 derogations showed that 480 out of 888 derogations initially granted to countries were successfully resolved by the end of 2017. Data availability has clearly improved from 2015 to 2017: whereas in 2015 64% of the transmitted tables were sent without any shortcomings and 4% were sent with serious problems, the corresponding percentages in 2017 were 74% and 2%. 27% of the remaining derogations for 2018-2020 were lifted ahead of the deadline. 244 derogations remain to be addressed by 2020.

Regarding statistics used for administrative purposes, the verification of relevant GNI and VAT (value-added tax) data for Own Resource purposes progressed according to plan. As regards statistics and actuarial information needed in the context of remunerations and pensions of EU officials, the required reports were delivered on time and the related work was performed as planned.

Eurostat continued its work to develop harmonised European Public Sector Accounting Standards (EPSAS), which would provide for transparent, complete and comparable government accounting in the Member States. In 2017, the Council took note of the work being done on EPSAS, underlined that work should respect the principles of subsidiarity and proportionality on a clear legal basis and that work on EPSAS should be informed by a detailed Impact assessment, the preparations of which started later in the year.

Concerning GFS, the bi-annual assessment of EDP data was carried out satisfactorily. The April and October 2017 notifications were undertaken under the ESA 2010 guidelines.

Concerning GFS (government finance statistics), the bi-annual assessment of EDP (Excessive Deficit Procedure) data was carried out satisfactorily. The April and October 2017 notifications were undertaken under the ESA 2010 guidelines. Three reservations on the quality of the data were expressed in the April

news release (Belgium, Hungary, Luxembourg), two of which were maintained in October (Belgium and Hungary) and one removed (Luxembourg). An additional reservation was expressed for France. Eurostat also published, together with the news release, detailed tables showing additional information such as government interventions during the crisis, stock-flow adjustment (i.e. the difference between the change in government debt and the government deficit/surplus for a given period), data on trade credits, etc. The results

of the notifications were communicated on both occasions to the Economic and Financial Committee (EFC) and the reliability of the figures was not put into question.

As a follow up of the 2016 Economic and Financial Affairs Council (Ecofin) conclusions on statistics, and in the light of increased transparency and predictability on EDP, Eurostat worked actively with the statistical community and the EFC (Economic and Financial Committee) bodies (EFC sub-committee on statistics, EFC alternates) in order to explain the working procedures for EDP and in particular the development of EDP methodology. A document describing the procedures was released by Eurostat in summer, after a long consultation process. Finally, the Commission adopted a report on the investigation related to the misreporting of statistics in Austria at the beginning of the year and proposed the Council the adoption of a fine.

Several meetings devoted to methodological aspects took place in 2017. Eurostat released a clarification note on the statistical treatment of mobile phone licenses, explorations rights and other licenses in March. Eurostat was also heavily associated in statistical issues in the context of the European Fund for Strategic Investments by providing input and guidance to other Commission DGs and organisations on the statistical aspects, as well as in the statistical treatment of energy performance contracts. In cooperation with the EIB, Eurostat published an extensive guide on the statistical recording of PPPs in September 2016 and Statistical guidance note on the EPCs in September 2017. Eurostat also further developed working relations with other Commission services.

Eurostat continued in 2017 with the verification exercise of fiscal statistics, and 20 visits to Member States and a potential-candidate country were undertaken. In addition, Eurostat continued to provide methodological

Example:

Specifically in the domain of energy performance contracts, Eurostat produced new guidance on their accounting treatment in September.

advice to countries, and several ex-ante/ex-post advices were given. Both the minutes of these visits and the methodological advice are publicly available on the Eurostat's web site. Eurostat took the decision to publish all advice provided to Member States (in the past, countries could restrict in some cases the release of these documents). Eurostat also intensified work with candidate countries and potential candidates on development of GFS and EDP statistics.

The EDP Statistics Working Group, EDP Methodological Task Force, Task Force on the Classification of the Functions of the Government and Task Force on GFS continued to meet in 2017 on a regular basis addressing methodological issues and advice producing methodological recommendations and guidance. Some meetings devoted to specific issues were organised. Regular reporting on EDP activities was also provided to other committees and groups such as the Directors Macro-Economic Statistics and the Committee on Monetary, Financial and Balance of Payments Statistics. The quality report on the 2017 EDP reporting is in the process of approval by the Commission, and will afterwards be sent to the European Parliament and the Council.

In January, Eurostat continued to publish a news release on total general government contingent liabilities and non-performing loans in EU Member States. As a follow up, Eurostat launched a special section on the GFS web site on contingent liabilities.

Eurostat continued in 2017 with the dissemination of high quality GFS statistics (quarterly and annual non-financial and financial accounts of the government sector), and produced several publications on quarterly deficit and debt, structure of government debt and taxation. Additionally, Eurostat published an updated manual on quarterly financial accounts for general government, reflecting the outcome of methodological work in the GFS Task Force in past years. Eurostat further promoted the use of detailed

Classification of the Functions of the Government data through publications shortly after dissemination in the public database, and via the integrated presentation of GFS statistics via summary tables.

In relation to sectoral and regional statistics, Eurostat closely followed the discussion of the proposed framework regulation on Integrated Farm Statistics by the legislator and in two trilogues. The aim of this new framework regulation is to ensure the agricultural census 2020 is providing comparable and coherent statistics for the EU. It will improve the analysis of the state, trends and impacts of European agriculture and contribute to EU responses in the areas of climate change, environmental policies, rural development and food security. It is an important step forward to meet today's and tomorrow's needs and requirements for European agricultural statistics, while also reducing the costs and burdens of data collection.

High-quality statistics on agriculture and fisheries have been produced and have been, to the extent possible, adapted to the specific needs stemming from the review of the Common Agricultural, Fisheries policies and other related policies.

The ESS agreements on crop balances, on nutrient budgets and on eggs for consumption were endorsed by the ESSC and form the basis to start data collections in 2018.

Eurostat coordinated the development of an indicator set to monitor progress towards the SDGs in an EU context and released a communication package on SDGs including a detailed monitoring report, a short, visual brochure, a series of Statistics Explained articles and a new dedicated web section.

Eurostat coordinated the development of an indicator set to monitor progress towards the Sustainable Development Goals (SDGs) in an EU context (EU SDG indicator set). Many stakeholders were involved. The indicator set received the favourable opinion of the ESSC in May. In November

Eurostat released a communication package on SDGs in an EU context, including a detailed monitoring report, a short, visual brochure, a series of Statistics Explained articles and a new dedicated web section. Data and metadata for the EU SDG indicators were made available in the Eurostat dissemination database. In July Eurostat released the 2017 edition of the yearly indicator publication on the Europe 2020 strategy.

Eurostat also co-lead the development of a monitoring framework for the circular economy (together with Sercatariat-General, DG Environment and DG Internal Market, Industry, Entrepreneurship and SMEs) and published the associated indicators on its website in December 2017. In relation to environmental statistics and accounts, achievements included the earlier dissemination of air emission accounts and municipal waste statistics as part of a plan to improve timeliness of environmental information and successfully launch the mandatory collection under Regulation (EU) No 691/2011 of data for the following three modules of European environmental economic accounts: environmental goods and services sector accounts, environmental protection expenditure accounts and physical energy flow accounts.

In the context of monitoring the European transport policies and new Commission initiatives such as 'Europe on the Move', significant progress was made in developing indicators on Passenger Mobility and Intermodal and a third round of pilot projects was launched. The methodological work ended and improved harmonised guidelines were produced. First national results and data were received in 2017.

The European Union Agency for Railways (EUAR) and Eurostat have concluded an Administrative Arrangement that includes inter alia the regular transmission and dissemination by Eurostat of information available to the EUAR related to rail transport safety and interoperability of the rail system, in order to meet the requirement of the amending Regulation (EC) No 91/2003 on rail statistics and the requests on new data to be published expressed by the European Parliament during the negotiation process of the above amending regulation.

As for the Inland waterways amending regulation, the work to develop a methodology for data collection related to passengers started with the setting-up of a Task Force.

For monitoring an important target of the White Paper, on modal shift, the project on Modal Split indicators has significantly progressed, the methodological work on 'territorializing' air transport ended and agreement on dissemination was reached.

Example:

The LUCAS 2018 Survey was contractually fully prepared and the relevant contracts were signed. The LUCAS project is particular because of the budgetary volume and the overall complexity of the task it involves. The 2018 Survey has new challenges in terms of an extended survey programme for soil and grassland analysis. The task required intensive coordination with a range of DGs.

The regulation on the Typology of European Regions has passed the regulatory procedure and was published by end 2017. The regulation as finally adopted was only slightly modified in the regulatory procedure.

For GISCO (Geographical Information System for the Commission), the cooperation with Commission DGs on subjects related to the Geographical Information System as well as with the United Nations was conducted successfully and Eurostat organised the annual Plenary Meeting of the United Nations Global Geospatial Information Management.

In line with the 'Energy Union and Climate' priority of the Commission for a more secure, affordable and sustainable energy, statistics and high level indicators for all energy commodities were timely produced and disseminated which enable the monitoring of major EU energy policies and targets (e.g. share of renewables and energy efficiency). All energy statistics produced have been extensively used -inter alia- in the Second and Third State of the Energy Union Reports.

The publication of electricity and natural gas prices for households and non-households for the first time under Regulation (EU) No 2016/1952, provide a more comprehensive picture of energy prices per consumption band, taxes and transmission and distribution network costs.

Further achievements during the reporting year were the amendment of the Energy Statistics Regulation (EU) No 2017/2010 to cover augmenting energy policy monitoring needs (e.g. in the field of electricity or renewables), as well as the initiation and implementation of further development actions targeting enhanced timeliness (early estimates of annual energy balances) and even finer disaggregation of final energy consumption in the industry sector.

In the area of social statistics, several modernisation initiatives are ongoing 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. Work has also continued for the development and production of high quality indicators for key EU policies such as the European Semester, Europe 2020, the European Pillar of Social Rights, Education and Training 2020, the underlying Joint Assessment Frameworks (JAF) including the new JAF-Health.

Eurostat continued the negotiations with the European Parliament and Council about the Commission proposal for a new legislation on statistics on persons and households adopted in August 2016. This regulation is central for the modernisation of social statistics. It will improve the timeliness, relevance and efficiency of social statistics so as to better support the data needs of the EU Social Agenda.

New innovative statistical products have been delivered for the reinforced role of social indicators to further support the social dimension of Europe, in particular flash estimates of income distribution, new data on skills and labour mobility, and joint distribution of income, consumption and wealth at the household level for the analysis of inequalities. A new web site has been setup for the dissemination of the indicators in the social scoreboard of the European Pillar of Social Rights.

New innovative statistical products have been delivered for the reinforced role of social indicators to further support the social dimension of Europe, in particular flash estimates of income distribution, new data on skills and labour mobility, and joint distribution of income, consumption and wealth at the household level for the analysis of inequalities.

The process of revision of the Labour Force Survey and Statistics on Income and Living conditions has progressed well, with a view to producing new and more detailed data on the labour market and on poverty and social exclusion. The regular dissemination of data on quarter-on-quarter labour market transitions has been pursued and regression-based detailed breakdowns disseminated as experimental statistics for the first time. Timely EU 2020 and other

indicators on education and life-long learning were made available. The new material and social deprivation indicator was disseminated. Work on better links between social statistics (social protection, education and health) and national accounts has been progressed. This data will support policies for a Deeper and Fairer Economic and Monetary Union and for a new Boost for Jobs, Growth and Investment.

Statistics of healthcare expenditure and financing, as well as other health statistics such as data on causes of death, health status, use of health care services and health determinants, have been made available

Example:

Three statistical implementing regulations for the 2021 round of population and housing census were approved. This improves the relevance and efficiency of the EU census based on lessons learned from the 2011 round and by further reinforcing areas of current high statistical relevance like migration.

to support the Joint Assessment Framework-Health within the European Semester and 'The State of Health in the EU' (including country profiles) developed by DG Health and Food Safety.

In the area of Asylum and Managed migration, the statistical data have been disseminated regularly. Eurostat also contributed actively to the development of International Recommendations on Refugee Statistics (IRRS) in view of the March 2018 annual meeting of the United Nations Statistical Commission. These activities support the EU priorities towards a New Policy on Migration.

In addition to traditional census topics and tables, work is well advanced so that the 2021 EU census will feature for the first time geo-referenced data to a 1km² grid. This will open new possibilities for analysts, researchers and policy makers at detailed geographical levels.

As requested by Econfin (Economic and Financial Affairs Council), Eurostat released the population projections for the analysis of the sustainability of public finances, and has continued work and consultations with NSIs and other stakeholders on new procedures for the next round of projections.

In relation to business statistics, major achievements were reached. In addition to the fundamental regular production of harmonised and high quality data on European businesses and their trade activities, new statistics were released in 2017 which help the EU citizens better understand our society and phenomena such as globalisation and digitalisation.

For the Digital Single Market and thus in view of achieving one of the 10 Commission priorities, Eurostat produced the first EU-wide statistics on the collaborative economy.

For the Digital Single Market and thus in view of achieving one of the 10 Commission priorities, Eurostat produced the first EU-wide statistics on the collaborative economy, and continued to monitor the

development of e-Commerce in the EU with new indicators on the number of enterprises selling to their consumers via own web-sites or through internet platforms. Eurostat released also information on the gender balance among Information, Communication and Technology students and specialists derived from education and Labour Force Survey statistics.

Example:

To serve the analysis of economic globalisation, new indicators by the modes of service trade on the basis of the location of the customer and delivery means of the service were released for trade negotiation purposes.

For the analysis of business cycles, new indicators on production and turnover in services were published. In Tourism statistics new regional indicators on accommodations were released to serve the more detailed regional policy analysis. New EU aggregates for industrial production are in preparation which will better serve the new EU industrial policy strategies. Pilot work on web scraping for updating the EuroGroups Register as well as in using big data sources for the production of tourism statistics were started.

Profiling of around 300 European Multinational Enterprise (MNE) Groups, the improved quality of the EuroGroups Register (with now more than 100,000 MNEs covered) and the launch of the Early Warning System for assessing the impact of MNE restructuring events across European statistics were significant advances in better measuring globalisation.

In addition to the statistics released, pilot projects e.g. for the delineation of greenfield FDI (Foreign Direct Investment) and FDI data by the ultimate investor and international trade in services statistics broken down by the characteristics of the enterprises involved in trading were launched to further develop harmonised output for users. For the EU Innovation Survey, voluntary early estimates of key indicators, in time for the European Semester negotiations are being developed as well as a new methodology and questionnaire.

The Commission adopted in March the proposal for a regulation of the European Parliament and of the Council on European business statistics and the co-legislative process was started. This is a vital step in achieving modern and fit for purpose European business statistics. 2017 saw the successful start of the project to modernise intra-EU trade statistics (INTRASTAT). Legal drafting and the development of a secure micro-data exchange system, which aim at laying the foundation of the future modernised system of INTRASTAT, were initiated as priority.

In the area of its **dissemination policy**, Eurostat has implemented a digital communication strategy, developing new interactive and sharable visualisation tools and releasing a number of successful digital publications. The dialogue and engagement with users of European statistics has been strengthened, through a more active presence on

social media and the testing of new products with users (as part of the DIGICOM project – DIGital COMmunication, User analytics and Innovative Products).

Eurostat has developed a new catalogue of statistical services, complementing its statistical products and targeting policy DGs in the Commission. Statistical services will support the Commission in measuring progress towards achieving priorities. Eurostat has also innovated its product portfolio through the dissemination of experimental statistics, a new series of statistical working papers and by making available European microdata as public use files. The Power from Statistics initiative allowed Eurostat to reach out to new stakeholder groups. Eurostat has further improved the statistical data and metadata management and deepened the international collaboration in statistical data exchange based on SDMX (Statistical Data and Metadata Exchange).

Regarding measuring costs of products, major milestones were reported to Resource Directors Group members: The second round of the cost assessment of production of statistics in the ESS (2012-2015), cost trends were included in the European Statistical Governance Advisory Board report, and the data collection of the first phase (on 26 products) of the cost analysis of European statistics was finalised. Resource Directors Group members were informed on the outcomes of the two questionnaires on costs by products, and the third round of the cost assessment of production of statistics in the ESS was launched.

The European Statistical Training Programme aims at raising the overall quality of European statistics through training courses with a balanced combination of theory and practice and a variety of didactical approaches such as workshops, group discussions, lectures and exercises. The 60 courses provided in 2017 have significantly enhanced European statisticians' professional qualifications.

The European Master in Official Statistics (EMOS), as a label and a network, fosters collaboration between the NSIs and universities. NSIs see potential for developing their recruitment pool and EMOS plays a more significant role in providing ongoing training for existing NSI staff. The 10 webinars organised in February-June for the first time with a widely accessible online tool were the most visible EMOS actions in 2017. Moreover, internships in the NSIs and a study visit for 11 EMOS students to Eurostat were organised. A new EMOS Board 2018-2020 was agreed by the ESSC in September. On the basis of an assessment of the EMOS project, the ESSC in November recommended to the newly appointed EMOS Board to continue implementing EMOS without major changes

The **progress towards the effective achievement of the Eurostat multi-annual specific objective 1** is evidenced by the strong positive trend of the key performance indicator no. 1 'Number of data extractions'.

Specific objective 2: Implement new methods of production

Total number of outputs achieved / on target for Specific Objective 2	Budget executed in 2017
48	20.2 m EUR

The following table shows the main output of specific objective 2, the ESS Vision 2020 (which is part of the Eurostat [Annual Work Programme 2017](#)), as of 31 December 2017 (reflecting the Management Plan 2017):

Main output for specific objective 2			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
ESS Vision 2020 portfolio of projects, which includes: Digital Communication (DIGICOM), European Statistical Data Exchange (ESDEN), Sharing SERVICES (SERV), Big Data (BIGD), Vision newsletter, Administrative data sources (ADMIN), European System of Interoperable Business Registers (ESBRs) and a Redesigned and Modernised Intrastat System (INTRASTAT)	Achievements as laid down in the Annual Work Programme 2017 ³⁵	2017	94.1% achieved

These items are subset of the outputs referred to in the table under paragraph 1.1; for an analysis of the incurred problems, please see the text under that table.

The following table shows the end-2017 status of Eurostat projects related to the main output of the specific objective 2, the ESS Vision 2020:

Status	ESS Vision 2020 portfolio of projects (which is part of the Eurostat Annual Work Programme 2017)	
	N.	%
Achieved or on target ³⁶	16	94.1
Cancelled or not progressed according to plan	0	0.0
Revised	1	5.9
Total	17	100.00

Eurostat has substantially advanced with the modernisation of production methods of statistics, in particular as regards data validation, data preparation and shared services.

Eurostat has substantially advanced with the modernisation of production methods

of statistics, in particular as regards data validation and data preparation. It also progressed towards delivering services to Commission users (services catalogue),

³⁵ Eurostat [Annual Work Programme 2017](#)

³⁶ 'Achieved or on target' means that the work is proceeding according to the plan, i.e. the work on the annual outputs has been completed and the work on the multi-annual outputs is proceeding without serious problems (and therefore the outputs are expected to be achieved on schedule).

including in the framework of Data4Policy as well as establishing shared services in the ESS (data exchange services, establishment of a catalogue of ESS shared services and of an ESS standards catalogue).

Significant progress was made on big data in terms of operational outputs in specific thematic domains as well as in cross cutting themes like legislation, data policy, ethics,

Example:
In the first European Big Data Hackathon, teams from all over Europe competed for the best data product combining official statistics and big data to support policy makers in one pressing policy question facing Europe (reducing the mismatch between jobs and skills at the regional level in the EU) and was a channel for creating partnerships between official statisticians, academia and industry players in the big data domain.

and experience sharing. By organising the first European Big Data Hackathon (as part of its New Techniques and Technologies for Statistics, NTTS, 2017 conference), Eurostat enabled the development of 22 data prototypes supporting the design of policies for reducing the mismatch between jobs and skills at regional level in the EU. Teams from all

over Europe competed for the best data product combining official statistics and big data to support policy makers in one pressing policy question facing Europe and was a channel for creating partnerships between official statisticians, academia and industry players in the big data domain. Around 10 of the prototypes were then further developed and discussed in a joint workshop of Eurostat and the European Centre for the Development of Vocational Training. These developments feed the setting up of an infrastructure for an EU system of real-time labour market information and skill requirements, a practical implementation of the integration of big data and official statistics for policy making.

Eurostat progressed with regard to mainstreaming methodological developments, notably by implementing the ESS guidelines on seasonal adjustment in all relevant statistical domains through migrating to the latest version of the respective open source standard/tools, by finalising guidelines on temporal disaggregation, estimation methods for administrative data and confidentiality treatment in the 2021 EU Census round as well as by building in-house capacities for using the statistical programming language 'R', small area estimation and handling of unstructured data.

Example:
A first implementation with regard to aligning production methods of statistics to the target architecture has been realised in national accounts (National Accounts Production System project).

The work on **quality management** progressed in 2017 against an ambitious modernisation agenda. After the establishment of the High Level Group on Quality in May 2016, Eurostat continued to steer and assist the work of this group throughout 2017 tasked to provide strategic guidance on quality developments in the ESS. The European Statistics Code of Practice was updated by the European Statistical System Committee (ESSC) in November 2017 with regard to the use of new data sources.

The European Statistics Code of Practice was updated by the European Statistical System Committee (ESSC) in November 2017 with regard to the use of new data sources.

The work of the High Level Group on Quality is being supported by the Quality supporting framework under the ESS Vision 2020, with

the adoption of the revised version of the European statistics Code of Practice Action 1 of this project is closed. The QUAL Steering Committee provided substantial input to this revision as well as to the reflection on the further enhancing of the common quality framework for the ESS.

Preparation for the Quality conference to take place in June 2018 has started with actively promoting the conference so as to attract high quality contributions.

In Eurostat, quality also continued to be an important topic on the agenda. The Coordination Group Quality was very active throughout the year with decisive contributions and support to quality developments, in particular regarding the new round of quality reviews launched in 2016 and continued in 2017 at a larger scale. The methodology for implementing quality reviews was reflected upon and changes initiated.

Progress towards the effective achievement of the Eurostat multi-annual specific objectives 2: The positive trend of the key performance indicator no. 3 'Timeliness' of the previous years has changed to a constant trend in 2017. The extension of the ESP to 2020 will, among other things, address this issue.

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

Total number of outputs achieved / on target for Specific Objective 3	Budget executed in 2017
27	1.5 m EUR

The following table shows the other important outputs for specific objective 3 as of 31 December 2017 (reflecting the Management Plan 2017):

Other important outputs in 2017			
Description	Indicator	Target date	State as of 31 December 2017
Participation in the trilaterals (European Parliament, Council and Commission) leading to a successful adoption of the regulation	Adoption of the regulation by European Parliament and Council amending Regulation No 99/2013 on the European statistical programme 2013-17 based on Commission proposal (COM(2016)557)	End of 2017	Regulation was adopted by the European Parliament and the Council on 25/10/2017.

As a key achievement on the **partnership within the ESS**, the European Parliament and the Council adopted in October Regulation (EU) No 2017/1951 amending estat_aar_2017_final

The European Parliament and the Council adopted in October Regulation (EU) No 2017/1951 amending Regulation (EU) No 99/2013 on the European statistical programme 2013-17, by extending it to 2020.

Regulation (EU) No 99/2013 on the European statistical programme 2013-17, by extending it to 2020. The regulation is based on a proposal from the Commission (COM(2016)557) to ensure the effective contribution of European statistics to the achievement of the Commission's political priorities, taking into account the growing demands for high quality and timely statistics to support the design and monitoring of European policies. The ESP 2013-2020 will provide the framework for more timely and detailed statistics in key policy areas such as the European Pillar of Social Rights or the Energy Union. It will also strengthen the capacity of Eurostat and the European Statistical System to react faster to new political demands and to embrace the potential of new data sources, while limiting the burden on respondents.

Eurostat continued ensuring a strong leadership role to strengthen the partnership within the ESS. Initiatives aimed at streamlining the ESS processes for discussion within the system were implemented, allowing to reduce the number of formal meetings at

The ESP 2013-2020 will provide the framework for more timely and detailed statistics in key policy areas such as the European Pillar of Social Rights or the Energy Union.

Director General level and to increase the opportunities for informal debate.

Director General level and to increase the opportunities for informal debate.

Crucially, the good cooperation within the system contributed to in-depth and comprehensive discussion among partners on important issues such as access to privately-held data or the ESS priorities beyond 2020.

The visibility of the European Statistical Governance Advisory Board (ESGAB) and the European Statistical Advisory Committee (ESAC) within the ESS has also been enhanced, with their activities being more often communicated to the whole system, both bodies participating in more events at European level and Eurostat colleagues more actively contributing to their work.

To improve Eurostat's presence internationally and the necessary ex ante preparation and coordination, Eurostat internal communication channels were rationalised and the network of contacts exhaustively used, particularly in view of the efforts to enhance information on agendas and plans before the events, and dissemination of conclusions afterwards. Collaboration with the ECB Directorate-General of Statistics and with the OECD has also improved, in particular via more contacts at senior management level (e.g. organisation of the first management meeting with the OECD in May).

Partnership beyond the ESS was achieved through Eurostat's continued activities outside the EU, in the Enlargement Countries, European Neighbourhood region, Africa/Caribbean/Pacific and Asia/Latin America.

In the Enlargement Countries, work continued to bring the candidates in line with Member States, both with regard to adherence to the acquis and data provision, through trainings, expert missions, traineeships etc. Collectively, in 2017, the number of data points concerning the seven countries available on Eurostat's central database increased by 28%.

Example:
2017 was the second year of the Pan African Statistics (PAS) Programme under which the EU is developing institutional and statistical capacity in the African Statistical System in co-operation with the African Union. 275 staff of the African Statistical System from 48 countries has been trained through PAS in 2017. In addition to training courses and other events, a plan for a series of peer reviews of African National Statistical Institutes was developed.

In both the ENP-East (European Neighbourhood Policy) and ENP-South, Eurostat, through various contracts, organises training courses and facilitates the participation of representatives in a number of statistical fora. There was a focus on migration statistics and living conditions during 2017.

Progress towards the effective achievement of the Eurostat multi-annual specific objective 3: The positive trend of the key performance indicator no. 4 'Comparability' of the previous years has changed to a constant trend in 2017. The extension of the ESP to 2020 will, among other things, address this issue.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section answers to the question *how* the achievements described in the previous section were delivered by the DG. This section is divided in two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant for the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial management and internal control

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 limited conclusion of the internal auditor on the state of control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA).

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 Eurostat.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives³⁷. The DG's

³⁷ 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

assurance building and materiality criteria are outlined in the AAR Annex 4. 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.

The results of the controls performed are presented by control objective and as regards the legality and regularity and the efficiency and cost-effectiveness also by main type of expenditure, namely grants and procurement.

The control results reported cover 98.77% of the payments made by Eurostat.

In 2017, the financial operations managed by Eurostat were exclusively under direct management mode. The commitments concerned the fifth year of the European Statistical Programme (ESP) 2013-2020, while the payments were linked both to the current ESP 2013-2020 programme as well as to the closure of the previous Statistical Programme 2008-2012.

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 (14 in 2017) in order to provide the European Union with a high-quality statistical information service.

In 2017, the total operational commitment appropriations made (own and sub-delegated to Eurostat) amounted to 93,78 MEUR.

Overview of the 2017 commitments and payments executed on Eurostat budget lines

Total appropriations (operational and administrative)

Extract from Annex 3, tables 1 and 2: commitment and payment	Budget line	description of budget line	Commitments made (MEUR)	Payments made (MEUR)
05 Agriculture and rural development	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	0	0,2
07 Environment	07 02	Environmental policy at Union and international level	2,81	0
29 Statistics	29 01	Administrative expenditure of the 'Statistics' policy area	6,17	0,6
	29 02	The European statistical programme	57,43	48,83 ³⁸
34 Climate action	34 02	Climate action at Union and international level	2	0
Total Eurostat			68,41	49,63

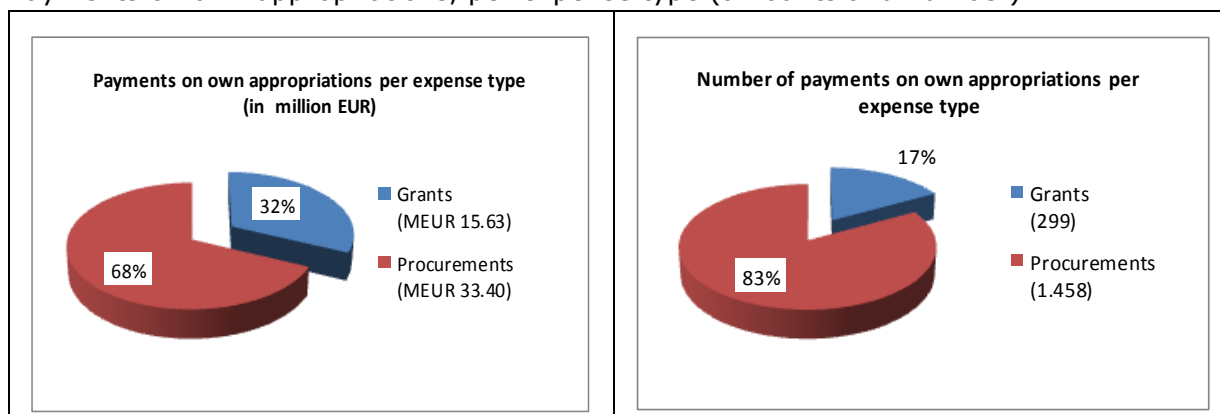
Cross subdelegations*				
	several	Sub-delegated appropriations to Eurostat*	+31,54	+16,12
Total executed by Eurostat			99,95	65,75

* Eurostat reported on all the 2017 cross-sub delegations received to the authorising officers of the 14 delegating DGs; therein Eurostat has reported no events, control results or issues which could have a material impact on assurance.

account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

³⁸ Including cross subdelegation granted to DG Taxation and Customs Union (in 2017 only payments for 0,16 MEUR). DG Taxation and Customs Union has reported no events, control results or issues which could have a material impact on assurance.

Payments on own appropriations, per expense type (amounts and number)



Overall conclusion table

Risk-type / Activities	Grants	Procurements	Cross-delegations to other DGs	NEI, e.g. Revenues, Assets, OBS	Independent info from auditors (IAS, ECA) on assurance or on new/overdue critical recommendations available?	Any reservation?
ESP 2013-2020	15.63 M€	33.84 M€	0.16 M€	Revenue: 4.73 M€ Assets: 20.37 M€ Liabilities: -5.71 M€	<ul style="list-style-type: none"> • IAS Audit on management of procurement under Eurostat's operational budget: no significant risks identified • No overdue critical recommendations. 	No
ICO – related indicators available at this level?	RER = 0,19%	RER = 0,15%	DER = 0,0%	-	-	No
Links to AAR Annex 3	Overall total = 49.63 M€; see Table 2 – payments made			Table 4 – assets Table 7 – revenue	n/a	n/a

ICO = Internal Control Objectives
 NEI = Non-expenditure items
 OBS = Off balance sheet

RER = Residual Error Rate
 DER = Detected Error Rate

The assurance on the achievement of the internal control objectives according to Art 32 of the Financial Regulation was built on the basis of the control system designed to provide reasonable assurance of achieving the said objectives. It was set up with a system of different layers of controls based on the multi-annual control strategy of Eurostat.

Mandatory ex ante controls are performed for each financial transaction executed by Eurostat resources. Those controls are complemented by ex post controls, performed by independent external audit service providers on the basis of annual or multi-annual control work programmes. Their quality is constantly monitored and supervised by Eurostat resources. Thus, the AOD considers that the results of controls are reliable and complete.

The AOD considers that the risks relating to the legality and regularity of the underlying transactions are adequately managed. The error rates for Eurostat financial transactions, both ex ante and ex post are significantly below the materiality threshold of 2%. There are no overdue critical or very important recommendations; no reservations are due.

The AOD considers that all internal control objectives relating to Eurostat activity ESP 2013-2020 are fully complied with.

The following sections give a detail of the control activities carried out in 2017 and are divided into grants and procurement transactions.

Coverage of the Internal Control Objectives and their related main indicators

- **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, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

GRANTS

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.

Beneficiaries of grants donated by Eurostat are by majority National Statistical Institutes (NSIs) of the Member States of the EU and of Enlargement Countries and the Statistical Institutes of the EFTA countries. They do not belong to a high-risk environment: 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 and are integrated within different quality assurance frameworks. The number of beneficiaries of Eurostat grants is limited and the population of potential beneficiaries is stable, being NSIs or other national authorities designated by the Member-states as members of the ESS.

In accordance with Regulation (EC) No 223/2009, grants are awarded without calls for proposal to the members of the ESS. As from 2015, the Commission decided that direct personnel costs incurred to implement grants awarded by Eurostat³⁹ shall be declared on the basis of unit costs. This simplification further contributes to reduce the risk of errors.

Expenditure linked to grants paid to those ESS beneficiaries constitutes around 97% of the budget implemented through grants by Eurostat (own and sub-delegated appropriations).

Eurostat's 2012-2017 control strategy is implemented via multi-annual control programs including the following layers of controls:

- 1) Mandatory controls. In particular all transactions are subject to mandatory ex-ante controls according to Article 66(5) of the Financial Regulation;
- 2) In-depth ex-ante controls are implemented on payment transactions based on supplementary supporting documentation verified by Eurostat, on a two-fold basis:
 - Transactions randomly selected throughout the whole year (own appropriations)
 - Beneficiaries selected using pre-defined criteria (own and sub-delegated appropriations)
- 3) For all grant agreements where the total contribution in the form of reimbursement of actual costs is at least of 750 000 EUR, audit certificates are requested from the beneficiaries.
- 4) Ex post controls; these controls are also intended to identify errors not detected during ex-ante controls.

³⁹ Under the ESP and sub delegated credits, with the exception of IPA beneficiaries

5) Ad hoc controls.

Eurostat control environment (grant agreements):

	Ex ante control	In-depth ex ante control		Audit certificate	Ex post control	Ad hoc controls
		Random based	Risk based			
Regulation	FR §66(5)	FR § 66(5); RAP §49(3)		RAP §207(3)	FR § 66(6)	e.g. periodic assessment of unit cost method
Coverage	100% of all payments	Random sampling	Risk-assessment	Grant agreements as from EUR 750.000 EU-contribution ⁴⁰	Risk-assessment	
		5 payments per year	Around 5 beneficiaries per year	Around 3-6 grant agreements per year	Around 2 to 6 beneficiaries per year	
Appropriations concerned	Own & sub-delegated	Own credits	Own & sub-delegated	Own & sub-delegated	Own & sub-delegated	
When?	Before payment	Before payment	Before payment	In the context of interim & final payment	After final payment	On request

Controls

In depth controls performed over the period of 2012-2017 (either ex-ante or ex-post) covered all National Statistical Institutes (NSIs) of EU and EFTA countries, who are our main beneficiaries.

In 2017 3 beneficiaries receiving payments in 2017 were covered by in-depth **ex ante controls**. Based on a desk review of supplementary documents, controls revealed that, no errors were detected in the costs claimed.

Three **ex post controls** were launched and finalised in 2017 focussing on the control of grant agreements signed under the ESP 2013-2020. No errors were disclosed. In depth controls on VAT launched in 2016 for two beneficiaries were finalised in 2017.

Error rates

Overview of error rates for the 2017-Control Work Programme (without sub-delegated credits):

Statistical Programme	Detected error rate - Financial Year 2017		Multi-annual cumulative residual error rate
	Ex ante (before payment)	Ex post (after payment)	
ESP 2008-2012	0%	0.93% ⁴¹	0.86% ⁴²
ESP 2013-2020	0,34%	0.36%	0.19%

Eurostat analyses regularly the main causes and types of error detected. When appropriate, beneficiaries have been invited to improve their internal control system and follow-up controls have been programmed/performed to monitor the compliance with requirements. 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.

The analysis of the available control results, the assessment of the issues identified and that of their relative impact on legality and regularity has not unveiled any significant

⁴⁰ In the form of reimbursement of actual costs, i.e. excluding unit costs and flat rates.

⁴¹ Including MEETS

⁴² Including MEETS

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.

Other control indicators (own and sub delegated appropriations)

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 only 2 exceptions recorded in the registry of exceptions and non-compliance events. These concerned formal compliance issues which do not have a negative impact on the budget.

For detail, see indicators in table below:

	Ex ante controls indicators	Results – Control WP *			
		2014	2015	2016	2017
ESP 2008-2012 and ESP 2013-2020	Number of calls for proposals ⁴³ successfully <u>concluded</u> /number of invitations for proposals planned in the MP/WP (in %)	94.4%	98.11%	85.0% ⁴⁴	95.3%
	Total number of awards/total call for proposal (in %)	100%	93.8%	87.2% ⁴⁵	97.6%
	Number of projects with cost claim errors out of number of grants (in %)	14.3%	10.8%	11.6%	6,69%
	Budget amount of the cost items rejected : (in EUR) (in % weight from total payments) <u>own appropriations</u>	K€ 537.5 (2.04%)	K€ 96.2 (0.67%)	K€ 79.6 (0.46%)	K€ 59,6 (0,34%)

*The result is based on appropriations available on C1 fund sources, both on Eurostat budget lines and sub-delegated lines.

	Ex post control indicators	Results – Control WP					
		2013	2014	2015	2016	2017	Accum.
ESP 2008-2012 (including MEETS)	Amount of errors concerned: (EUR) ⁴⁶	75 485	3 466	32 011	24 007	34 333	169 303
	Expected non-monetary return of auditing projects	Non – quantifiable (preventive; dissuasive effect)					
	Number of fraud-related audit observations:	nil	nil	nil	1 ⁴⁷	nil	1
	Number/value of audit results failed implementation	nil	nil	nil	nil	nil	nil
	Average time to recover/offset (days) ⁴⁸	38 days	54 days	57 days	70 days	51 days	54 days

⁴³ 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.

⁴⁴ Four calls for proposals have not been concluded in 2016; however the global commitments have been made.

⁴⁵ Four calls for proposals have not been concluded in 2016; however the global commitments have been made.

⁴⁶ Without sub-delegated credits

⁴⁷ For further information see under ' Fraud prevention and detection

⁴⁸ Date of launch = start date ABAC work flow

	Ex post control indicators	Results – Control WP					
		2013	2014	2015	2016	2017	Accum.
ESP 2013-2020	Amount of errors concerned: (EUR) ⁴⁹	n.a.	n.a.	n.a.	302	4 507	4 809
	Expected non-monetary return of auditing projects	Non – quantifiable (preventive; dissuasive effect)					
	Number of fraud-related audit observations:	n.a.	n.a.	n.a.	nil	nil	nil
	Number/value of audit results failed implementation	n.a.	n.a.	n.a.	nil	nil	nil
	Average time to recover/offset (days) ⁵⁰	n.a.	n.a.	n.a.	n.a.	51 days	51 days

PROCUREMENTS

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. 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.

Procurement transactions implemented by Eurostat in 2017 concern by majority

- Provision of statistical services and methodologies;
- IT-services, -supplies and database management;
- Seminars, workshops and training.

Controls

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 contract monitoring payment, and eventually recoveries), and
- 3) Supervisory measures (including management checks and 'ex post' quality reviews).

100% of procurement transactions were covered by standard ex-ante controls (Financial Regulation).

In terms of management checks and supervision, the Internal Market Committee has reviewed ex ante the quality of the terms of reference of three procedures.

⁴⁹ Without sub-delegated credits

⁵⁰ Date of launch = start date ABAC work flow.

Eurostat control environment (procurements)

	Market Committee	Ex ante control	Ex post supervisory review
Regulation	Not applicable.	FR §66(5)	FR § 66(6)
Coverage	Based on internal criteria	100% of all payments	On demand
			Based on a risk-assessment
Appropriations concerned	Own & sub-delegated	Own & sub-delegated	Own & sub-delegated
When?	Before launching call for tenders	Before payment	After final payment

Error rate

Table below shows main figures for payments on procurement transactions processed in 2017⁵¹ for own appropriations:

Amount claimed (EUR)	Amount paid (EUR)	Non-eligible amount (EUR)	Detected error rate * (in %)
28 014 247	27 971 011	43 236	0.15%

* Errors corrected before payment

The analysis of the available control results, the assessment of the issues 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.

Other control indicators

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 12 instances recorded in the registry of exceptions and non-compliance with no significant financial impact.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For Eurostat, the estimated overall amount at risk at payment⁵² for the 2017 expenditure is 0.13 M€. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*⁵³ during the year (51.86 M€) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections⁵⁴ for the 2017 expenditure are 0.06 M€. This

⁵¹ Balance of the payments made in 2016 for EU Statistical Programme (2008-2012/2013-2017).

⁵² In order to calculate the weighted average error rate (AER) for the total *relevant expenditure* in the reporting year, the *detected*, estimated or other equivalent error rates have been used.

⁵³ '*relevant expenditure*' during the year = payments made, minus new pre-financing paid out [plus retentions made by the Cohesion family DGs], plus previously paid pre-financing which was cleared in the reporting year [minus retentions released or (partially) withheld by the Cohesion family DGs].

⁵⁴ Even though to some extent based on the 7 years historic average of recoveries and financial corrections

is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.
The difference between those two amounts leads to the estimated overall amount at risk at closure⁵⁵ of 0.07 M€.

(ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average. Any coding errors, ex-ante elements, one-off events, (partially) cancelled or waived ROs, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes) have been adjusted in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure for the current programmes in order to get the related estimated future corrections. Original H - ARC = 3.7%; adjusted H - ARC = 0.13%.

⁵⁵ For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

Estimated overall amount at risk at closure

Eurostat	Payments made (FY; m€)	<i>minus</i> new ^a prefinancing [<i>plus</i> retentions made ^b] (in FY; m€)	<i>plus</i> cleared ^c prefinancing [<i>minus</i> retentions released ^b and deductions of expenditure made by MS] (in FY; m€)	Relevant expenditure^d (for the FY; m€)	Average Error Rate (<i>weighted AER</i> ; %)	Estimated overall amount at risk <i>at payment</i> (FY; m€)	Average Recoveries and Corrections (<i>adjusted ARC</i> ; %)	Estimated future corrections [and deductions] (for FY; m€)	Estimated overall amount at risk at closure^e (m€)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Programme, Budget Line(s), or other relevant level ^f	as per AAR annex 3, table 2 ^f	as per ABAC DWH BO report on prefinancing ^f	as per ABAC DWH BO report on prefinancing ^f	= (2) -/+ (3) +/- (4)	Detected error rates, or equivalent ^g estimates ^f	= (5) x (6)	<i>based on 7Y-avg historic H-ARC</i> (as per ABAC DWH BO report on corrective capacity) ^f : but <i>adjusted^h</i> to become the <i>best but conservative</i> estimate for the current MFF	= (5) x (8)	= (7) - (9)
Grants									
• ESP 2008-2012	0.00	0.00	3.12	3.12	1.57%	0.05	0.27%	0.01	0.04
• ESP 2013-2020	15.63	1.75	0.00	13.88	0.20%	0.03	0.02%	0.00	0.03
Procurements	33.40	1.97	2.83	34.26	0.15%	0.05	0.15% ⁵⁶	0.05	0.00
Admin. credits	0.60	0.00	0.00	0.60	0.50%	0.00	0.50%	0.00	0.00
Overall, total	49.63 mEUR	3.72 mEUR	5.95 mEUR	51.86 mEUR	0.25%	0.13 mEUR [0.25% of (5)]	0.13%	0.06 mEUR [0.12% of (5)]	0.07 mEUR [0.13% of (5)]

DWH BO: Data Warehouse Business Objects (EC reporting tool); FY: Financial Year; MFF: Multi-Financial Framework; MS: Member States

⁵⁶ Only on 4 years: 2013-2017

- ^a New PF actually paid by out the DG itself during the FY (i.e. excluding any PF received as transfer from another DG)
- ^b In Cohesion, the (10%) retention made, which is later released or (partially) withheld by the Commission
- ^c PF actually having been cleared during the FY (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption')
- ^d For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (*see the ECA's AR methodological Annex 1.1 point 10*), also our concept of 'relevant expenditure' includes the payments made, subtracts the new pre-financing paid out, and adds the previous pre-financing actually cleared during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.
- ^e For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate
- ^f Differentiated for the relevant portfolio segments at a level which is lower than the DG total
- ^g In Shared Management, e.g.: 'validated/adjusted error rates', 'residual error rates at MS-level, as reported by the MS Audit Authorities and applied/adjusted/projected by the DG', etc.
- ^h Even though to some extent based on the 7 years historic average of recoveries and financial corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average. Any coding errors, ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes) have been adjusted in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure for the current programmes in order to get the related estimated future corrections.

Cost-effectiveness and efficiency

The calculation of cost of controls for 2017 was determined according to the same method as applied in 2016. This method implemented for the first time in 2016 foresees in comparison to prior years (2014/2015) to calculate indirect costs with a broad definition of control, thus including horizontal and support functions. Therefore comparison to reporting periods 2014 and 2015 is possible only to a limited extent.

Furthermore, Eurostat regularly monitors and assesses indicators on efficiency of controls. The tables below present an overview of cost-effectiveness and control efficiency indicators split by grants and procurements.

TOTAL (Grants and Procurements)

Indicator	Description	Results			
		2014	2015	2016	2017
Overall cost of control (%)	Total cost of controls of process / total expenditure executed during the year (the payments made for grants and procurements)	6.7 %	5.5%	14.3%	13.9%

GRANTS

Control efficiency indicators:

Controls	Indicator FY	Results			
		2014	2015	2016	2017
Ex ante controls ESP 2008-2012 and ESP 2013-2020	Average time to inform applicants (Art 128 (2a) FR sets a six months time limit).	74 days	87 days	79 days	71 days
	Average time to sign grant agreements or notify grant decisions (Art 128 (2b) FR sets a 90 days time limit)	27 days	28 days	36 days	46 days
	Time to pay (% on time, value)	89.25%	96.3%	92.91%	79,69%
	Time to pay (% on time, number)	90.44%	95.9%	92.63%	83,70%
	Average time to pay (% on time) (Art 92 FR)	47 days	46 days	47 days	57 days

As regards the 'time to pay', 2017 recorded a further worsening of the performance due to an amount of payments more important than foreseen to execute and to non-optimal workflows for the payments. Actions identified to overcome the difficulties encountered, including the redesign of payment processes were implemented (e.g. daily monitoring system of payment time). However, positive impact on the percentage of late payments is expected to be noticed as of February 2018.

Cost effectiveness indicators:

Stage	Indicators (annual indicators)	Results			
		2014	2015	2016	2017
Overall indicator	Overall cost of control (%) [total cost of controls of process / total expenditure executed during the year (payments made) related to own appropriations including received sub-	7.4%	6.3%	12,1%	16.35%

	delegations as indicated on page 29]				
All controls for the programming, evaluation and selection of proposals	Cost of evaluation and selection procedure / value of contracted (%) <i>[cost of programming + evaluating + selecting grants / value of grants contracted]</i>	2.7 %	2.0%	4.25%	6.27%
From legal commitment up to payment included	Cost of control from contracting and monitoring the execution up to payment included / amount paid (%) <i>[cost of controls related to the contracting and subsequent monitoring of the execution / amount paid]</i>	4.0 %	3.1%	8.44%	8.67%
Ex post	Cost of control ex post audits / value of grants audited <i>[total cost related to ex post audits / grants audited]</i>	1.0 %	1.13%	1.50%	1.89%

PROCUREMENTS

Control efficiency indicators:

Controls	Indicator FY	Results 2014	Results 2015	Results 2016	Results 2017
Ex ante controls	Time to pay (% on time, value)	93.81%	89.10%	84.62%	78,80%
	Time to pay (% on time, number)	93.06%	89.60%	88.51%	82,92%
ESP 2008-2012 and ESP 2013-2020	Average time to pay (Art 92 FR)	22.60 days	23 days ⁵⁷	25.13 days	26,02 days
	Error rate on procurement transactions is based on credit notes; corrected before payment.	0.25 %	0.12%	0.12%	0.15%

As regards the 'time to pay' relating to procurements, the same considerations made for grants are valid. In addition, paper processes were simplified in paperless and more efficient workflows. A key action concerns the implementation of the shortened financial circuit 'skip step one'.

Cost effectiveness indicators:

Stage	Indicators (annual indicators)	Results			
		2014	2015	2016	2017
Overall indicator	Overall cost of control (%) <i>[total cost of controls of process / total expenditure executed during the year (the payments made)]</i>	6.3 %	5.0%	16,1%	12.68%
Procurement stage up to selection of the offer &	Cost of controls of the evaluation and selection procedure / value contracted (%) <i>[Cost of preparing the needs assessment, specifications, publishing, evaluating the offers, notifying the tenderers / value of procurement]</i>	1.9%	1.2%	5.82%	4.34%

⁵⁷ Article 92 FR: 90 or 30 days for contracts

evaluation	<i>contracted]</i>				
Financial transaction	Related cost of control/ amount paid (%) <i>[Related cost for all transactions related to this stage (Commitments, payments, RO) / amount paid only]</i>	3.9 %	2.9%	6.89%	7.08%
Supervisory measures	Related cost of supervisory measures (EUR)	17 200	15 200	18 950	19 720

Conclusion

Key determinants of the cost-effectiveness ratio are cost per Full Time Equivalent (FTE) and the volume of transactions managed during the reporting year.

For 2017, the overall indicator related to cost of control of Eurostat financial transactions registered a slight improvement compared to the previous year, although the yearly cost per FTE increased.

With regard to the type of financial transaction, the cost-effectiveness ratio for procurement transactions improved, whilst opposite effect has to be reported for grants due to the shift of volume of transactions managed from grants towards procurement transactions.

It has to be noted that Eurostat receives budgetary appropriations from other Commission-DGs which fluctuates considerably from year to year thereby impacting the cost-effectiveness ratio and its comparability. In addition the average size of transactions for grants is relatively limited, each transaction requiring nonetheless a full set of controls to be put in place.

The benefits of controls in non-financial terms include primarily being in compliance with rules and regulations regarding financial management of funds trusted to Eurostat. In addition, the Eurostat control system proved to be able to detect systemic weaknesses within its control environment, Eurostat assesses that deterrent and pedagogical effects are essential benefits of control to be taken into account.

Efficiency indicators reveal a slight negative development regarding 'time to pay' for both, grants and procurements. Consequently, actions were taken and implemented to improve payment time; they are expected to produce positive results as of February 2018.

In parallel, further efficiency and cost-effectiveness improvements are foreseen with the further implementation of electronic processing systems (eProcurement and eGrants) for Eurostat financial transactions. The eGrants project was launched in 2017; the workflow of a first set of financial transactions could be successfully completed. The generalised implementation of the eGrants-tool is foreseen as of 2018, accordingly its full effects in terms of cost of control will start to materialize as from 2019.

Based on an assessment of the most relevant key indicators and control results, Eurostat has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

Fraud prevention and detection

Eurostat has developed and implemented its own anti-fraud strategy since 2014, elaborated on the basis of the methodology provided by OLAF. It has been updated in 2017.

Its implementation is being monitored twice a year with reporting to the management.

The indicator '*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' shows that the anti-fraud strategy is effectively implemented, as 100% of the actions were achieved or on target end of 2017.

No fraud risks related to the activities of the Units and Directorates were identified by the AOSDs in their annual declarations. No fraud risks have been identified in the Eurostat risk register.

There are no pending investigations opened by OLAF from previous years. In 2017, no fraud-related case was reported to OLAF.

Based on the above, Eurostat draws the conclusion that its anti-fraud controls are effective and did not reveal any significant weakness needing to be addressed.

Other control objectives: safeguarding of assets and information, 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 supporting 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 to the IT security and data integrity. Safeguarding, monitoring and securing Eurostat Information Systems and applications collecting, handling and hosting all types of sensitive information including the dissemination chain and the web site used for publication of statistics and press releases are therefore crucial activities for the DG.

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 Eurostat 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 2017 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 2017, Eurostat has completed a third round of inventory of all information types managed internally and implementing the adequate security measures. In 2017, no incidents related to breach of confidentiality were reported.

Reliability of reporting (GNI)

The DG of the Commission in charge of the budget (DG Budget) is the authorising service with regard to own resources. However, Eurostat is the Commission service in charge 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 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 (description of sources and methods used to compile GNI) 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 for the verification cycle 2016-2019⁵⁸ as follows:

Country: EU28+EFTA4

	Indicators	2016	2017
Multiannual verification cycle			
Input			
1	Inventories received, including revised versions	32	6
2	Inventories to be checked	30	30
3	Amount of inventory pages to be checked	16 376	16 510
4	Number of inventories translated by the Commission, including revised versions	2	0
Output			
5	Number of questions or requests for additional data sent to the Member States in preparation of the mission	2 196*	5 399
6	Missions carried out	8*	29
7	Missions carried out with participation of observers from other Member States	4*	20
8	Number of person-mission days carried out	64*	275
	a) Eurostat	53*	203
	b) Observers from Member States	11*	72
9	Direct verifications	7*	34
10	Mission reports presented to the GNI Committee	6	25
11	Open action points at the end of year	69	545
12	Number of action points and/or reservations on which verification work was carried out during the year ⁵⁹	36*	162
13	Number of documents presented to the GNI Committee relating to the GNI verification process and methodological issues	36	79
Results			
14	Number of general reservation points – end of year	0	0
15	Number of transversal reservation points – end of year	0	0
16	Number of specific reservation points – end of year	2*	7*
Annual verification of GNI Questionnaires and Quality Reports			
Input			
17	GNI Questionnaires and Quality Reports received (first submissions)	32	31
18	Number of revised GNI Questionnaires received in the course of verification (subsequent submissions)	10	9
19	Number of revised Quality Reports received in the course of verification (subsequent submissions)	33	29
20	Total amount of Quality Reports pages to be checked (original and subsequent submissions altogether)	876	743

⁵⁸ Please see previous AAR for the previous verification cycle.

* including related to the previous verification cycle

⁵⁹ 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.

	Indicators	2016	2017
21	Number of Quality Reports translated by the Commission, including revised versions	1	0
Output			
22	Number of questions sent to the Member States in the course of verification of the GNI Questionnaires and Quality Reports	190	229
23	Total number of GNI Questionnaires verified (original and subsequent submissions altogether)	42	40
24	Total number of Quality Reports verified (original and subsequent submissions altogether)	65	60
25	Answers to DG Budget requests for the GNI OR data	6	3
26	Visits from Court of Auditors	3	1
Results			
27	Number of process-specific reservations – end of year	81	109
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	28	28
Impact (for both multiannual and annual verification)			
29	Number of countries that revised GNI due to their work on action points and/or reservations	7	8
30	Number of action points and/or reservations that lead to revisions of GNI	18	26

The main priority of the GNI verification work in 2017 was put towards the verification cycle 2016-19. A comprehensive structure of verification was agreed with Member States; this included a detailed risk assessment. After receipt of the GNI inventories from Member States, the first verification missions took place for all EU28 Member States.

2.1.2 Audit observations and recommendations

This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of control, 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.

Audits performed by IAS

In 2017, the audit work carried out by IAS in Eurostat was the following:

- In 2017 IAS started to perform an 'Audit on Financial Management of Grants in DG ESTAT'. The final report will be issued only in 2018.
- IAS performed an 'Audit on the Production Process and the Quality of Statistics not Produced by Eurostat'. An action plan is being established to mitigate the detected risks.
- IAS carried out a follow-up of three outstanding recommendations issued by the former IAC. All three recommendations have been closed by IAS.

No 'critical' recommendation has been issued in 2017.

'Audit on the Support by Eurostat to the Europe 2020 Strategy and the New Commission Priorities'

In general the implementation of the action plan referring to this audit is on track. Two recommendations ranked as 'important' are considered by Eurostat to have already been implemented.

Nevertheless Eurostat had to revise the deadline for the implementation of the 'very important' recommendation referring to Eurostat's role in planning, coordination, development, and production of other statistics related to Europe 2020 and to postpone the implementation for four months to end of April 2018, in order to align with the action plan referring to the recent IAS audit on the 'Production Process and the Quality of Statistics not Produced by Eurostat'.

In this recommendation Eurostat is recommended to improve its support to the policy DGs (within the limits of its mandate), by initiating the process for signing the remaining MoUs with the DGs and by providing advice and expertise to all DGs, including on possible measures to be implemented to address the risks associated with the quality of other statistics. It should prepare the Statistical Master Plan and integrate it into its planning processes for the 2014-2020 Multiannual Financial Framework. Finally, Eurostat should raise the issue of possible measures to mitigate this risk with the DGs concerned, together with SG.

The implementation of this 'very important' recommendation is ongoing. Six out of nine actions to implement the recommendation are already implemented. The detected risk has already been mitigated in Eurostat's view. The remaining actions refer mainly to the production of 'other statistics'. The implementation of these actions has been slightly delayed to wait for the final report on the IAS 'Audit on the Production Process and the Quality of Statistics not Produced by DG ESTAT' in view of possible synergies.

'Audit on the Production Process and the Quality of Statistics not Produced by DG ESTAT'

The final report of this audit was issued on 31 January 2018. In the audit report, IAS issued three 'very important' and two 'important' recommendations. The three recommendations concerning Eurostat are ranked as 'very important'. The other two 'important' recommendations concern only operational DGs. All recommendations addressed to Eurostat have been accepted by management.

As regards the recommendations addressed to Eurostat:

Recommendation 1 - Framework for statistical production in the Commission and Eurostat's coordination role in the development and production of statistics by other Commission services. ('very important')

Eurostat is recommended to ensure that the statistics not produced by them are correctly identified and included in the Statistical Inventory, and to build a system to strengthen the robustness and reliability of these statistics. Eurostat should also take the necessary steps to effectively coordinate the development and production of 'other statistics' and prepare for them a reference quality framework. Finally, Eurostat should provide support to the DGs by assisting them in improving the quality of the statistics they produce or acquire.

Recommendation 2 - Completion of the Statistical Inventory and Masterplan ('very important')

Eurostat is recommended to revise the structure of the database, establish a formal and effective review process of the data and ensure that the DGs correct/complete the information provided. Eurostat should define the purpose of the Statistical Masterplan and its format, and how it can be integrated into Eurostat's planning process for the current MFF.

Recommendation 5 - Referencing and use of a disclaimer when publishing 'other statistics' ('very important')

Eurostat is recommended to prepare guidance on how to clearly reference the statistics in the Commission official documents and explain which disclaimer has to be used when presenting statistics for which the DGs cannot guarantee their accuracy.

Eurostat is currently preparing an action plan for the implementation of these three 'very important' recommendations.

Audits performed by the European Court of Auditors

In 2017, the audit work carried out by the Court of Auditors in DG ESTAT was the following:

The Court of Auditors worked on their Special Reports on 'Public and Private Partnerships' and on 'EU Labour Mobility'. Their publication is foreseen for 2018.

In its Special Report 01/2016 'Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?' the ECA issued four 'important' recommendations whose implementation is under the responsibility of Eurostat. An action plan was established and is being implemented. The final implementation of the recommendations is foreseen between end of December 2018 and end of December 2020.

In its 'Annual Reports 2016' ECA issued two 'important' recommendations for Eurostat. These recommendations concern the potential implications of multinational activities on the estimation of Gross National Income (GNI) and the correct capturing of R&D assets during the ongoing GNI verification cycle in Member States' national accounts. The implementation of action plans for both recommendations is already ongoing and foreseen to be finalised by 31/12/2019.

Currently Eurostat is not facing any 'critical', 'very important' or overdue recommendation from ECA.

Conclusion of the Internal Auditor on the state of internal control in Eurostat

On 15 February 2018, the IAS issued the Conclusion on the state of internal control in Eurostat.

The IAS concluded that the internal control systems audited are partially effective since a number of 'very important' recommendations remain to be addressed in line with the agreed action plans or by submission and implementation of an agreed action plan.

The residual risks related to these four recommendations may affect one or several internal control principles and/or components.

2.1.3 Assessment of the effectiveness of the internal control systems

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

Eurostat 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 assessment of the effectiveness of the internal control system was based on different elements:

- A self-assessment carried out by an anonymous electronic survey was conducted involving Eurostat Senior and Middle management as well as staff responsible for specific functions (e.g. LISO, DMO...). Furthermore, an analysis of the personalised annual AOSD declarations requested from all Directors, Heads of Unit and Heads of Task Force was performed. Neither the anonymous input to the survey, nor the personalised AOSD declarations revealed any critical weaknesses or major deficiency.
- The functioning of the internal control systems has been closely monitored throughout the year by the systematic registration of exceptions and internal control weaknesses. The underlying causes behind these exceptions have been analysed and corrective and alternative mitigating controls have been implemented when necessary.
- Eurostat management monitors twice per year the implementation of the mitigating actions identified for the risks relevant at DG level. In addition, with the same frequency Eurostat management assess also: 1) if new mitigating actions need to be implemented; 2) whether the risk level for the risks included in Eurostat's risk register has changed; 3) if new risks have been identified.
- Observations and findings issued by IAS and the ECA as well as the IAS's Opinion on the state of internal control have been taken into account when assessing the effectiveness of the internal control system. In its opinion IAS disclosed some weaknesses and concluded that the internal control systems audited are partially effective, and that "the residual risks related to these four recommendations may affect one or several internal control principles and/or components". On the basis of this opinion, Eurostat analysed potential impact of these weaknesses on the effectiveness of ICS and concluded that it partially affects ICS 8.

Furthermore during 2017 Eurostat developed a list of criteria (indicators, baselines, targets) for the assessment of the internal control system to support the implementation and monitoring of the new Internal Control Framework. This new Internal Control Framework has been implemented by 01/01/2018. A Director for risk management and internal control was appointed by the DG. The assessment of the effectiveness of the internal control systems according to the new Internal Control Framework will be done in 2018.

Eurostat has assessed the internal control system during the reporting year and has concluded that the internal control standards are implemented and functioning as intended apart from the area disclosed by the IAS audit report.

2.1.4 Conclusions as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2 and 2.1.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2.1 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 comprehensive coverage of the budget delegated to the Director-General of Eurostat.

The Eurostat performance during 2017 is on course to meet the long-term policy, programme and operational objectives. In Eurostat's judgement its operational expenditure authorised has contributed to the policy achievements and generated Union-added value. The KPIs indicate that the usage of European statistics is steadily increasing and the satisfaction of the users with the quality of the data remains stable. The extended ESP to 2020 aims to further increase the quality of the data and so the satisfaction of the users. Eurostat will also consider what more can still be achieved on the data quality when preparing the proposal for the future post-2020 ESP.

The estimated overall amount at risk at closure for the 2017 payments made **is 0.07 M EUR.**

Based on an assessment of the most relevant key indicators and control results, Eurostat has assessed the cost-effectiveness and the efficiency of the control system as satisfactory in its current environment and has identified actions in order to improve.

There are no pending investigations opened by OLAF from previous years. In 2017, no potential fraud related case was reported to OLAF.

In 2017 there were no incidents recorded regarding data integrity in the reception and transmission of information including the web site. No incidents related to breach of confidentiality were reported.

Eurostat has set up internal control processes aimed to ensure the adequate management of the risks relating to its operations.

Eurostat has systematically examined the available control results. Controls performed have allowed the identification of specific actions to further improve the control environment.

Furthermore, Eurostat has assessed the observations and recommendations issued by the IAS and the ECA and continued in 2017 with the implementation of actions plans addressing audit recommendations.

IAS concluded on the state of internal control in Eurostat that the internal control systems audited are partially effective since four 'very important' recommendations remain to be addressed, in line with the agreed action plans or by submission and implementation of an agreed action plan. The residual risks related to these four recommendations may affect one or several internal control principles and/or components.

Eurostat concluded that the ICS are implemented and functioning as intended apart from the specific area disclosed by the IAS audit report.

The AOD gained a true and fair (i.e. a reliable, complete and correct) view on the state of affairs in Eurostat and has reasonable assurance that, overall, suitable controls are in place and working as intended.

Overall Conclusion

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 her capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

DECLARATION OF ASSURANCE

I, the undersigned,

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 view⁶⁰.

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 limited conclusion of the Internal Auditor on the state of control, 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 Commission.

Luxembourg, 23 March 2018

Signed

Mariana KOTZEVA
Director-General

⁶⁰ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

2.2 Other organisational management dimensions

The following two examples had been identified in the Management Plan 2017 and demonstrate how Eurostat implements the principles of economy and efficiency.

Example 1:

The Management Plan 2017 had set out that, in view of the simplification of INTRASTAT (intra-EU trade statistics), a project planned for 2017-2020 will enhance and implement innovative data compilation methods including the use of a new data source (Intra-EU micro data exchange).

2017 saw the successful start of this 4-years project. Priority was given during the year to the legal drafting and to the development of a secure micro-data exchange system, which aim at laying the foundation of the future modernised system of INTRASTAT. In addition, a specific focus was given to the analysis of the administrative burden study and the possible additional measures that can be taken at national level. The work related to legislation, confidentiality, security and micro-data exchange will be continued into 2018 at European level while the work on administrative burden will be further followed up at national level.

Example 2:

In accordance with Management Plan 2017, payment processes were redesigned to improve economy and efficiency of financial activities. In a first effort, payment files related to public procurement, in especially IT specific service provider contracts, were redesigned to allow for simplified, paperless and more efficient workflows. The introduction of electronic grant management tools shall constitute a further improvement, for which payments shall be made in the years to come. From April onwards a significant improvement of payment times was observed for electronically received payment files. Unfortunately, due to a lack of payment appropriations as from September 2017, the positive effects of the revised process did not materialise in an overall higher percentage of payments on time in 2017 compared to previous reporting years. The revision of the payment process, however, enabled Eurostat to take up 25% additional payment appropriations in November. The amount of approximately 9 million EUR extra credits were executed in 6 weeks only, at the end of 2017, thanks to a more efficient workflow process freeing capacity to speed up payments.

2.2.1 Human resource management

In a context of shrinking resources, in 2017 Eurostat aimed at further optimising its efficiency and use of resources by effectively redeploying its scarce resources through the FRAME strategy (Framework for Resource Allocation Management in Eurostat) in support of the delivery of Commission priorities and core business. In July 2017, the College established targets for first time female middle manager appointments (Eurostat's target is 4 first time female middle management appointments out of 9 recruitment possibilities by 1.11.2019), where efforts are still needed, given that only one middle manager (male) was appointed in 2017. Staff engagement and staff wellbeing remained a priority for Eurostat management, devoted to promote a more flexible and project oriented work, a gender-balanced and motivating working environment as well as flexible working conditions. In this context, Eurostat's Staff Opinion Survey was organised at the end of 2017, its results are being analysed.

See Annex 2 for details.

2.2.2 Better regulation

The cost-effectiveness and non-excessive burden on respondents are basic principles for Eurostat's development, production and dissemination of European statistics.

Eurostat follows the principles of Better Regulation when preparing new initiatives and proposals and when managing and evaluating existing legislation. The aim is always to keep regulatory burdens on respondents or public administrations to a minimum. Thus, over the last years efforts were deployed to reduce the burden deriving from the production of statistics. The emphasis was put on the review of those areas which were identified as being the most burdensome and has resulted in several legislative proposals that are currently discussed before the legislator (notably in the domains of social, agricultural and business statistics). In 2017, the following three initiatives were brought forward:

Regulation (EU) No 2017/1951 of the European Parliament and of the Council of 25 October 2017 amending Regulation (EU) No 99/2013 on the European statistical programme 2013-17, by extending it to 2020 was adopted on 25 October 2017. The mid-term and ex-post evaluations of the European statistical programme cover all statistics produced by Eurostat. They also identify possible improvements for the future programme design and implementation. Therefore by evaluating a statistical programme, Eurostat evaluates its entire acquis. On the basis of intensive consultations with various stakeholder groups from 2014 onwards, Eurostat proposed a comprehensive approach to the consultations in the framework of the impact assessment for the proposal and eventually new measures in the proposal to improve the relevance and timeliness of social and energy statistics and the exploitation of new data sources, including 'big data'. There was an emphasis on modernisation projects to improve the flexibility of statistical production systems and reduce both the long-term costs for producers and the administrative burden for respondents.

Regulation (EU) No 2017/2391 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EC) No 1059/2003 as regards the territorial typologies (Tercet) was adopted on 12 December 2017. The preparation of the amendment proposal included extensive consultations at a very early stage of national experts and user stakeholders.

The proposal for a Council Regulation on the harmonisation of gross national income at market prices repealing Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices (GNI regulation) was adopted by the Commission on 20 June 2017 (COM(2017)329). Based on Commission standards, Eurostat's system for evaluating existing legislation, including the evaluation of the European Statistical Programme was followed, and formed a central part of the preparation. The proposal met the simplification objectives of the REFIT programme

partly by synchronising data transmission for GNI own resources with data transmission for other national accounting purposes, partly by switching to ESA 2010 for own resources in order to avoid Member States producing a double set of accounts, one on ESA 2010 and one on ESA 95.

See Annex 2 for details.

2.2.3 Information management aspects

Continuous efforts, notably by way of internal training and effective information, have led to substantial improvements in document management in Eurostat, thereby contributing to safeguarding data, information and knowledge as strategic assets.

As part of the pilot exercise on the visibility of master files, it was decided to start extending the visibility of most of the Eurostat files after closure to the Commission as a whole. This has contributed to a significant increase in general visibility of closed master files. Some actions have already been taken internally to promote and explain the different levels of visibility and additional decisions on the visibility of Eurostat files are expected at senior management level.

An internal programme for training in document management is in place in Eurostat, focusing on training all newcomers, without exception. In parallel, the DMO team provides progressively training sessions for the attention of staff members who have been in Eurostat since 2010, who work to various degree in ARES but who would benefit from an update. Those latter staff members represent the percentage that have not yet been trained and towards which the approach is to find balance between needs and resources.

The intermediate archive project has provided excellent results in terms of improving significantly the retrievability of master files. Three main reasons explain that the target of 100% has not been achieved. Firstly, the lack of human resources, both in the pre-archive team and in operational units that are owners of the pre-archives until they can be inventoried and centralised. Secondly, the underestimation of the complexity of the project. A first overview gave at hand that many pre-archive rooms contained very old files, mixed working files and master files, and in addition had not been inventoried for a longer period. They therefore required substantial and time-consuming efforts. Thirdly, members of the pre-archive team have additional daily tasks, notably mail distribution.

See Annex 2 for details.

2.2.4 External communication activities

In the area of its dissemination policy, Eurostat has implemented a digital communication strategy, developing new interactive and sharable visualisation tools and releasing a number of successful digital publications. Efforts to modernise Eurostat's website, aiming at providing a more visual and attractive statistical information on the EU, have been reinforced and appreciated by users. In the frame of the DIGICOM project (project on digital communication, user analytics and innovative products), the dialogue and engagement with users of European statistics has been strengthened, through a more active presence on social media and the regular testing of new products with users.

See Annex 2 for details.