



2013

Annual Activity Report

Eurostat

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INTRODUCTION:

The DG in brief

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 EU policy purposes. To this effect, the statistical production covers the whole range of EU policies, and supports the functioning of key initiatives and activities such as the Europe 2020 strategy, verification of public finance statistic in Excessive Deficit Procedures (EDP), the calculation of own resources, social Europe, energy and climate, etc.

As laid down in Article 338 of the Treaty on the Functioning of the European Union, the production of Union statistics shall conform to impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality and shall not entail excessive burdens on economic operators and households.

Eurostat is the EU statistical authority¹. As such it is in charge of the development, production and dissemination of European statistics². It shall act independently in ensuring the production of European statistics according to established rules and statistical principles³.

In view of inter-institutional cooperation, the cooperation with the ECB through bilateral contacts and participation in each other's Committees and Working Groups is particularly intensive thus ensuring a close liaison at all levels. As far as the other EU institutions are concerned, the provision of data to the EU Parliament should be especially highlighted.

Eurostat cooperates with the National Statistical Institutes (NSIs) and other national bodies responsible for developing, producing and disseminating European statistics in each Member State, thus forming the European Statistical System (ESS). The ESS is a functional partnership, with the ESS Committee as the coordination committee at EU level⁴. At international level, the ESS coordinates its work with organisations such as the OECD, the UN (UN Statistics Division, UNSD, and UN Economic Commission for Europe, UNECE), the IMF, and the World Bank.

The production of European statistics is based on data supplied by Member States. Confidentiality requirements, as established by Regulation (EC) No 223/2009, apply in case confidential statistical data are transmitted to Eurostat. Eurostat and the national authorities cooperate closely in order to ensure compliance with those requirements.

Eurostat was attributed competences in the European Economic Governance. In particular, Eurostat has been given responsibilities under the Delegated Decision 2012/678/EU⁵ in view of the effective enforcement of budgetary surveillance such as investigations and fines related to the manipulation of statistics.

2013 was the first year of the European Statistical Programme 2013-2017⁶ (ESP) building up on results achieved by the previous programme 2008-2012⁷. The ESP provides for financial contributions by the Union in the form of grants, public procurement contracts or any other

¹ As referred to in Article 6 (1) of Regulation (EC) No 223/2009 of the European Parliament and the Council of 11 March 2009 on European statistics, OJ L 87 of 31.3.2009

² Commission Decision 2012/505/EU of 17 September 2012, OJ L 25, 18.9.2012

³ Commission Proposal COM(2012) 167 final of 17.4.2012

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

⁵ 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.

⁶ COM(2011) 928 final of 21.12.2011.

⁷ Decision 1578/2007/EC of the European Parliament and the Council of 11 December 2007, OJ L 344, 28.12.2007

interventions needed for the production of European statistics. In 2013, for the last year, Eurostat also implemented the Programme for the Modernisation of European Enterprise and Trade Statistics (MEETS) 2009-2013⁸ which provides for further possibilities regarding the financing of business statistics.

As regards the resources used to carry out the tasks assigned, as of 31 December 2013, Eurostat had 790 staff (642 establishment posts and 148 external personnel).

Budgetary commitments in 2013 amounted to 70.6 million €. These commitments were financed at a level of 78 % by Eurostat own credits and at 22 % by credits sub-delegated to Eurostat by other Directorates General.

Eurostat awards contracts mainly to firms specialised in statistics or informatics services and grants mainly to National Statistical Institutes and other entities designated by each Member State to produce official statistics. Regulation (EC) No 223/2009 gives the possibility to award grants to those designated statistical institutes and authorities without calls for proposal.

Eurostat's planning, management and monitoring of budgetary appropriation is guided by a comprehensive expenditure policy. The Eurostat control strategy combines systematic and risk-based ex-ante and ex-post controls to ensure the legality and regularity of transactions as well as sound financial management. A readiness assessment was conducted to allow for an efficient application of the new financial rules set by Regulation 966/2012⁹ as from 1 January 2013.

As far as revenue is concerned, since the early days of Eurostat's involvement in Own Resources verification, there has been a Memorandum of Understanding between Eurostat and DG Budget on the division of responsibilities between the two services. In 2013 an annex concerning good practice regarding GNI reservations (which allow Member States' GNI data to be revised after a cut-off date) was added to the Memorandum of Understanding. DG Budget is the authorising service with regard to Own Resources. However, Eurostat is the only Commission service that is in a position (a) to check the application of the GNI Regulation, (b) to propose methods to ensure the exhaustiveness and comparability of national GNI data, (c) to verify that there have been no errors in the compilation of GNI 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. 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.

Legality and Regularity indicators on own-resource GNI statistical control

| | Indicators | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|-------|-------|-------|------|------|
| 1 | Inventories received ¹⁰ | 0 | 2 | 0 | 0 | 0 |
| 2 | Inventories to be checked | 25 | 27 | 27 | 2 | 0 |
| 3 | Amount of inventory pages to be checked | 12500 | 13500 | 13500 | 800 | 0 |

⁸ Decision 1297/2008/EC of the European Parliament and the Council of 16 December 2008, OJ L 340, 19.12.2008

⁹ Regulation (EC) No 966/2012 of the European Parliament and the Council of 25 October 2012, OJ L 298, 26.10.2012

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

| | | | | | | |
|----|--|------|-----|------|-------------------|-------------------|
| 4 | Number of inventories translated by the Commission | 1 | 3 | 0 | 0 | 0 |
| 5 | Number of questions sent to the Member States in preparation of the mission | 2391 | 909 | 109 | 0 | 3 |
| 6 | Missions carried out | 19 | 9 | 2 | 2 | 1 |
| 7 | Missions carried out with participation of observers from other member states | 16 | 9 | 2 | 2 | 0 |
| 8 | Number of men/women-mission days carried out | | | | | |
| | a) Eurostat | 146 | 65 | 20 | 13 | 6 |
| | b) Observers from Member States | 76 | 53 | 16 | 5 | 0 |
| 9 | Direct verifications | 16 | 6 | 2 | 2 | 1 |
| 10 | Mission reports presented to the GNI Committee | 16 | 12 | 4 | 2 | 1 |
| 11 | Action points presented to the GNI Committee in the mission reports | 331 | 135 | 151 | 18 | 0 ¹¹ |
| 12 | Number of general reservation points – end of year ¹² | 25 | 25 | 27 | 3 ¹³ | 1 ¹⁴ |
| 13 | Number of transversal reservation points – end of year ¹⁵ | - | - | - | 6 | 8 |
| 14 | Number of specific reservation points – end of year | 4 | 4 | 2 | 105 ¹⁶ | 114 ¹⁷ |
| 15 | Visits from Court of Auditors | 4 | 4 | 4 | 8 | 2 |
| 16 | Annual verification of GNI questionnaires and quality reports ¹⁸ (NA= not applicable) | NA | NA | Done | Done | Done |

¹¹ No formal action points were formulated. Actions to be taken within the existing reservations were presented.

¹² Changed indicator introduced as from 2012.

¹³ The general reservations on EU-25 Member States were lifted in January 2012 and replaced by 103 specific reservations (see indicator 14). The general reservations for Bulgaria and Romania for 2007 were extended to 2008 in June 2012. In September 2012, the Commission issued a general reservation on Greek GNI data of 2008.

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

¹⁵ New indicator introduced as from 2012.

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

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

¹⁸ New indicator introduced as from 2011.

| | | | | | | |
|----|--|----|----|------|------|------|
| 17 | Responses to Member States' questions in relation to actions points and reservations ¹⁹ | NA | NA | Done | Done | Done |
| 18 | Responses to methodological issues related to the GNI Committee work ²⁰ | NA | NA | Done | Done | Done |

The year in brief

The year 2013 was marked by numerous key achievements and operational results, important legislative proposals and adopted pieces of legislation, new challenges and major internal and external events.

In January, the Regulation on the European Statistical Programme 2013-2017 was adopted²¹. This Regulation provides the programming framework for the development, production and dissemination of European statistics, the main fields and the objectives of the actions envisaged for the period 2013-2017. This was complemented by Regulation (EU) No 1383/2013²² adopting the financial envelope for the same period.

Eurostat organised in March a conference on New Techniques and Technologies for Statistics. The focus on the impact of new technologies on statistical collection, production and dissemination systems was useful in order to stimulate the preparation of new innovative projects aimed at enhancing the quality and usefulness of official statistics.

The month of April was marked by the Eurostat Seminar on the Global Value Chains and Economic Globalisation. On that occasion, the Sturgeon Report²³ was published. The Report was commissioned by Eurostat thus ensuring its leading role in the context of bringing statistics on globalisation in line with a rapidly changing economic reality and in view of a new measurement framework based on common concepts and definitions and the use of compatible methods.

In May, Eurostat organised a conference on European Public Sector Accounting Standards contributing to achieving, in the long term, comparability of accounts to be drawn up on the basis of a single set of principles.

The main achievement in June was the adoption of the proposal for a Regulation on the provision and quality of statistics for the Macro Imbalances Procedure (MIP)²⁴. In view of covering the monitoring of data quality, the compilation and transmission of data and the reporting and communication on the data, the proposal is a major step towards developing a robust statistical monitoring system for the MIP.

In view of strengthening its international cooperation, Eurostat attended in July and August the Third Session of the United Nations Committee of Experts on Global Geospatial Information Management (UN-GGIM) and the 59th World Statistics Congress of the

¹⁹ New indicator introduced as from 2011.

²⁰ New indicator introduced as from 2011

²¹ Regulation (EU) No 99/2013 of the European Parliament and of the Council of 15 January 2013 on the European Statistical Programme 2013-2017, OJ L 39, 9.2.2013.

²² Regulation (EU) No 1383/2013 of the European Parliament and of the Council of 17 December 2013 amending Regulation (EU) No 99/2013 on the European statistical programme 2013-2017, OJ L 354, 28.12.2013.

²³ [Sturgeon Report "Global Value Chains and Economic Globalisation – Towards a new measurement framework", http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/documents/Sturgeon_report_Eurostat.pdf](http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/documents/Sturgeon_report_Eurostat.pdf)

²⁴ COM(2013) 342 final of 7.6.2013

International Statistical Institute.

The European Statistical System Director-Generals met in September addressing a wide range of strategic issues such as the reflection with Member States on the Eurostat Vision, including the future of Big Data.

The key topic in October was the new type of Eurostat publications: A flagship publication on statistical indicators and analysis to support the Europe 2020 strategy. The publication with its statistical analyses related to important European Commission policy frameworks or economic, social or environmental phenomena is a major achievement as it provides statistical support for the Europe 2020 strategy and backs up the monitoring of the Strategy's five headline targets.

The end of the year was marked by the publication of the Macroeconomic Imbalances Procedure Scoreboard in November as an important element in the Economic Governance of the EU.

In the context of the Europe 2020 flagship initiative on resource efficiency, the resource efficiency scoreboard was released in December putting together a set of indicators produced from basic statistics from Eurostat and the European Economic Area (EEA).

Executive Summary

The Annual Activity Report is a management report of the Director-General of DG ESTAT to the College of Commissioners. It is the main instrument of management accountability within the Commission and constitutes the basis on which the Commission takes its responsibility for the management of resources and the achievement of objectives.

Key Performance Indicators (5 most relevant)

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

| Result/Impact indicator (description) | Trend | Target (or milestones) | Latest known results as per Annual Activity Report |
|--|-------|---|--|
| Percentage of users that rate as "Very good" or "Good" the overall quality of the data and services provided by Eurostat | ☹️ | 75% in 2017. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other. | 2012: 70% 2013: 70% |




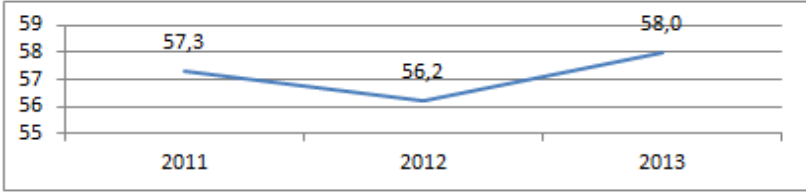
| Most relevant KPI 1 Number of data extractions made by external users from Eurostat reference databases (EuroBase and Comext) via the Eurostat website, using the Data Explorer or Easy Comext | ☺️ | <table border="1"> <caption>Data for Most relevant KPI 1</caption> <thead> <tr> <th>Year</th> <th>Number of data extractions</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>5,071</td> </tr> <tr> <td>2011</td> <td>5,398</td> </tr> <tr> <td>2012</td> <td>7,872</td> </tr> <tr> <td>2013</td> <td>7,983</td> </tr> </tbody> </table> | Year | Number of data extractions | 2010 | 5,071 | 2011 | 5,398 | 2012 | 7,872 | 2013 | 7,983 | |
|--|----------------------------|--|------|----------------------------|------|-------|------|-------|------|-------|------|-------|--|
| Year | Number of data extractions | | | | | | | | | | | | |
| 2010 | 5,071 | | | | | | | | | | | | |
| 2011 | 5,398 | | | | | | | | | | | | |
| 2012 | 7,872 | | | | | | | | | | | | |
| 2013 | 7,983 | | | | | | | | | | | | |
| | | Target 2017 = value of 2012 + 10% = ±8,7 Millions | | | | | | | | | | | |

| | | | |
|--|----|---|-------------------------------------|
| Most relevant KPI 2 Percentage of users that rate as "Very good" or "Good" the overall quality of European statistics. | ☹️ | 70% in 2017. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other. | 2011: 63% 2012: 63% 2013: 63% |
|--|----|---|-------------------------------------|

| | | | |
|--|----|--|--|
| Most relevant KPI 3 Length of the time series of a sample of statistics: euro indicators (active series) | ☹️ | Targets: <ul style="list-style-type: none"> • Time series ≥ 15 years (%) = 60% in 2017. • Time series ≥ 10 years (%): ≥ 90% each year. This target is not 100% because we have continuously to find a balance between the time series' "consistency throughout the whole duration of the programme" (see Specific Objective n. 4 above) and the goal of improving/adapting the statistics (e.g. with a new methodology), which may create breaks in the time series. | ≥ 15 years (%): 2012: 41.7% 2013: 40.7%. ≥ 10 years (%): 2012: 94.4% 2013: 94.8%. |
|--|----|--|--|

| | |
|--|--|
| | The reduction of the % of the time series "≥ 15 years" is mainly due to a methodological change (of the reference year) that has affected several series in the domain "Industry, Trade and Services". |
|--|--|

| | |
|---|---|
| Most relevant KPI 4: Timeliness of European statistics | |
| <p>Timeliness of a sample of statistics: PEEIs and Comext-Extra: average number of days of advance (positive) or delay (negative), in comparison to the legal target:</p> <ul style="list-style-type: none"> • PEEIs: Euro Area – monthly series • PEEIs: Euro Area – quarterly series • Comext Extra: Data sent by MS to Eurostat | <p>☺ The target is to provide the statistics of the sample according to the legal deadlines, i.e. indicators should be ≥ 0.</p> <ul style="list-style-type: none"> • PEEIs: Euro Area – monthly series 2012: -0.1 2013: -0.5 • PEEIs: Euro Area – quarterly series 2012: -10.2 2013: -10.1 • Comext Extra: Data sent by MS to Eurostat 2010: +2 2011: +3 2012: +3 2013: +2 |
| <p>Percentage of users that rate as "Very good" or "Good" the timeliness of European statistics for their purposes</p> | <p>☹</p>  <p>60% in 2017.</p> <p>The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.</p> |
| <p>The evolution of the timeliness of the sample of statistics does not justify <i>per se</i> the negative trend of the user's satisfaction with the timeliness, which may be more caused by an increase of the users' expectations and needs than an actual decrease of the timeliness of the statistics.</p> | |

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

The overall picture given by the KPIs is of a general stability, with some indicators showing a slight improvement and others a slight worsening of the picture. More in details, it is worthwhile to note that:

- The users' satisfaction with the data and services provided by Eurostat (see the indicator related to the general objective) is higher than the users' satisfaction with the data alone (see the KPI n. 2), which can be interpreted as a sign that the services provided by Eurostat (dissemination tools, user supports, etc.) increase the value of the bare data.
- The indicators on the timeliness of European statistics (KPI n. 4) give a contrasted picture: while the objective measurement of the timeliness of a sample of statistics shows a rather stable situation, the user's satisfaction with the timeliness presents a negative trend. The latter may be more caused by an increase of the users' expectations and needs than an actual decrease of timeliness of the statistics.

Indeed, Eurostat assesses that it is not “punctuality” in delivering statistics that has worsened, but rather users becoming more demanding and assessing less positively a “timeliness of a sample of statistics” which is stable compared to last year. It should be noted that efforts to improve timeliness, completeness and punctuality have given positive results regarding the dissemination delays in many statistical domains (see point 1.1.2, specific objective 1).

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

In view of the policy achievements, the following highlights should be stressed:

The delivery of essential input for the Commission Alert Mechanism Report and related outputs in the context of the launch of the 2014 European Semester as well as the publication of the Macroeconomic Imbalances Procedure Scoreboard marked a major Eurostat achievement.

In view of the general implementation of new methods of production, Eurostat achieved the streamlining of statistical production processes, as the cornerstone of the ESS vision for the reengineering of statistical production through the implementation of the ESS.VIP programme.

Eurostat further consolidated and improved the governance structure of the ESS and the respective governing bodies. Major developments in this context were the launching of discussions on cooperation models to be implemented within the ESS, the replacement of the Standing Committee for Agricultural Statistics by the ESSC for comitology matters and the implementation of the Memorandum of Understanding between the ESS and the European System of Central Banks.

The year 2013 was also the first year of implementation of the Commission Decision on Eurostat²⁵, and significant progress was made regarding the statistical coordination. The established cooperation and dialogue with other services of the Commission was particularly enhanced over the reporting year.

The Community Statistical Programme (CSP) 2008-2012 was evaluated in 2013. The CSP contains over 130 objectives and according to the evaluation report²⁶, the majority of these objectives achieved a high degree of implementation. Institutional objectives and those aiming to improve the legislative framework had the highest degree of achievement.

As to the regulatory framework, the adoption of the Regulation on the European Statistical Programme 2013-2017²⁷, the Regulation on the European System of national and regional accounts in the European Union²⁸, and the Regulation on European demographic statistics²⁹ are particularly highlighted.

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

²⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0883:FIN:EN:PDF>

²⁷ Regulation (EU) No 99/2013 of the European Parliament and of the Council of 15 January 2013 on the European Statistical Programme 2013-2017, OJ L 39, 9.2.2013

²⁸ Regulation (EU) No 1260/2013 of the European Parliament and of the Council of 20 November 2013 on European demographic statistics, OJ L 330, 10.12.2013.

²⁹ Regulation (EU) No 1260/2013 of the European Parliament and of the Council of 20 November 2013 on European demographic statistics, OJ L 330, 10.12.2013.

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

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

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

DG ESTAT has assessed the effectiveness of its key internal control systems during the reporting year and has concluded that the internal control standards are effectively implemented. In addition, DG ESTAT has taken measures to further improve the efficiency of its internal control systems in the area of ICS 6 "Risk Management Process", 8 "Processes and Procedures", 9 "Management Supervision" and 11 "Document Management". Please refer to Part 3 for further details.

In addition, DG ESTAT has systematically examined the available control results and indicators, including those aimed to supervise entities to which it has entrusted budget implementation tasks³⁰, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Audit work in 2013 identified risks regarding the treatment of sensitive information (audit performed by IAC) and in the areas of Eurostat's preparedness to fulfil its role in the Economic Governance Framework and in the management of local IT (both audits performed by IAS). Corrective actions have been immediately identified and implemented to mitigate the detected risks. Further audit work was performed by the ECA in the verification of Gross National Income (GNI) data. Please refer to Part 2 for further details. .

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

Information to the Commissioner

The main elements of this report and assurance declaration have been brought to the attention of Commissioner Šemeta, responsible for Taxation, Customs, Statistics, Audit and Anti-Fraud.

³⁰ At Eurostat, this refers to DGs to which appropriations have been subdelegated.

1. POLICY ACHIEVEMENTS

1.1 Achievement of general and specific objectives

1.1.1 Policy area : Production of European Statistics

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

Comparable, reliable and timely statistical information in areas such as economy, social affairs, environment etc. have been provided to support the implementation of evidence-based European Union policies.

With constraints on resources at national and European levels and the necessity to limit the burden on respondents to statistical surveys, in 2013 the challenge for Eurostat has been to respond to the need for complex multidimensional statistics and to the increased demand for quality and trust in official statistics.

As reflected in detail hereafter in view of the specific objectives under points 1.1.2 to 1.1.4, Eurostat produced significant achievements to further develop the European Statistical System as the leading provider of high-quality statistics in Europe by monitoring quality of the statistical information, implementing new methods of production, strengthening the partnership within the ESS and beyond, and by ensuring that delivery of such statistics is kept consistent.

| Policy Area: Production of European Statistics | | <input checked="" type="checkbox"/> Spending programme | | |
|---|---|--|-------------------------------------|---------------------------------|
| | | Target (long-term) | Interim Milestone (short-term) 2017 | Current situation (as achieved) |
| General objective To be the leading provider of high quality statistics on Europe | Impact indicator: Percentage of users that rate as "Very good" or "Good" the overall quality of the data and services provided by Eurostat. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other. | n/a ³¹ | 75% | 70% |

³¹ Long-term target not available: The procedure for extension up to 2020 of the European Statistical Programme 2013 – 2017 is not yet launched.

1.1.2 ABB activity 3403: Production of European Statistics

Specific objective 1: Provide quality statistical information

In the area of macroeconomic statistics (national accounts, prices, key indicators, governance finance statistics), high-quality economic statistics have been produced and disseminated in the national accounts, in balance of payments, in price and purchasing power parities statistics, for essential indicator sets such as the Macro-Economic Imbalance Scoreboard, Europe 2020, Sustainable Development Indicators and Principal European Economic Indicators. Further areas were statistics for essential administrative purposes such as Gross National Income for own resources and statistical and other information for EU staff remuneration and pension calculations. Essential input was delivered for the Commission Alert Mechanism Report and related outputs in the context of the launch of the 2014 European Semester. A legislative initiative for the introduction of an enhanced quality management system was launched.

The GNI verification cycle was finalised for the EU-25 Member States by lifting the general reservations in place and by replacing them with country-specific ones and addressing a number of requirements and developments following from audits and other reviews of the GNI statistics system.

An advanced flagship publication on the Europe 2020 targets was produced, and first improvements of price measurements statistics were finalised including the first systematic dissemination of house price indices.

The final stages of the negotiations on revised staff regulations for the EU institutions were supported by delivering statistical and other calculations, and updates of purchasing power parities were delivered to assure the successful achievement of the International Comparison Programme.

Eurostat conducted 25 EDP missions in 2013 with particular priority to programme countries such as Greece and Portugal, or countries with specific problems, such as Spain, and to Latvia, as new member of Euro area, and Croatia, as new member of EU. Quarterly returns are now more used to enhance the preventive aspect of the verification tasks. The annual country risk assessment exercise was organised for the third time and was extended for the first time to ECFIN and ECB desks, and the programme of "upstream dialogue visits" has been pursued.

The Manual of Government Deficit and Debt (MGDD) was adapted to ESA 2010 and was released end November 2013.

Eurostat agreed with Member States on the future collection (end 2014) and dissemination (starting early 2015) of a complete set of new data on contingent liabilities and potential obligations. Furthermore, on the occasion of the implementation of ESA 2010, several rounds of discussions have been launched related to the update of Regulation 479/2009 governing the notification of EDP statistics, and a Commission Decision replacing the reference to "ESA 95" in the Regulation by "ESA 2010" is being adopted.

In the area of sectorial or regional statistics, a new list of characteristics for the Farm Structure Survey (FSS) 2016 has been drafted in agreement with DG AGRI and was discussed with Member States increasing the relevance of the survey as they notably take into account environmental aspects that are prioritized in the revised Common Agricultural Policy (CAP).

In December 2013, in the context of the Europe 2020 flagship initiative on resource efficiency, the resource efficiency scoreboard was released putting together a set of indicators produced from basic statistics from Eurostat and the EEA.

Compliance monitoring of data transmitted from Member States was enhanced in order to cover quality aspects. Efforts to improve timeliness, completeness and punctuality in many statistical domains and most notably in agricultural statistics, environmental accounts and energy have given positive results regarding the dissemination delays.

In partnership with DG REGIO and the Committee of the Regions, Eurostat improved the Regional Yearbook, a product complemented by the Statistical Atlas electronic version.

The Energy Statistics Regulation was amended to cover breakdowns of final energy consumption in households and the “Manual for statistics on energy consumption in households” was released end of 2013.

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

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

A first set of indicators on Measuring Progress, Well-being and Sustainable Development was disseminated in 2013, and will be further developed with results of the dedicated SILC ad hoc module.

As a major achievement in the area of social statistics, the Regulation on European demographic statistics³² was adopted. Implementing activities will follow. The process of revision of the LFS Regulation continued in 2013, and the ESSC endorsed an implementing Regulation concerning the production and development of education statistics and lifelong learning, and concerning the EU-SILC.

As far as business statistics are concerned, improvements like better timeliness, streamlining of the meetings structure and the migration to corporate tools, were implemented.

The better integration of tourism statistics into business statistics continued in 2013, with steps towards an alignment of registers (at the national level) and the design of a publication to better cover the tourism industries by re-using existing data.

As regards FRIBS (Framework Regulation Integrating Business Statistics), the discussion on several of the individual packages included in the regulation was completed with partners of the ESS. Achievements were made on the manual of European Business Statistics and the preparation of the impact assessment. In addition, the work on European profiling continued, as a means to improve the relevance, accuracy and comparability of business statistics focusing on the largest European enterprise groups.

The elements needed for the new innovation indicator relating to high-growth innovative enterprises were provided. A voluntary data collection by Member States was established to allow continuation of this service.

In relation to the Global Value Chain (different stages of the production process located across different countries), three outstanding issues were achieved: the ‘Sturgeon report’ - commissioned by Eurostat- on a measurement framework for Global Value Chains; the finalisation of the collaborative network (ESSnet) on Global Value Chains; the active participation of Member States in the UN FOC (Friends of the Chair) group, working on a global framework for Global Value Chains.

³² Regulation (EU) No 1260/2013 of the European Parliament and of the Council of 20 November 2013 on European demographic statistics, OJ L 330, 10.12.2013

In terms of dissemination, the Eurostat website, including Statistics Explained, delivers almost all Eurostat statistics to users, along with explanatory information and publications, and a comprehensive support service in 29 languages. Extending and rationalising the range of dissemination products has remained a priority in 2013. New services (web services, apps, widgets) have been provided. The number of user sessions on the Eurostat website in the first eleven months of 2013 was 19% higher than the same period in 2012 (2,3 million per month against 1,9 million). The number of mentions of Eurostat on the web (e-reputation) in English, French and German increased by 17% between the period July-November 2012 (6300 per month) and the same period in 2013 (7400 per month). In addition, more cross-cutting data tables, for example related to quality of life or youth, have been added in a separate branch to the Eurostat dissemination tree.

Regarding the **final evaluation of the implementation of the Community Statistical Programme (CSP) 2008-2012**, the evaluation report³³ summarises the CSP's main achievements and presents the outcome of the reprioritisation and the implementation of Eurostat's Vision. The CSP contains over 130 objectives, the majority of which achieved a high degree of implementation. Institutional objectives and those aiming to improve the legislative framework had the highest degree of achievement – 100% and 95% respectively of their objectives could be considered achieved – while some 10% of the production-related objectives were not adequately achieved³⁴. The financial implementation was generally good, showing a trend towards increased efficiency.

Rationalisation and refocused priorities:

Work towards the rationalisation of the Water and Forest statistical domains have started; the amendment of the rail transport regulation aiming at eliminating Member States' reporting of some tables was presented to the legislator (negotiation process started); simplification of agricultural statistics started in several strands such as plans for a more flexible Farm Structure Survey (FSS) for 2020 onwards and more synergies between all agricultural domains, and the supply Balance sheets of Agriculture have continued to be phased out.

The above achievements on specific objective 1 include the achievements of specific objective 4. The achievements on specific objective 1 and 4, together with their respective result indicators, are therefore jointly described above. This mirrors precisely the approach as pursued in the Management Plan 2013.

³³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0883:FIN:EN:PDF>

³⁴ As regards these objectives, account must be taken of the fact that European statistics are based on those produced by Member States, with the result that the realization of some objectives suffer from the constraints in terms of production processes and resources available in the Member States.

| ABB activity: Production of European Statistics | | ☒ Spending programme | |
|--|--|---|------------------------------------|
| | | Target ³⁵ (long-term) 2017 (Milestone) | Current situation (as achieved) |
| <p>Specific objective 1 + 4 Provide quality statistical information in a timely manner, to support the development, monitoring and evaluation of the policies of the European Union properly reflecting priorities while keeping a balance between economic, social and environmental fields and serve the needs of the wide range of users of European statistics, including other decision-makers, researchers, businesses and European citizens in general, in a cost-effective manner without unnecessary duplication of effort. Ensure that delivery of such statistics is kept consistent throughout the whole duration of the programme, provided that</p> | <p>Result indicator 1: Percentage of users that rate as "Very good" or "Good" the overall quality of European statistics. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other.</p> | 70% | 63% |
| | <p>Result indicator 2: Number of data extractions made by external users from Eurostat reference databases (EuroBase and Comext) via the Eurostat website (using the Data Explorer or Easy Comext) Source: Monitoring reports on Eurostat electronic dissemination.</p> | + 10 % of 2011 = 6 Millions | 8 Millions |
| | <p>Result indicator 3: Degree of achievement of the objective measured as percentage of the achievement of the outputs related to it. Source: ESTAT monitoring procedure.</p> | 100% completed | 87.1% completed |

³⁵ Long-term targets are not available: The procedure for extensions up to 2020 of the European Statistical Programme 2013 – 2017 is not yet launched. Accordingly, the table lists instead the milestones 2017.

| ABB activity: Production of European Statistics | | | ☒ Spending programme |
|---|---|---|---|
| <p>this does not interfere with the priority-setting mechanisms of the ESS.</p> | <p>Result indicator 4 Length of the time series of a sample of statistics: Euro Indicators (active series). Source: ESTAT.</p> | <p>Target 2017 for series ≥ 15 years = 60%.</p> <p>Yearly target for series ≥ 10 years: $\geq 90\%$. This target is not 100% because we have continuously to find a balance between the time series' "consistency throughout the whole duration of the programme" (see Specific Objective n. 4) and the goal of improving/adapting the statistics (e.g. with a new methodology), which may create breaks in the time series.</p> | <p>Series ≥ 15 years: 40.7%</p> <p>Series ≥ 10 years: 94.8%</p> |

Specific objective 2: Implement new methods of production

In view of the general implementation of new methods of production at Eurostat, the streamlining of statistical production processes, as the cornerstone of the ESS vision for the reengineering of statistical production, was pursued through the implementation of the ESS.VIP programme, devoted to strategic projects. Feasibility studies to prepare the common ESS infrastructure (needed to support those business projects) have been launched. An agreement was reached at international level to exchange data in a standard format on national accounts and balance of payments statistics.

A new methodological environment has been developed to organise in 2014/2015 the next round of peer reviews to assess compliance inside the ESS with the Code of Practice for statistics.

Administrative projects have been identified to facilitate the overall implementation of the programme. They aim at defining the governance of the system, the actors, their responsibilities, the resources committed, the implementation strategy and the associated communication. Steps have been taken with regard to the development of new co-operation schemes, and Eurostat has launched a Task Force on impact analysis of ESS.VIP projects. Furthermore, Eurostat continued to pursue its ESS legislative framework (see point 1.1.4).

Regarding macroeconomic statistics, Eurostat assured the formal adoption of the new standards for national accounts (ESA 2010) and the new transmission programme. It continued its work on the preparation for the EU-wide implementation of the standards and the new transmission programme as well as related technical standards in September 2014.

Eurostat took the lead on the study on the suitability of IPSASs (International Public Sector

Accounting Standards). The report to the Council and Parliament, delivered in March 2013, is the starting point of the Eurostat project to implement in the European Public Sector Accounting Standards (EPSAS). A high level conference in May 2013 in Brussels concluded on the necessity to pursue this project. A new Task Force on the future governance of EPSAS started to analyse the results of a public consultation launched in November in view of a Commission Communication on EPSAS in mid-2014.

In relation to sectorial and regional statistics, a joint AGRI-Eurostat Task Force on the use of administrative sources for agricultural statistics focussing especially on the opportunities to maintain statistical farm registers and to draw some FSS variables was completed. Methods for bottom-up estimations of greenhouse gas emissions from different transport modes are being developed covering road, maritime and aviation.

Significant progress was made regarding the legislative process for the new legal act on environmental accounts including modules on environmental protection expenditure, environmental goods and service sector and energy accounts. In view of the LUCAS (Land Use / Land Cover) survey, a new medium and long term strategy was devised in agreement with Member States and stakeholders.

An agreement on the use of a common methodology for collecting Intermodal transport statistics was reached in 2013 and work to rationalise the collection of sub-national statistics has been developed.

In the area of social statistics, several modernisation initiatives took on the development of social surveys and population statistics in the next years, defining objectives and milestones. A study on statistical data matching from an ex-ante perspective was produced. The collaborative network (ESSnet) on data collection for social surveys using multiple modes evolved further. The work over two years will focus in particular on web data collection and multiple mode data collection design. Preparatory work for the ESSVIP project on administrative data continued with the cooperation of Member States through a dedicated preparatory group.

As far as business statistics are concerned, the ESS.VIP SIMSTAT on exchange of micro-data on Intra-EU trade advanced in line with the planning, comprising finalisation of the feasibility study and first steps towards the implementation of the recommendation to pursue a centralised data hub solution using a Common Communication Network (CCN) as the transmission infrastructure.

In 2013 the preparatory phase of the ESS.VIP ESBRS has been successfully completed. The work packages for collaborative networks (ESSnets) have been defined and the key requirements agreed with the ESS. The ESS.VIP ICT project was launched in 2013 to contribute to the modernisation of the infrastructure for statistical data production and dissemination modernising the information society statistics.

The work on Big Data started, and a memorandum on Big Data was issued by the ESSC to open the way to closer cooperation between the members of the ESS for using Big Data sources as a means to produce official statistics.

The MEETS programme continued mainly with collaborative networks (ESSnets) and grants as the driving force for the modernisation of business statistics. 2013 being the last year, all projects have been or are being completed with major deliverables from the ESSnets providing key input to the ESS.VIP ESBRS and the work on FRIBS.

The ESSnet on assessing the impact of ICT on European businesses through data linking was finalised with the production of a new dataset of linked data from the ICT, innovation, structural business and business registers.

Rationalisation and refocused priorities:

Concerning Intra-EU imports, progress has been made in view of an overall agreement with Member States that there will not be a mandatory collection requirement based on

thresholds. A system for the mutual access to micro data on intra-EU exports was initiated (under the ESS.VIP SIMSTAT).

| ABB activity: Production of European Statistics | | ☒ Spending programme | |
|--|--|--|------------------------------------|
| | | Target ³⁶ (long-term) 2017 (Milestone) | Current situation (as achieved) |
| Specific objective 2 Implement new methods of production of European statistics aiming at efficiency gains and quality improvements. | Result indicator 1 Percentage of users that rate as "Very good" or "Good" the timeliness of European statistics for their purposes. Source: Annual user satisfaction survey carried out by ESTAT. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other. | 60% | 55% |
| | Result indicator 2: Timeliness of a sample of statistics: average number of days in advance (positive) or delay (negative), in comparison to the legal target: 1) PEEIs: Euro Area – monthly series 2) PEEIs: Euro Area – quarterly series 3) Comext-Extra: data sent by MS to Eurostat Source for 1 and 2: Eurostat annual Status Report on Information Requirements in EMU to the Economic and Financial Committee. Source for 3: ESTAT. | Target for each year for PEEIs and Comext: ≥ 0 | 1) -0.5 2) -10.1 3) +2 |
| | Result indicator 3: Degree of achievement of the objective measured as percentage of the achievement of the outputs related to it. Source: ESTAT monitoring procedure. | 100% completed | 86.1% completed |

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

The **governance structure of the ESS** and the respective governing bodies were consolidated and further improved. The streamlined ESS structure was reinforced mainly via the organisation of retreats of the Directors General of NSIs for discussion of high level strategic issues, and the launching of a discussion on cooperation models to be implemented within the ESS. The heterogeneous situation across the ESS concerning the identification of National Authorities other than the National Statistical Institutes was addressed and good communication within the ESS was ensured via the ESS website.

³⁶ Long-term targets are not available: The procedure for extensions up to 2020 of the European Statistical Programme 2013 – 2017 is not yet launched. Accordingly, the table lists instead the milestones 2017.

The ESSC has replaced the Standing Committee for Agricultural Statistics (SCAS) for comitology matters in agriculture and fishery statistics, and the same has been proposed by the Commission as far as trade statistics are concerned (Intrastat and Extrastat committees).

Supporting a **more efficient ESS** and the relations beyond the ESS was mainly ensured via the negotiation and implementation of the Memorandum of Understanding between the ESS and the European System of Central Banks (ESCB). The new bodies set up in this context (the European Statistical Forum and its Bureau) were adequately supported and guided. Regarding the European Statistical Advisory Committee (ESAC), a streamlined process to identify and nominate the second terms of the private members was launched. The European Statistical Governance Advisory Board (ESGAB) 2013 report clearly supporting on-going initiatives to strengthen the governance and coordination issues was well received in the ESS.

In the framework of the initiative started in 2011 aimed at enhancing co-operation with Member States regarding the key development projects in the field of Business Statistics, the “**study visits**” continued with the National Statistical Institutes of Belgium, Cyprus, Malta and Spain. This brings to nineteen the number of Member States visited.

Significant progress has been made regarding **EMOS** (European Master in Official Statistics - an infrastructure project aimed at developing a programme for Training and Education in Official Statistics in Master programmes at universities) in view of a feasibility study carried out in 2013. A survey, aimed at 700 universities across Europe, has provided results with concrete recommendations on how EMOS could work.

| ABB activity: Production of European Statistics | | ☒ Spending programme | |
|---|---|--|------------------------------------|
| | | Target ³⁷ (long-term) 2017 (Milestone) | Current situation (as achieved) |
| Specific objective 3 Strengthen the partnership within the European Statistical System and beyond in order to further enhance its productivity and its leading role in official statistics worldwide. | Result indicator 1: Percentage of users that rate as "Very good" or "Good" the comparability of European statistics among regions and countries. The figures are based on an internet opinion survey and the representativeness of the sample may vary from one year to the other. | 60% | 58% |
| | Result indicator 2: Degree of achievement of the objective measured as percentage of the achievement of the outputs related to it. Source: ESTAT monitoring procedure. | 100% completed | 92.8% completed |

³⁷ Long-term targets are not available: The procedure for extensions up to 2020 of the European Statistical Programme 2013 – 2017 is not yet launched. Accordingly, the table lists instead the milestones 2017.

Specific objective 4: Ensure that delivery of such statistics is kept consistent

The achievements related to this specific objective 4 are included in specific objective 1. The achievements on specific objective 1 and 4, together with their respective result indicators, are therefore jointly described above in point 1.1.2 under objective 1. This mirrors precisely the approach as pursued in the Management Plan 2013.

1.1.3 ABB activity 3480: Administrative support

In view of **human resource management**, Eurostat's reorganisation was prepared and successfully implemented on 1 January 2014. The three strategic projects (i) Allocation and Redeployment of posts, (ii) HR Forward Planning, (ii) Career Development and Guidance continued and Eurostat was able to undertake an ambitious redeployment of posts towards strategic priority areas slimming down its administrative coordination and support functions.

As regards financial management, further to maintaining a focussed and efficient day to day service, Eurostat successfully implemented a Control Strategy, focussing on cost-effective and risk based controls, in order to check the legality, regularity of the operations and sound financial management. Progress was achieved in managing grants, in particular with the decision of the Commission concerning the use of flat rate for indirect costs and the use of unit costs for beneficiary members of the European Statistical System willing to do so.

Concerning IT infrastructure and information security, a new method to provide remote access for scientific purposes to confidential data hosted in Eurostat has been tested with a subset of Member States.

Efforts in **document management and quality assurance support** led to improved results and better compliance with rules, while still increasing emphasis on the service level. In addition, awareness raising activities were reinforced through continuous communication actions towards Eurostat Units and Directorates.

As far as internal control and risk management is concerned, in October 2013, Eurostat adopted its Anti-Fraud Strategy 2014-2017 accompanied by strategy objectives, an action plan translating the objectives into actions and a fraud risk assessment. To strengthen its capacity to improve its processes and procedures, all internal control actions have been integrated and a process for a better management of audits has been designed (as to audit results and follow-up of audit recommendations, see part 2.3).

A new Business Impact Analysis (BIA) has been established in 2013. The next update of the **Business Continuity Plan** is planned for 2014 on the basis of that BIA.

Finally, Eurostat contributed to a Commission project on "**Cost-accounting, service provision and charge-back**" to get an overview on current practices and lessons learnt. Ways to establish a corporate process were analysed.

1.1.4 ABB activity 3481: Policy strategy and coordination for Eurostat

Following the adoption of the **Commission Decision on Eurostat** in September 2012, Eurostat strengthened its coordinating role in the Commission with the set-up of a network of statistical correspondents from most DGs, the signing of a first series of 3 Memoranda of Understanding, and organisation of more than 20 hearings with client DGs (first version of

the inventory of other statistics produced by Commission services and list of services provided by Eurostat to the Commission).

The amendment to the **European Statistical Programme (ESP) 2013-2017** covering the financial envelope for the years 2014-2017 was adopted by the EP and the Council in December 2013. The decision making capacity of the ESS was supported by the implementation of a strategy-driven approach to prioritisation and the work on the products list as the main input to discuss priority setting.

Regarding enlargement, Croatia joined the EU on 1 July 2013 with a statistical office well placed to provide all the statistical data to Eurostat as required by the valid legislation and various assistance programmes for the enlargement countries were designed, launched and implemented successfully.

In terms of statistical cooperation, for both the enlargement and the ENP East countries the results of global assessments of the statistical systems were used among other input to prepare strategies for statistical cooperation for the period 2014-2020. The Medstat III cooperation programme with the ENP South countries was finalised, and first activities within the post-Medstat strategy were launched.

Eurostat participated in the work of **international bodies** and contributed towards coordination in the Global Statistical System and at EU level. It played a leading role in the Inter-Agency Group on Economic and Financial Statistics (IAG) world-wide process for a number of IAG recommendations. Eurostat has strongly promoted the creation of the European Section of the UN-GGIM (Global Geospatial Information Management). A transitional phase involving more closely national statistical offices and mapping agencies started in September with the objective of having a fully operational GGIM Europe in summer 2014.

As far as communication is concerned, Eurostat issued 200 News Releases in 2013 (compared with 189 in 2012). Two third of these News Releases were euro-indicators, providing information on developments in the euro-area and EU economies, including one new euro-indicator release introduced during 2013, with quarterly data on the evolution of house prices. Other releases targeted major Eurostat publications or important international events. The economic and financial crisis continued to lead to a growing interest from the media on economic releases. The total number of requests addressed to the media and institutional support reached 2 900, up from 2800 in 2012. Eurostat's Twitter account published around 250 tweets during the year and had more than 25 000 followers at the end of 2013.

In the **Commission IT rationalisation exercise**, Eurostat worked as domain leader for the domain "analysis and databases" and identified four possible flagship projects in this area. The High Level Committee on IT asked Eurostat in July 2013 to proceed with the implementation of the flagship projects in requesting more details on timing, savings and investment. Eurostat has kicked off the preparatory work for the business cases that will analyse cost estimations for the long-term as well as estimates of the savings at Commission level from centralisation of these services.

The promotion of the **ESS legislative strategy** continued including the endorsement by the ESSC of an updated architecture document, covering also a clarified line regarding the use of ESS agreements, and negotiations on the proposal amending Regulation (EC) No 223/2009 on European statistics are on-going. Eurostat has contributed to the fulfilment of the Commission commitment to align existing acquis to the institutional rules and procedures introduced by the Lisbon Treaty.

Rationalisation and refocused priorities:

Outside the EU and European Neighbourhood Policy (EPN) countries, in line with the focus on regions, no further work was carried out with single countries.

1.2 Specific efforts to improve 'economy' and 'efficiency' of spending and non-spending activities.

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

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

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

1.2.1 Example 1

Eurostat has re-engineered its processes for writing and publishing statistical books and articles around a common internal wiki system, Statistics Explained, based on standard open source software (Mediawiki, as used in Wikipedia). Statistics Explained is now used routinely by many Eurostat staff, and allows material to be published immediately online as well as in traditional formats (PDF or occasionally paper). The use of the wiki has allowed one Eurostat-specific IT application to be phased out in 2013 and to reduce staff working in these processes. It has also increased the visibility of Eurostat publications. One article (on unemployment statistics) has been viewed more than one million times.

An internal IT rationalisation exercise has been launched whose final objective is to decrease the diversity of IT applications by 50 % in the next 5 years.

1.2.2 Example 2

In the framework of its ESS-wide modernisation strategy, Eurostat has decided – based on a feasibility study – to use for the establishment of a centralised data hub solution a tool already used by another DG for a different purpose, rather than developing its own tailor-made solution: the Common Communication Network (CCN) of DG TAXUD. To this end, Eurostat signed in December 2013 a service level agreement with DG TAXUD owning the CCN. This will enable DG TAXUD to install and maintain necessary CCN gateways in the Member States and in Eurostat.

2. MANAGEMENT OF RESOURCES

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

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

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

In 2013, Eurostat managed financial operations mainly under direct management mode³⁹. Most of the commitments concerned two programmes, the European Statistical Programme 2013-2017 and the MEETS (Modernisation of European Enterprise and Trade Statistics) programme 2009-2013, while most of the payments were linked to the closure of the previous Statistical Programme 2008-2012. Moreover, in 2013 Eurostat had been allocated budget for a preparatory action on European farm prices and margins observatory.

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 to it by other DGs (12 in 2013) in order to provide the European Union with a high-quality statistical information service.

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

³⁹ Commitments of EUR 130,000 were made under joint management

Overview of the execution of commitments and payments on Eurostat budget lines

Operational appropriations (own and sub-delegated to ESTAT)

| | Commitments (EUR) | Payments (EUR) |
|--|----------------------|-------------------|
| European statistical programme 2013-2017* | 50,593,787 | 3,470,318 |
| Completion of Community statistical programme 2008-2012* | 0 | 39,233,858 |
| Completion of statistical information policy 2003-2007 | 0 | 212,892 |
| Modernisation of European Enterprise and Trade Statistics (MEETS) | 2,539,941 | 3,821,846 |
| Total Eurostat's programmes | 53,133,728 | 46,738,914 |
| Preparatory action on European farm prices and margins observatory | 1,999,024 | 0 |
| Total Eurostat | 55,132,752 | 46,738,914 |
| Sub-delegated appropriations to Eurostat | 6,180,792 | 18,825,411 |
| TOTAL | 61,313,544 | 65,564,325 |

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

*Including the amounts sub-delegated by DG ESTAT to DG DIGIT.

Administrative appropriations

| | Commitments (EUR) | Payments (EUR) |
|---|----------------------|---------------------|
| De-centralised administrative appropriations of the Global envelope (Heading 5) | 3,650,330.22 | 3,370,456.58 |
| Support expenditure for operations in the Statistics policy area (BA lines)* | 3,151,251.63 | 2,606,282.44 |
| Total | 6,801,581.85 | 5,976,739.02 |

Source: BO ABAC.

*Including the amount sub-delegated by DG ESTAT to DG TAXUD.

Appropriations by expense type

| Financial transactions | | | Commitments | Payments |
|------------------------|------------------------------|--------------|-------------|------------|
| Grants | Own appropriations | Number | 222 | 243 |
| | | Amount (EUR) | 16,634,628 | 14,455,128 |
| | Sub-delegated appropriations | Number | 68 | 77 |
| | | Amount (EUR) | 10,026,434 | 14,498,209 |
| Procurements | Own appropriations | Number | 360 | 925 |
| | | Amount (EUR) | 34,807,124 | 32,283,785 |
| | Sub-delegated appropriations | Number | 6 | 59 |
| | | Amount (EUR) | 5,039,000 | 4,327,202 |

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

2.1 Management of human and financial resources by DG ESTAT

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

Financial management and control are grouped around the two expenditure types of Eurostat: grants and procurements (including BA budget lines).

GRANTS

Control effectiveness as regards legality and regularity

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

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

The control objective for the legality and regularity of the underlying transactions is to ensure that the best estimate of the error rate by management is below 2%.

DG ESTAT relies on the best estimate of the error rate because in the view of the volume of transactions it would not be cost effective to have a representative error rate from a fully statistically representative sample (cf. 95% confidence level/2% target error rate). The strategy implemented aims to detect and correct the most important errors (defined as the amount of transactions multiplied by the expected error rate), rather than determining a representative error rate. In order to have a representative error rate it would have been necessary for DG ESTAT to carry out about 26 audits⁴⁰ per year per programme per 212 transactions, which is not justified from a cost/benefit point of view (for more details see section on control efficiency/cost-effectiveness).

Ex-ante controls

The Eurostat Control strategy 2013-2017 combines efficient and complementary standard ex-ante controls; risk-based and random reinforced ex-ante controls and risk-based ex-post controls to ensure the legality and regularity of operations and sound financial management. Actions planned in 2013 have been implemented, including the annual control programme for grants. In accordance with Regulation 223/2009, grants are awarded without calls for proposal to the members of the ESS.

Programming, evaluation and selection:

For the programming, evaluation and selection stage mitigating controls are in place to ensure the proposals received contribute towards the achievement of the EU statistical programme objectives, are compliant with rules and to prevent fraud. 100% of transactions (projects, proposals, award reports) are covered by checklist based operational and financial

⁴⁰ This refers to random reinforced ex-ante controls meaning that 26 payment transactions (number) should have been randomly selected in order to obtain a representative sample.

ex ante control and hierarchical validation according to the financial circuits. Proposals received are subject to a prior evaluation by an evaluation committee.

| | Indicator | Results 2013 |
|------------------|--|------------------------------------|
| Ex-ante controls | % of number of invitations for proposals ⁴¹ successfully concluded/number of invitations for proposals planned in the MP/WP | 100% |
| | % of number of successful invitations for proposals/total number of awards | 97.4% (1 non award of EUR 800 000) |

Contracting:

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

| | Indicator | Results 2013* |
|------------------|---|---------------|
| Ex-ante controls | % of budget value implemented/budget allocated (budget execution in terms of commitment appropriations) | 92.4% |

*The result is based on appropriations available on C1 fund sources, both on ESTAT budget lines and sub-delegated lines to ESTAT in 2013 (grants and procurements).

Based on the high number of successful invitations for proposals (none to be re-published) and the absence of redress challenges, we conclude that the controls related to the selection and contracting phases contribute to the legality and regularity of the grants commitments.

Payments:

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

The **total error rate** for the 2013 reporting year, based on ex-ante controls (standard and reinforced) is **1.37%** - i.e. below the materiality threshold of 2%. Out of the controlled population 88.1%, concern the Community Statistical Programme 2008-2012, 10.5% concern MEETS programme and the remainder the Community Statistical Programmes 2003-2007 and 2013-2017. The error rate for the Community Statistical Programme 2008-2012 is 1.35% (ESTAT and sub-delegated appropriations) and 1.61% error rate for MEETS programme. Taking into account only ESTAT appropriations (without sub-delegated appropriations), the error rate is 1.83% for the Community Statistical Programme 2008-2012 and 0.66% error rate for MEETS programme.

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

| N° of payments | Gross Amount (Eur) | Paid amount (Eur) | Non eligible amount (Eur) | Error rate* |
|----------------|--------------------|-------------------|---------------------------|-------------|
| 212 | 43,442,101.5 | 42,847,104.5 | 594,996.9 | 1.37% |

*Errors corrected before payment

Recurrent weaknesses have been identified for one beneficiary; see below ex-post controls. It should be stressed that detected errors were systematically corrected before final payments. For more details please see annex 10.

Ex-post controls

Based on the 2012-2017 control strategy, seven beneficiaries were identified for ex-post controls in 2013. Six ex-post controls have been conducted by an external audit firm and finalised. No systematic errors have been disclosed. Only minor errors were reported.

In addition, a financial correction has been applied, ex-post, to a beneficiary, based on results of ex-ante controls.

As a result of those ex-post activities a total amount of EUR 84,139.10 was identified as being potentially overpaid regarding the Statistical Programme 2008-2012; Out of this amount EUR 82.785 have been recovered.

As a conclusion, the 2013 ex-post control activities revealed an error rate of 1,34% (i.e. corrections of EUR 84,139.10), which is the representative error rate for the Statistical Programme 2008-2012.

The control of one beneficiary will be carried out in 2014 by the internal control function of the corresponding beneficiary in accordance with the Contribution Agreement signed with the Commission.

Regarding the older Statistical Programmes, as a systemic weakness was identified in performing ex-ante controls on recent grant agreements of one beneficiary, Eurostat applied a financial correction on past payments (EUR 70.932 linked to the Statistical Programme 2003-2007).

The amount of the financial correction has already been cashed (via off-setting of positions made by DG BUDG). It was an exceptional case because the amount corrected was not based on a sample but was covering all the final cost claims still outstanding for one particular beneficiary. The amount of the corrections carried out is non-material related to the Statistical Programme 2003-2007.

It shall be underlined that the European Statistical Programme 2003-2007 (in practice closed, except of one grant agreement which will be subject to controls) was subject of intense controls, reported in previous AAR. All amounts identified as overpaid within those controls have been recovered.

The control environment of the new Statistical Programmes (2008-2012 and 2013-2017) has been modified and further improved.

Recoveries orders: summary

| Issued in: | To be issued in: | To be cashed in: | ESTAT appropriations (EUR) | Sub-delegated appropriations (EUR) | Total amount (EUR) |
|------------|------------------|------------------|----------------------------|------------------------------------|--------------------|
| 2013 | | 2014 | 130,960.21 | 22,756.47 | 153,716.68 |
| | 2014 | 2014 | 871.52 | 482.45 | 1,353.97 |

The main indicators from the ex-ante and ex-post controls are reported below:

| | Indicator | Results 2013 | Cumulated for the program |
|-------------------------|--|--|---------------------------|
| Ex-ante controls | Difference between EU contribution claimed and paid (standard ex-ante controls) | 1.19% (441,729€) | |
| | Difference between EU contribution claimed and paid (ex-ante random controls) | 2.98% (30,054€ EUR) with 6.25% coverage (n° of payments) | |
| | Difference between EU contribution claimed and paid (ex-ante risk controls) | 2.28% (123,213€) with 8.9% coverage (n° of payments) | |
| | Difference between EU contribution claimed and paid (total ex-ante controls) | 1.37% (594,997€) | n.a. |
| Ex-post controls | Detected Error Rate from random audits | n.a. | n.a. |
| | Detected Error Rate from "highest value" targeted visits/ or monitoring visits (if applicable) | n.a. | n.a. |
| | Detected Error Rate from risk-based audits | 1,34% ⁴² | n.a. |
| | Value of corrections made by implementing and extending audit results, by recoveries (accounting system) and/or offsetting (local grant management system) | 84,139 € ⁴³ | n.a. |
| | Best estimated Error Rate | n.a. | n.a. |
| Recoveries | Value of "official" recoveries as per the Communication on the protection of EU financial interests | t.b.d. (BO report for AAR Annex 3- Table 8) | |

Qualitative analysis

Throughout the year, Eurostat has analysed the main causes and types of error detected. When necessary, beneficiaries have been invited to improve their internal control system and follow-up controls are programmed every year to monitor the compliance with requirements. The 2012-2017 control strategy aims to produce a dissuasive effect and had proved to have a pedagogical impact as beneficiaries are recurrent ones. All errors detected ex-ante are corrected before payment. Re-assurance is given by complementary ex-post controls, and corrections are made based on those controls. In 2013, these control activities allow to conclude that no element call into question the assurance.

The exceptions and non-compliance events reported (control overrides), individually or together, do not negatively have an impact on the assurance provided on the overall budget.

⁴² Referring to the Statistical Programme 2008-2012

⁴³ Referring to the Statistical Programme 2008-2012

Overall conclusion on control effectiveness as regards legality and regularity

Based on the results and indicators reported above, Eurostat best estimate is that the residual error rate after controls performed in 2013 on grant agreements is below the materiality level of 2%. This control objective has been met. No weakness that may have a significant impact on assurance has been identified.

Control efficiency and cost-effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price.

This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls.

| | Indicator | Results 2013 | Cumulated for the program ⁴⁴ |
|-------------------------|--|---|---|
| Ex-ante controls | Average time to inform applicants (art 128 para.2a FR) | 60,6 days | |
| | Average time to sign grant agreements or notify grant decisions (art 128 para.2b FR) | 40 days | |
| | Average time to pay (% on time) (art 92 FR) | 43.8days | |
| | Average evaluation benefit per proposal | Non-quantifiable (preventive) | |
| | Average project management benefit per proposal | Non-quantifiable (preventive) | |
| | Average cost of ex-ante control (stage 1, 2, 3) (EUR) | 1,618 ⁴⁵ | |
| Ex-post controls | Average time to recover/offset (% on time) | Amount(s) not yet cashed | n.a. |
| | Average cost of ex-post audit (EUR) | 15,699 ⁴⁶ | 16,311 |
| | Average benefit of an audit (average grant value of project multiplied by detected error rate) (EUR) | 202,109 x 1,34% = 2,708 ⁴⁷ | 203,971 x 0,99% = 1,836 ⁴⁸ |
| | Expected non-monetary return of auditing projects | Non – quantifiable (preventive;dissuasive effect) | |

⁴⁴ Statistical Programme 2008-2012

⁴⁵ Costs include the reinforced ex-ante control (random and risk based analysis).

⁴⁶ Ex-ante controls are mandatory. Direct costs including costs for designing the control procedure, appointing and monitoring external audit firms. Costs are expected to decrease already in 2014 due to learning experiences.

⁴⁷ Referring to the Statistical Programme 2008-2012

⁴⁸ Referring to the Statistical Programme 2008-2012

Overall control system (all stages combined direct, indirect and overheads)

| | | |
|--|---|-------------|
| Total cost of financial management & control FTE⁴⁹ / total value of operational payments made | 5,9%⁵⁰ | X% |
| Total benefits of financial management and control (excl. the non-quantifiable benefits) /total value of operational payments made | Mainly non-quantifiable (see assessment in the text) | |
| Total benefits of financial management and control (excl. the non-quantifiable benefits) /total costs of financial management and control | 29,85%⁵¹ | n.a. |

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

In terms of overall control cost-effectiveness, the cost of FTE staff involved in financial management and control of the grant programme (operational and financial agents) represents 5,9% of the total value of operational payments made. A major part of these controls is mandatory.

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

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

PROCUREMENTS⁵²

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

⁴⁹ Excl. FTE involved in other Commission functions, such as policy development, monitoring of EU law enforcement, etc. [for nearly "pure" grant management DG/EA, this can be approximated by comparing the administrative/operating budget to the total operational budget.]

⁵⁰ Includes operational and financial controls for grants (all stages).

⁵¹ Total benefits of control is EUR 750,068,-. Total costs of control EUR 2,512,528,-

⁵² Including administrative budget on BA lines

Control effectiveness as regards legality and regularity

Eurostat has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, and the nature of payments. The control objective is to ensure that the DG has reasonable assurance that the total amount of all financial operations authorised during the reporting year which would not be in conformity with the applicable contractual or regulatory provisions, does not exceed 2% of the total expenditure.

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

Qualitative analysis of the management review of the registry of exceptions and internal control weaknesses:

During the reporting year there were 9 instances recorded in the registry of exceptions and non-compliance amounting to EUR 201,311. These concerned formal compliance issues which do not have a negative impact on the budget.

Qualitative analysis of the results of the supervisory controls on the procurement procedures:

A total of 5 procurement transactions (6.33% of the total number of call for tender procedures in 2013) were subject to a supervisory quality review after the signature of the contract. As a result of the quality review, one non-compliance issue with no impact on materiality was identified. To avoid repetition, a corrective action has been approved and will be implemented before launching the 2014 procurement transactions.

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

Control efficiency and economy

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

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

- For Procurements, an estimated EUR 1,238,853 were invested in controlling 809 procurement procedures for contracts with a total value of EUR 42,997,376. Thus 2.88% of the total contract value was dedicated to control. The procurement procedures are to a large extent a regulatory requirement which cannot be curtailed. In addition, Eurostat considers that the necessity of these controls is undeniable; as shown by the risks outlined in annex 5, as a significant proportion of the appropriations would be at risk in case they would not be in place.

- For financial circuits an estimated EUR 1,187,446 were invested in controlling 1,192 financial transactions worth EUR 38,734,131. Thus 3.06% of the total payment amount was dedicated to control.
- For supervisory measures an estimated EUR 39,600 were invested in controlling 5 financial transactions worth EUR 5,408,625. These costs include the amount for establishing the work programme. Thus 0.73% of the total values of transactions checked ex post was dedicated to control.

The main indicators from ex-ante controls

| | Indicator | Results 2013 | Cumulated for the program |
|-------------------------|--|--------------|---------------------------|
| Ex-ante controls | Time to pay (% on time, value) | 95% | |
| | Time to pay (% on time, number) | 93% | |
| | Average time to pay (% on time) (art 92 FR) | 23.8days | |
| | Average cost of ex-ante control (stage 1, 2) (EUR) | 1,212 | |

Overall control system (all stages combined **direct, indirect and overheads**)

| | | |
|--|---|-------------|
| Total cost of financial management & control FTE⁵³ / total value of operational payments made*) | 6.4% ⁵⁴ | X% |
| Total benefits of financial management and control (excl. the non-quantifiable benefits) /total value of operational payments made | Mainly non-quantifiable (see assessment in the text) | |
| Total benefits of financial management and control (excl. the non-quantifiable benefits) /total costs of financial management and control | n.a. | n.a. |

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

In terms of overall control cost-effectiveness, the cost of FTE staff involved in financial management and control of the procurements represents 6,7% of the total value of operational payments made.

As planned, a mid-term evaluation of the control strategy will be conducted in 2014, and it will be adapted when appropriate.

⁵³ Excl. FTE involved in other Commission functions, such as policy development, monitoring of EU law enforcement, etc. [for nearly "pure" grant management DG/EA, this can be approximated by comparing the administrative/operating budget to the total operational budget.]

⁵⁴ Includes operational and financial controls for procurements and administrative appropriations (all stages).

Benefits of controls

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

Conclusion

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

Fraud prevention and detection

Eurostat has developed its anti-fraud strategy as foreseen in the Commission's overall anti-fraud strategy⁵⁵. Its "Anti-Fraud Strategy 2014-2017" was adopted on 30 October 2013.

The Strategy applies as from January 2014. The fraud risk assessment which supported the design of the Strategy, concludes that the fraud risks are being countered and mitigated with a wide range of risk countering or mitigating tools in place. An action plan to complement and further strengthen Eurostat's anti-fraud tools has been adopted.

In principle, the controls aimed at preventing and detecting fraud in financial activities are not unlike those intended to ensure the legality and regularity of the transactions. The control strategy 2012-2017 already aimed at fraud prevention and detection by reducing complexity, applying cost-effective monitoring procedures as well as conducting risk-based ex-ante and ex-post controls. In addition, as from 2014, an integrated fraud risk assessment and a review of fraud risk criticality will be carried out annually. In 2013, one case was transmitted to OLAF for investigation.

Identification of financial risks associated with on-going litigation proceedings

All the litigation files, but one, have been closed over the past years in a favourable way for the Commission. Currently, the sole on-going litigation concerns unpaid invoices for an approximate amount of 920 000 €. The maximum and potential financial risk for the Commission would therefore amount approximately to 920 000 € plus default interests for late payment.

Safeguarding of assets and information

Following the recommendation of the IAC audit on sensitive data, Eurostat has launched a Task Force. Its objectives are to review the definition and classification of appropriate protection measures for sensitive data in Eurostat and to propose additional protection measures in order to strengthen the control environment already in 2014.

⁵⁵ COM(2011) 376 24.06.2011.

2.2 Budget implementation tasks entrusted to other services and entities.

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

Cross-sub-delegations

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

The cross-subdelegation of operational appropriations to DG DIGIT authorizes expenditure related to infrastructure for statistical data collection, processing and dissemination as well as INSPIRE, Census Hub and Statistical Atlas projects hosting. The sub-delegation requires annual reporting on the use of the funds. Eurostat sub-delegated to DG DIGIT EUR 1,556,389 and EUR 1,321,238 for commitments and payments respectively. In this context, Eurostat received a note from DG DIGIT, dated on 6/02/2014 confirming that there were no material matters to report concerning the management of these funds. The cross-subdelegation in favour of DG TAXUD authorizes expenditure on BA administrative appropriations for assistance activities related to the use, by DG ESTAT, of the CCN/CSI (Common Communication Network and Common System Interface) interoperability framework for the SIMSTAT (Single Market Statistics) project. The sub-delegation requires annual reporting on the use of the funds. Eurostat sub-delegated to DG TAXUD EUR 85,000 for commitments and payments. In this context, Eurostat received a note from DG TAXUD, dated 24/01/2014, confirming that there were no material matters to report concerning the management of these funds.

2.3 Assessment of audit results and follow up of audit recommendations

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

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

There are no "critical" or "very important" recommendations from previous years for which corrective actions are overdue for more than six months.

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

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

the internal control. Still, inter alia taking into account some of the audit results, ICS 6 (Risk Management Process), 8 (Process and Procedures), 9 (Management Supervision), and 11 (Document Management) have been selected as priority ICS for further improvement of their effectiveness.

2.3.1 Audits performed by IAC

In accordance with its risk based multiannual audit planning 2013 – 2015, in 2013 the IAC carried out two new audits, namely on "Sensitive Information" and on "Agriculture Statistics" (final report issued on 31/01/2014)

Furthermore, the IAC carried out three follow-up audits on "Public Procurement", "Risk Management in Statistical Production" and "Third follow-up audit on the management of sub-delegated and non-delegated partnership funds" (final report issued on 31/01/2014). These follow-up audits concluded that all actions were implemented and therefore the recommendations were all closed.

From the audit on "Sensitive Information", two "very important" recommendations were issued concerning the set-up of a process for sensitive information and the assurance of security of sensitive information throughout the dissemination chain. An action plan is being implemented to address these recommendations.

The report on the audit on "Agriculture Statistics" includes four "very important" recommendations concerning the "organisational structure", the "Farm Structure Survey (FSS)", the "annual crop statistics production", and the "treatment of confidential data".

Regarding the follow-up of recommendations issued the previous years, implementation of corrective measures concerning three "very important" recommendations on "MEETS" and "Migration Statistics" is on-going. For the time being none of them is overdue. Follow-up audits are planned by the IAC in 2014.

2.3.2 Audits performed by IAS

In 2013, the IAS carried out an Audit on "Local IT" and on "DG ESTAT's preparedness to fulfil its role in the Economic Governance Framework".

As a result of the **audit report on "Local IT"**, the IAS believes that *"the internal control system in place provides reasonable assurance regarding the management of the local IT activities in DG ESTAT, except for the following issues: IT projects management and IT security"*. It issued three "very important" recommendations to address observed weaknesses, in particular in the definition and implementation of the project management framework, in the IT risk assessment and in IT security, and in security requirements for managing confidential data. The implementation of corrective measures is on track, in accordance with the plan scheduled.

As a result of the **audit on "DG ESTAT's preparedness to fulfil its role in the Economic Governance Framework"**, the IAS concluded that *"while acknowledging the steps already taken, DG ESTAT is still at an early state of preparedness to fulfil its new role in the economic governance framework and has to undertake prompt and decisive action to reach a state of full preparedness"*. It issued one "critical" recommendation, concerning the new investigative powers DG ESTAT is responsible for. Corrective actions have been immediately identified and implemented by DG ESTAT, to mitigate the detected risk. A follow-up audit conducted in February 2014 concluded that the "critical" recommendation *"is considered to be partially implemented, which has reduced the level of risk as previously identified in the audit report. Accordingly, the recommendation can be downgraded from "critical" to "very important"*.

Corrective actions are on-going to address the three "very important" recommendations of the **audit on "DG ESTAT's preparedness to fulfil its role in the Economic Governance**

Framework” concerning methodological and ad-hoc visits, resource management and the risk model.

As regards the follow-up of the audit recommendations from the IAS audit on **"Strategy and Coordination of Statistical Data Production, Development and Dissemination"** two "very important" recommendations (concerning definition of statistics and strategic planning) have been implemented by DG ESTAT within the deadline. The action plans concerning three further "very important" recommendations stemming from the same IAS audit are being implemented as foreseen. There is no delay to be reported at the current stage.

2.3.3 Audits performed by the European Court of Auditors

In 2013 ECA issued the following audit reports covering DG ESTAT activities:

Special Report 11/2013: "Getting the Gross National Income (GNI) data right: A more structured and better-focussed approach would improve the effectiveness of the Commission's verification". As a result, the ECA issued nine recommendations. None of them was ranked as "critical" or "very important". An action plan to address these recommendations is being established.

Chapter 2 "Revenue" of the **2012 Annual Report on the implementation of the 2012 budget** covers the fourth own resource, GNI statistics (for which DG ESTAT is responsible) and third resource, VAT data (for which DG ESTAT gives support to DG BUDG in relation to some national accounts based data). The overall conclusion of the Court was that the Commission's controls on GNI and VAT are "Effective", however, regarding the Commission's GNI checks in Member States, these were deemed "Partially effective". The Commission informed the European Court of Auditors of its disagreement on the assessment of the effectiveness of GNI checks in Member States, since these show no material changes required in Member States' GNI Own Resource contributions.

In its Annual Report, the European Court of Auditors (ECA) recommended that the Commission should review its control framework for the verification of GNI data including carrying out a structured and formalised cost-benefit analysis, carrying out in-depth verification of material and risky GNI components, limiting the use of general reservations and setting materiality criteria for placing reservations. The Commission considers that the approach it applies (desk checks of the GNI Questionnaires, the verification of GNI Inventories using the GNI Inventory Assessment Questionnaire, GIAQ, supplemented by a direct verification, with all steps subject to peer review) is appropriate for a final assessment of the Member States' GNI. However, in preparation of the next verification cycle, starting in 2015, the Commission will review its control framework and in that context it will take into consideration the points raised by the Court.

The "very important" **ECA recommendation 2009/AUD/0095** (stemming from the ECA Annual Report 2009) "Complete the verification of GNI inventories and to clarify the scope of the opinion in assessment reports on Member States' GNI data" as well as the "very important" **ECA recommendation 2010/AUD/0081** "Replace all general reservations with specific ones in 2011" are considered by the Commission as being implemented in the year 2013.

2.3.4 IAC annual opinion

On 13 February 2014, the IAC transmitted its Annual Opinion⁵⁶ on the state of control of the Directorate General as for 31 December 2013. Based on the results of the audits as described in the objectives and scope of the engagements carried out and finalised by the

⁵⁶ ARES(2014)363796 – 13/02/2014

IAC of DG ESTAT during 2013, the internal control system in place in DG ESTAT provides reasonable assurance regarding the achievement of the business objectives set up for the processes audited, except for the following issues:

- **Audit on Sensitive Information**

Very important recommendations regarding:

The set-up of sensitive information in ESTAT; Security of sensitive information in the dissemination chain.

Management prepared an Action Plan to mitigate the risks identified. The implementation date is not yet due.

- **Audit on Statistical Process III - Agriculture Statistics**

Very important recommendations regarding:

Organisation structure; Farm Structure Survey (FSS) statistical production: collection, validation, processing and dissemination; Annual Crop statistics: collection, validation, processing and dissemination; Treatment of confidential data: agriculture statistical processes.

The audit report was issued on 31/01/2014 and an Action Plan by management is currently being prepared.

3. ASSESSMENT OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS

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

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

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

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

The DG's annual review of its implementation of the Internal Control Standards (ICS 15) was based on an initial desk review by the ICC staff, followed by input from relevant horizontal units responsible for the implementation of the 16 ICS. This has led to the 'top-down' assessment of the DG's internal control status at the end of the reporting year, with respect to both the ICS compliance and the effectiveness of the control arrangements in place. Furthermore, the 'bottom-up' information on internal control issues received through the AOSDs' reports has been checked.

The analysis of the AOSDs resulted in statements on staffing, and in the identification of weaknesses regarding the electronic Dataflow Administration and Management Information System functionalities and risks on the disruption of the dissemination chain. Preliminary analyses of these issues have been initiated, and will be further pursued in the 1st quarter 2014. When appropriate, corrective actions will be identified.

Finally, the IAC's Opinion has been taken into account as well. This analysis had enabled the ICC to report the state of internal control and his recommendations to the Director-General (including his suggestions for any ICS to be prioritised during the next year).

In its annual review of its implementation of the Internal Control Standards, DG ESTAT asserted that it is compliant with all 16 ICS. Minor weaknesses were detected in the effective implementation of ICS 6, ICS 8, and ICS 11. An action plan was established and DG ESTAT has decided in its Directors' Seminar in October 2013 to prioritise in its management plan for the year 2014 the implementation of ICS 6 "Risk Management Process", ICS 8 "Processes and Procedures", ICS 9 "Management Supervision", and ICS 11 "Document management". Additional measures will be taken to reinforce the assurance provided.

In its management plan for the reporting year, DG ESTAT had foreseen a number of measures to improve the effective implementation of ICS 8 "Processes and Procedures" and ICS 14 "Evaluation of Activities". By the end of the reporting year, these measures were satisfactorily implemented as far as ICS 14 is concerned. Concerning ICS 8 progress was made, but further measures still have to be implemented.

DG ESTAT monitors centrally the mitigation of eight risks of which two are considered to be "critical". The "critical" risks concern the exposure of Eurostat due to the Greek crisis and the implementation of the ESS.VIPs. In relation to the exposure to the Greek crisis, the risk is mitigated by the on-going implementation of the Joint Overall Statistical Greek Action Plan (JOSGAB). As far as the implementation of the ESS.VIPs are concerned, governance as well as

the communication and reporting on the ESS.VIPs programme is being enhanced. Action plans are in place to mitigate the risks, the implementation of the action plan is closely monitored.

In conclusion, the internal control standards are effectively implemented. In addition, DG ESTAT has taken measures to further improve the efficiency of its internal control systems in the area of ICS 6 "Risk Management Process", 8 "Processes and Procedures", 9 "Management Supervision" and 11 "Document Management".

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

- **Procedure of exception related to MEETs programme- link to AAR 2010**

Two commitments amounting to 1.423.568 € that had been authorised on the budget line of the CSP 2008-2012 have been paid in 2012 on the same budget line. 2013 was the last year in which commitments could be authorised on the MEETS budget line and no similar issues have arisen. Accordingly, the issue can be closed.

- **Staff issues –link to AAR 2010**

Eurostat, like other Commission DGs, is clearly affected by the Commission's zero growth in HR from 2010 and subsequent staff reduction since 2012. Specialised expertise remains difficult to find in the areas of IT and some statistical domains. Difficulties persisted linked to the substantial reliance on contractual staff for some permanent core business areas and to the lack of candidates on the relevant reserve lists for statistical profiles. The risk is that Eurostat might not be able to fulfil parts of its work or will be able to do that but only with significant delays or decrease in the output quality. If core tasks are performed by contract staff with assignments of limited duration there is a risk with inadequate transfer or loss of the know-how after their departure. In order to cope with this situation, Eurostat undertook several important initiatives. Eurostat's approach for the redeployment of human resources FRAME (Framework for Resource Allocation Management in Eurostat) was used throughout year 2013 for the fourth time in a row. It allowed Eurostat to redirect human resources from lower priority areas, which consequently have been cut, to those areas of work considered of highest priority.

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

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

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

In 2013, the payments on grant agreements following calls for proposals launched from May 2007 up to December 2008 represented 0.5% of the total amount of payments on own appropriations. It is observed that since 2005 Eurostat grants policy excludes the financing of actions for the implementation of legislation when no explicit provision for financing is made

in the legislation. Moreover, grants are awarded in accordance with basic acts as defined in Article 54 of the 2012 Financial Regulation (EU priorities defined by the statistical programme, as well as other specific basis such as the MEETS programme). As a conclusion, the level of risk (impact of the control deficiency) is assessed as limited and consequently acceptable from the point of view of sound financial management.

4. MANAGEMENT ASSURANCE

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

4.1 Review of the elements supporting assurance

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

Outcome of the evaluation

The IAC has provided a qualified opinion on the state of control. Risks related to the recommendations issued are addressed with specific action plans, with one exception where the action plan is currently being prepared (final report issued on 31/01/2014).

For grants, the total error rate corrected before payment as a result of ex-ante controls, including reinforced controls, is 1.37%. Financial corrections had to be made based on the results of ex-post controls conducted in 2013 for the Statistical Programme 2008-2012 (EUR 84.139,10 / detected error rate 1,34 %). The residual error rate after the controls performed in 2013 on grant agreements awarded under the Community Statistical Programme 2008-2012 is below the materiality level of 2%.

The risks related to public procurement are effectively mitigated by means of independent ex-ante verifications covering 100% of transactions. All errors detected are corrected. As a result of supervisory controls implemented in 2013, actions in order to further strengthen the internal control system have been adopted for implementation before the 2014 calls for tenders.

DG ESTAT continued in 2013 with the implementation of actions plans addressing audit recommendations. A "critical" recommendation was immediately addressed by an action plan in order to reduce the underlying risk. As a result, the recommendation was downgraded to "very important" by the IAS on 19 February 2014 following their review of the implementation of the action plan. Four audit reports in 2013 contained "Very important" recommendations. Action plans have been / will shortly be drawn up and are being / are going to be implemented. DG ESTAT invested strong efforts in 2013 in the quick and successful implementation of action plans addressing audit recommendations.

In their appraisal of the risks related to operational activities and the internal control system, AOSDs reported weaknesses as specified in point 3 above. The AOSDs did not report any weaknesses, malfunctioning or deficiencies with significant impact in monetary or reputational terms.

The three outstanding issues from previous AARs (i.e. procedure of exception related to MEETS programme; difficulties related to staff allocation and recruitment; exception procedure regarding the application of the implementing rules of the Financial Regulation relating to Article 172a(2)(e)) have been monitored during 2013. The issue related to the MEETS programme is closed. Regarding the other two issues, the situation is considered under control (see point 3 above), with a limited risk level and consequently acceptable from the point of view of sound financial management.

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

Conclusion on overall assurance

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

4.2 Reservations and overall conclusion on assurance (if applicable)

Not applicable

DECLARATION OF ASSURANCE

I, the undersigned, Walter Radermacher,

Director-General of Eurostat,

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view⁵⁷.

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

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

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

Luxembourg, 31 March 2014

Signed

Walter Radermacher

Director General

⁵⁷ True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.