

## **MANAGEMENT SUMMARY OF THE AUDIT OF THE CZECH STATISTICAL OFFICE STATISTICS METHODOLOGY**

**Audited subject:** quarterly GDP preliminary estimate

**Audited department:** National Accounts Department

**Audit took place:** September 2014 – March 2015

### **AUDIT TEAM MEMBERS:**

Jakub Fischer (University of Economics, Prague) – team leader

Eliška Březinová (University of Economics, Prague)

František Cvengroš (Ministry of Finance)

Stanislav Hanák (Ministry of Industry and Trade)

Richard Hindls (University of Economics, Prague)

Stanislava Hronová (University of Economics, Prague)

František Kopřiva (Czech National Bank)

Juraj Lojka (CZSO, Business Statistics Coordination and Business Cycle Surveys Department)

### **MAIN AUDIT CONCLUSIONS:**

Based on the audit of the methodology, the audit team:

- 1) states that the quarterly GDP preliminary estimate is compiled in a satisfactory way both with respect to meeting the needs of users expressed as the size of deviations between the estimate (T+45) and a refined estimate of GDP resources and uses (T+65) as well as with regards to a change of the term of publication of the GDP preliminary (flash) estimate (from T+45 to T+30) in the horizon of about 2-3 years, which decreases possibilities of effective enhancement of an estimation made in the current way,
- 2) appreciates that procedures were formalized as for handing over of data between individual units within the CZSO;
- 3) appreciates positive shifts at compilation of GDP preliminary estimate, which occurred since 2012.

### **MAIN AUDIT RECOMMENDATIONS:**

Based on the audit of the methodology, the audit team:

- 1) recommends (in order to enhance quality of the current estimate) to consider at quantification of final consumption expenditure of households to use not only data on retail trade sales available from the SP 1-12 monthly task (survey), but also data on sales from the P 3-04 quarterly task (survey) that can be (thanks to accessibility of at least part of administrative data) generally considered to be more precise;
- 2) recommends to repeatedly initiate negotiations with the General Financial Directorate regarding the possibility to reduce the deadline for transmission of data from tax returns, because there is an unutilised potential for further refinement of GDP preliminary estimates on the side of refinement of estimation of taxes on products;
- 3) recommends to initiate negotiations with the General Financial Directorate and the Ministry of Finance regarding provision of new detailed data from information that (pursuant to newly approved measures) companies and natural persons will be obliged to present to financial authorities or the Ministry of Finance since 2016 (control statement on sales);
- 4) notifies that at expected request of EUROSTAT for reduction of the preliminary estimate from time T+45 to T+30 (i.e. 30 days after the end of the reference period), the preliminary estimate will have to be compiled in a different way including partial shift from a survey to higher utilisation of mathematical and statistical methods and, as the case may be, also indirect indicators of economic performance, which are available shortly after the end of the reference period;
- 5) recommends to intensify work on designing new tools according to point 7 so that they can be sufficiently verified concurrently with routine compilation of estimates in time T+45 in the current way;

- 6) recommends to make changes in the staff in order to ensure sufficient capacity of the audited department with the aim to strengthen performance of non-routine and research activities; these activities should (in accordance with the point 8 below) focus also on ensuring of a dual (parallel) compilation of estimates, which is necessary for sufficient testing,
- 7) recommends to publish at least in general features the methodology of quarterly GDP preliminary estimate compilation on the CZSO website or to publish differences between this estimate and refined estimate of GDP resources and uses;
- 8) recommends to negotiate ongoing results of new procedures with external experts and thus also prepare users for the expected change according to the decision of the CZSO management about prospective/expected implementation of estimates in T+30 time.

### **RESPONSE OF THE AUDITED DEPARTMENT:**

Recommendations of the audit team have been accepted and included in the medium-term plan of the department activities.