

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

**Audited subject:** Raw timber (roundwood) price index

**Audited department:** Prices Statistics Department

**Audit took place:** October 2012 – January 2013

### **AUDIT TEAM MEMBERS:**

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

Milan Činka (Ministry of Agriculture)

Drahomíra Dubská, CSc (Czech Statistical Office, Compendious Analyses Unit)

Jiří Hrbek (Czech Statistical Office, Agricultural, Forestry, and Environmental Statistics Department)

Marie Hušková (external expert)

Jan Zeman (external expert)

### **MAIN AUDIT CONCLUSIONS:**

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

- 1) considers the current methodology for the raw timber price index compilation as meeting the needs for the compilation of a quality raw timber price index;
- 2) considers the currently applied methodology as fully sufficient and proposes solely to take into account a change consisting in an expansion of the current four most important assortments (logs, quality III A/B – spruce; logs, quality III C – spruce; logs, quality III D – spruce; timber, quality V – spruce – for pulpwood) at six largest companies by remaining assortments and tree species while using the weighted arithmetic average because now the average prices of them are calculated as the simple arithmetic average; and
- 3) other partial proposal of the audit team is to unify the methodology of the forestry (raw timber) price index at forest owners and non-owners.

### **MAIN AUDIT RECOMMENDATIONS:**

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

- 1) recommends to consider publishing of a brief methodology manual for the compiling of raw timber price index, which would expand the current methodological notes; and
- 2) No matter the audit team considers the methodology of the compiling of the raw timber price index sufficient it is not of the opinion the index is a suitable fundament to build so-called inflation supplements. It is an index, which in its nature includes solely a very narrow area, may be prone to extraordinary effects, and is not defined and regulated by any internationally acknowledged methodology. The use of so-called inflation supplements based on this index on the side of state-owned or state controlled companies may, moreover, in an extreme case, stir up suspicion of endangered independence of the State Statistical Service.

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

A suitable methodology manual for compiling of the raw timber (roundwood) price index was published.