

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

Audited subject: consumer price index

Audited department: Prices Statistics Department

Audit took place: January 2012 – April 2012

AUDIT TEAM MEMBERS:

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MAIN AUDIT CONCLUSIONS:

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

- 1) Creation of a new system of monitoring of consumer prices in the beginning of 1990s was one of successful achievements of Czech statistics that has not been fully appreciated yet. The system of monitoring of consumer prices worked during the past over 20 years always with high reliability. Absolute credibility of the system and its results is best documented by the fact that until today it has not been put in doubt at all by any interest group of the Czech society.
- 2) Revisions and updates regime applied at formation of the current weighting scheme of consumer baskets for the harmonized index of consumer prices and consumer price index is an important innovation of existing procedures. However, updates of price representatives and related to that estimation of weights within the groups remains to be an issue. The main reasons are:
 - a. setting of monitoring of new products and services, which does not provide full guarantee of accordance of the surveyed representatives and weights allocated to them with a situation in household consumption;
 - b. capacity and methodological possibilities of household budget statistics in relation to the needs of price statistics.

MAIN AUDIT RECOMMENDATIONS:

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

- 1) for field survey workers to ensure periodic training in knowledge of goods, especially as for difficult assortments such as electronics, for which knowledge of CZSO units in the area of IT is to be used;
- 2) for field survey workers to change (prolong) terms for monitoring of consumer prices up until the end of a month;
- 3) to strengthen and enhance quality adjustment system;
- 4) to write down a methodical guide for procedures made at the Unit for Processing of Consumer and Agricultural Prices Statistics (Regional Office of the CZSO in Hradec Králové);
- 5) to increase share of parametric comparison and to gradually prepare and start to use more sophisticated models for quality adjustment;
- 6) to make a research of shopping habits of the Czech population (on what points of sale and what assortments Czech population buys most frequently), or consider utilisation of results of opinion polls that are carried out on the market, to use results of that research as a clue to select a point of sale;
- 7) to confront needs of price statistics while solving the weighting scheme with the existing solution offer by household budget statistics and to define conditions on what there will be a major shift in updates and ongoing refinement of weighting schemes; this step, undoubtedly, will entail also presenting of considerations about other concept of the household budget statistics and it will not be neutral in terms of financial costs;
- 8) to use existing information offer of external sources, which on a commercial basis work with data of commercial chains and provide estimations of assortment shifts on the Czech consumer market.

RESPONSE OF THE AUDITED DEPARTMENT:

Summary of individual key measures monitored in the long-term strategy:

- 1) to increase a share of external specialists to evaluate the existing system of selection and description of surveyed items, to make training in knowledge of goods, especially for interviewers, and in application of more sophisticated methods of quality adjustment, e.g. a parametric one;
- 2) to increase a share of explicit quality adjustment, at least for important items; it can be partially achieved also by our own sources – using expert guesses; however, experience has to be gained on an ongoing basis;
- 3) to modify survey of household expenditure to ensure ongoing detailed updates of the weighting scheme and selection of items and also to find out distribution of purchases of households among types of stores;
- 4) distribution of sales among types of stores can be also found out from data of commercial institutions; however, detailed data tailor-made for the needs of the CZSO can be very expensive;
- 5) to contact retail trade chains to ensure data on current detailed structure of sales or for a pilot concurrent calculation of price indices.