

MALTA STATISTICS AUTHORITY

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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MALTA STATISTICS AUTHORITY BOARD

- Chairman: Mr Reno Camilleri, B.Sc.Econ.(Lond.), D.P.A., M.B.I.M.
- Members: Mr Michael Pace Ross, B.A.(Hons.) Mgt., M.B.A., ALCM,
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Mr Charles Magro, B.A.
- Secretary to the Board: Dr Jacqueline Tanti Dougall, B.A., LL.D.
- Registered Office: Lascaris, Valletta VLT 2000

14 March 2013

The Hon. Prof. Edward Scicluna B.A. (Hons.) Econ., D.S.S. (Oxon.), M.A. Econ. (Toronto), Ph.D. Econ. (Toronto), M.P.

Minister for Finance

Honourable Minister,

In accordance with Section 29 of the Malta Statistics Authority Act (XXIV of 2000), I am transmitting a copy of the report by the Director General on the activities of the National Statistics Office covering calendar year 2012, as well as a copy of the financial accounts of the Authority for the same period, duly certified by the auditors.

Both the report of the National Statistics Office and the audited financial statements for the year ending 31 December 2012 were discussed and approved by the Malta Statistics Authority Board during the meeting held on 27 February 2013.

General

The Malta Statistics Authority (MSA) came into force on 1 March 2001. Its functions are defined in Section 7 of the said Act as follows:

- To examine and submit, for the approval of the Minister, the business plan and financial estimates drawn up by the Director General for the administration of the Office;
- To regulate and to generally supervise the production of official statistics in accordance with international requirements and standards;
- To discuss and advise on statistical matters, including methodologies, relating to the collection, compilation and dissemination of statistics;
- To establish priorities in responding to the demand for official statistics;
- To liaise between the Office and other public bodies concerning the supply of data and the coordination of activities with statistical implications;
- To publish the business plan after its approval by the Minister for Finance;
- To disseminate the knowledge of official statistics;
- To consider and comment on, where necessary, the yearly report submitted by the Director General on the work of the Office as required by article 9(5)(g).

The MSA Board has a regulatory, supervisory and co-coordinating function. In most countries, the latter function is assumed by a separate technical committee. The National Statistics Office (NSO) is the executive arm of the Authority.

The Malta Statistics Authority Act is in full compliance with the European Statistical Code of Practice. Indeed, the Act focuses on the independence, integrity and accountability of the Statistical Authority and the Office.

MSA Board

During the year under review, the Minister of Finance, the Economy and Investment confirmed the same members of the Board for another period of one year up to 30 June 2013.

MSA Board Meetings

In terms of Section 6(2) of the MSA Act, the Board is required to meet at least twice every calendar quarter. During the period covered by the report, the Board met eleven times.

The main statistical activities undertaken by the NSO during 2012 were duly discussed and monitored as required by the legal provisions of the Act. The need to review existing methodologies and the recruitment of new staff were also important items on the agenda of most meetings of the MSA Board.

In general, one may point out that most of the meeting time was devoted to the consideration of technical issues. The rest was assigned to administrative issues presented by the Director General, such as internal restructuring proposals, promotions and the recruitment of new staff. Selection boards to recruit staff at all levels were usually chaired by Board members.

The quarterly management and financial accounts of the National Statistics Office were regularly submitted to the Board by the Director General, discussed and approved.

As in past years, the Board kept the production and quality of statistical data under constant review. Special attention was directed to revisions of the published statistical aggregates that were carried out by the NSO during the year. Revisions of the more important statistical aggregates were always discussed. On several occasions, NSO Unit Managers were invited to attend Board meetings whenever such issues were considered by the Board. It was ensured that revisions were made in accordance with the European Statistical Code of Practice provisions for such matters. Important revisions such as those arising from the introduction of new methodologies were duly notified to the general public within the time stipulated by EU regulations.

As from mid-2012, the MSA Board invited senior officials from the Central Bank of Malta and the Ministry of Finance, the Economy and Investment to participate in specific agenda items of the Board's meetings, in particular whenever discussions were held on the quarterly releases of the Gross Domestic Product following

publication. One should point out that this Board decision was appreciated by these two institutions.

Demands for New Information

Since 2004, when Malta became a Member of the European Union and later on, when the country joined the euro area, the National Statistical Office (NSO) had to face considerable challenges especially in the area of national accounting. This work usually takes some years to be completed. In some instances, the NSO had to enrol the assistance of foreign experts since several methodological revisions had to be introduced. Moreover, the gradual introduction of NACE Rev. 2 was given due priority. For this reason, the Ministry of Finance, the Economy and Investment approved the recruitment of more staff.

Following a restructuring exercise, new business statistics surveys were introduced. As a result, short-term business statistics were worked out to conform with Eurostat regulations.

One has to acknowledge the co-operation of business establishments, especially those that are required to submit output information relating to their activities on a monthly basis. In addition, the Office has succeeded in improving its data submissions to Eurostat, particularly in the field of construction output.

Response Burden

In the opinion of the Board, the response burden is still an issue that must continue to be addressed in the current year. In a small country like Malta, where several business establishments have to be asked to complete questionnaires every month, the response burden has to be carefully considered whenever the NSO is required to provide additional information.

The Board has always been conscious of the need to avoid duplication of work in the production of statistical information that would result in waste of human and other resources of data providers. Following extensive discussions with the tax authorities, more use is being made of administrative data.

In addition, committees were set up consisting of representatives of the NSO, the Ministry of Finance, the Economy and Investment, the Employment and Training Corporation and the main public enterprises, with a view to establishing a sound system of co-operation regarding the provision of relevant data, the collection of which is the competence of these bodies.

The memorandum of understanding with the Central Bank of Malta was renewed during 2012 and a standing committee meets regularly to review developments in Balance of Payments.

In this regard, the MSA Board would like to acknowledge the support of various ministries and departments, particularly the Department of Social Security and the Inland Revenue and VAT Departments.

It is clear, however, that more work has to be done during the current year in order to further lessen the burden on data providers.

Staff

At the end of 2012, NSO had 163 employees on its books consisting of 102 females and 61 males. The management segment is, however, still dominated by males although female participation within the managerial grades is increasing every year.

The MSA Board is pleased to report that over 50 per cent of NSO staff members are graduates. Several of these also hold a Masters degree while other members are currently reading for a post-graduate degree or diploma. The intention is to further improve the general professional level of the staff, particularly through attendance at specialised meetings and workshops organised by Eurostat and other international organisations.

Staff training is a priority item on the agenda of all statistical institutions. The NSO Annual Report makes reference to the various initiatives undertaken in this regard particularly in statistical methodological issues.

Indeed, NSO staff attended 121 workshops and meetings abroad during 2012. This involved 328 working days and a financial burden of €123,000. More details on staff training can be obtained from the NSO Annual Report.

Collective Agreement

On 17 December, a new collective agreement was signed with the Union Faddiema Magħqudin, providing for better salaries, innovative working conditions such as time-banking, and other family-friendly measures. The agreement remains in force up to 31 December 2016.

Before referring to some of the ongoing statistical activities of the NSO, it is worth recalling the main events that occurred during 2012.

Census of Population and Housing 2011

In accordance with Regulation (EC) No. 763/2008 of the European Parliament and of the Council, Malta joined other Member States in carrying out a census of population and housing six years after the one held in 2005.

The census is probably one of the most important and costly exercises to be carried out by a statistical institution. It entails extensive and careful planning and the formulation of a good questionnaire in order to provide information on the core variables required by Eurostat. In all, in the 2011 Census over 145,000 questionnaires were completed and collected.

A preliminary report was compiled and published during 2012. It is expected that the full report will be published in the current year.

Eurostat Missions

During the year, several visits by Eurostat officials to monitor progress in pertinent statistical fields were organised.

In accordance with Council Regulation (EC) 479/2009 of 25 May 2009 (as amended by Council Regulation (EC) 679/2010), Eurostat carried out a standard EDP dialogue visit to Malta on 22-23 May. The aim was to review the implementation of ESA95 methodology, and to ensure that the provisions of the ESA95 Eurostat Manual on Government Deficit and Debt, as well as of Eurostat decisions, are duly implemented. EDP notifications were also discussed during the visit. These included discussions on the treatment of the Valletta City Gate Project and Air Malta plc.

At present, the Public Finance Unit at the NSO is working on a first draft of an EDP inventory. This document should be ready during the first quarter of 2013.

In May 2012, the statistical data compilation methodology of short-term business statistics was discussed during a visit of Eurostat officials. Some derogations on the current transmission programme were requested and approved.

Staff training is a priority item on the agenda of all statistical institutions. The NSO Annual Report makes reference to the various initiatives undertaken in this regard, particularly in statistical and methodological issues, ICT-related subjects, and management issues. In addition, several members attended local training courses organised by the Centre for Development, Research and Training (CDRT). Indeed, NSO staff attended 131 workshops and meetings abroad during 2012. This involved 315 working days.

Grant Agreements

As in previous years, several new projects were undertaken by the NSO that were partly financed from EU funds. During 2012, the NSO concluded six projects that were all approved by the European Commission. The total value of these projects was €339,065, of which 56 per cent was financed by the European Commission. The 2012 programme covered a wide field of statistical requirements as detailed below:

Reference	Total Cost of Project (€)
2010 survey on the structure of agricultural holdings	140,165
Data collection on ICT usage and e-commerce in enterprises 2011	58,984
Data collection on ICT usage in households and by individuals 2011	59,799
Environmental statistics and accounts: environmental accounts - environmental taxes	31,092
Pilot study on owner occupied housing (OOH) in the framework of the HICP - Stage 4	9,436
LFS - 2011 ad hoc module on employment of disabled people	39,589
	339,065

Reference may also be made to a joint project with the Ministry for Health, the Elderly and Community Care (MHEC) to finalise a set of detailed health accounts for reference year 2010, in line with Eurostat and OECD guidelines, that was partly financed from an EU grant.

Quality and Timeliness of Data

The European Statistics Code of Practice is intended to ensure good-quality data and this issue has maintained its place as a priority item on the agenda of the MSA Board during 2012. The Board was vigilant in ensuring that rationalisation of resources would not in any way compromise the quality and reliability of statistical information.

The Board is satisfied that the local perception of statistics produced by the NSO does credit to the organisation.

The Board is also satisfied that the publication of the main social and economic aggregates was regular and timely in accordance with the advance release calendar.

Moreover, every effort is being made to abide by professional standards in the compilation and dissemination of the main socio-economic indicators.

The Board is also pleased to note that the NSO has succeeded in meeting its obligations with regard to the transmission of the main socio-economic indicators to Eurostat within the prescribed periods. Indeed, progress has been made in the

submission of missing indicators. This resulted from recent monitoring visits by Eurostat officials.

Statistical Dissemination Activities

A primary function of the NSO is to provide users with all the socio-economic data essential for a proper and complete analysis for decision-making.

During 2012, the NSO's dissemination activities may be summarised as follows:

- 253 news releases comprising a wide variety of economic and social data. The relevant unit processed 1,700 requests for information;
- Thirteen official publications, including a special statistical publication on Gozo;
- The maintenance of the website;
- Contributions to the press and other media;
- The Preliminary Report on the Census of Population and Housing 2011; and
- Timely submission of statistics and metadata in line with the IMF's Special Data Dissemination Standard.

The Media

The MSA Board and the NSO have always considered the media as essential partners in the transmission and dissemination of statistical information to the general public. For this reason, the Office constantly liaises with reporters and analysts of economic developments by providing more information on specific aggregates and clarifications of technical issues as already mentioned.

Throughout the past year, the NSO has maintained the declared policy of the Authority in providing the main statistical aggregates without interpreting the data, notwithstanding pressure from some correspondents for analytical comments on certain indicators. At the same time and in accordance with the European Statistical Code of Practice, all methodological information was provided to enable analysts and commentators to arrive at valid conclusions, especially in cases where published data were subsequently revised.

The MSA Board notes with satisfaction the extensive and fair press coverage that is given to statistical releases. One is pleased to record that very often, press reviews on the release of data continue to be published online within minutes of the NSO dissemination time.

The Retail Price Index Advisory Committee

The Retail Price Index Advisory Committee, replacing the RPI Management Board established in 1998, was set up under Section 33 of the MSA Act. The Committee is composed of representatives of the social partners, and its main function is to analyse and discuss the monthly changes in the Retail Price Index prior to its publication, as well as other factors that contribute towards inflationary pressures.

During the period under review, the Committee met every month to discuss the Index and other relevant issues and changes to the existing basket of goods and services that form the basis of the index.

Harmonised Index of Consumer Prices

The Harmonised Index of Consumer Prices, launched by the EU in 1997 in the context of the EMU convergence criteria under the Maastricht Treaty, is intended to allow price comparisons with other EU Member States. It is a legally binding arrangement and National Statistical Institutes are required to compile it on a monthly basis and submit the results to Eurostat.

During 2012, the Price Statistics Unit made some modifications to the weighting frame of the HICP based primarily on National Accounts data.

Some 9,600 prices of goods and services continue to be monitored every month in order to compile the two monthly price indices.

National Accounts

The Board noted that the publication of the pertinent releases on the quarterly GDP was made within the established datelines. The Unit also provided support during visits of EU delegations.

In the case of National Accounts, a lot of work focused on revisions of past data in the light of new information on international trade transactions and the availability of new industrial output information. Revisions were always accompanied by detailed explanations as required by the European Statistical Code of Practice. Other revisions were the result of the introduction of new methodological norms following the gradual introduction of NACE Rev. 2. Whenever possible preference was given to the micro approach since this would provide a more accurate time series. Sometimes a macro approach had to be adopted whenever there was no direct link between the two systems.

The gradual introduction of the deflation of GDP from the output side continued during 2012. Work in this field focused on the compilation of new price indices, their application within the supply-and-use tables and the deflation of the public sector non-market services output. A benchmark revision is scheduled for 2014.

Public Finance

Bi-annual tables on Malta's Excessive Debt and Deficit Procedure, as established by the Maastricht criteria, were duly submitted to the European Commission. The compilation of these statements is carried out with the co-operation of the Ministry of Finance, the Economy and Investment and the Central Bank of Malta.

Following Eurostat's request for information on public corporations, the Public Finance Unit started working on a dedicated database that included administrative and classification information, together with financial and employment data. This database will be useful in monitoring the corporations.

The accounts of General Government were regularly published according to the NSO news release calendar.

The Central Bank of Malta provided substantial inputs to this exercise. As a result, a number of outstanding indicators were sent to Eurostat and subsequently published.

Balance of Payments

Following the adoption of the euro on 1 January 2008, Malta was required to submit a monthly statement of financial transactions between Malta and the rest of the euro area to the European Central Bank (ECB). The Balance of Payments was therefore compiled on a monthly basis, showing transactions between Malta and the other trading partners. Improvements were noted in the collection of data on foreign affiliates and portfolio investments.

More work was directed towards issues related to the classification of resident and non-resident companies. This will continue in the current year.

Business Statistics

As already pointed out, attention continued to be focused on a re-organisation of business statistics in order to produce short-term business indicators.

Significant progress has been made in this direction and most of the required short-term business indicators are now available and published by Eurostat. The Index of Industrial Production and the Producer Price Index for Industry are now produced in conformity with the Special Data Dissemination Standard and published with a time lag of one month.

During 2012, the Construction Index has been regularly published, with a new sample of construction companies and with information classified by NACE Rev. 2.

The Short-term Statistics Unit has extended its sample in the trade and services sector to collect information on wages, turnover, employment and profit, with a view to producing a Services Sector Index.

Demographic and Social Statistics

The units responsible for the collection and publication of social statistics succeeded in maintaining a regular and timely flow of information on Malta's demography, social conditions and developments in the labour market. They are also responsible for the organisation of two ongoing surveys that are crucial for the collection of data on social conditions, income and the labour market.

In 2012, the Survey on Income and Living Conditions (SILC) comprised a sample size of 4,850 households. It was enhanced by improvements in the re-designing of the questionnaire and validations framework in order to detect and minimise interviewing errors. A response rate of 82 per cent was achieved.

This survey is the main source of social data, enabling the calculation of the at-risk-of-poverty and social exclusion indicators and other socio-economic indicators. Such indicators are widely used in research, especially where longitudinal studies are involved.

The Demographic, Social and Culture Statistics Unit carried out surveys on cultural activities.

The other ongoing survey, the Labour Force Survey (LFS), is the principal source of data used in the EU to provide comparable labour market indicators. It is a panel survey and also serves as the main basis for projections and jobs targets related to labour market statistics.

Two different releases on the labour market continued to be published during the year. One is based on the administrative data and is published monthly, while the other presents the results of the LFS and is published on a quarterly basis.

The Board notes with satisfaction that other related data were published during the year. These included:

- information on accidents at work, a Labour Cost Index, job vacancies and structure of earnings statistics;
- the collection of data relating to the tourism industry and its contribution to the country's economy through two ongoing surveys – Tourstat and Accomstat. The collected information is published in three separate releases every month; and
- data on the Information Society and Post and Telecommunications.

As in previous years, the NSO was commissioned by private agencies to carry out surveys on their behalf. This work is considered to be an additional source of revenue for the NSO. During 2012, surveys were carried out on behalf of the Broadcasting Authority, Transport Malta and several ministries, including the Ministry of Finance, the Economy and Investment.

Future Initiatives

A principal initiative to be undertaken early in 2013 is a detailed analysis of the Census findings. In addition to the core statistics specified in the EU Regulation 763/2008, the report will also highlight certain findings that are of special significance to Malta and Gozo. This analysis is of primary importance for economic and social planning.

The MSA Board will continue to closely monitor the work of NSO. For this reason, it is envisaged that the Board will request information on outstanding issues from the Director General and managers in order to satisfy the requirements of the statistical legislation. More time will be devoted to presentations and discussions of technical issues.

Staff training will continue to be assigned priority.

The Methodology and Research Unit will continue to provide technical advice to other units within the NSO and to meet private requests for sampling and questionnaire design. It will also consider requests for tailored sample surveys on behalf of third parties.

The Office will resume its efforts to formulate a draft microdata policy based on Eurostat's recommendations. This will need an amendment to the local statistical law. In Malta's case, one has to be careful to find the right balance between satisfying requests for microdata and, at the same time, to observe the confidentiality provisions of local legislation.

The Economic Statistics Development Programme committee will continue to meet when necessary to identify potential areas for improvement in the local system of National Accounts. The participation of the Central Bank of Malta and the Ministry of Finance, the Economy and Investment is appreciated.

Special consideration will be given to the economic governance legislative package that came into force in November 2011. This covers the Excessive Imbalances Procedure intended to prevent and correct macroeconomic imbalances within the euro area. This exercise will continue to be closely monitored by the MSA Board.

While the past two years have seen considerable input in the process of converting the General Government Sector contributions to the GDP to NACE Rev. 2, more effort will be made during 2013 to finalise this exercise.

With the assistance of the Department of Health Information and Research, statistics covering occupational diseases will continue to be addressed during 2012.

All surveys linked with tourism statistics (the ongoing frontier survey for inbound and outbound tourism and the accommodation survey) will continue during 2013. Co-operation with the MTA and MHRA will be enhanced.

During 2013 efforts will continue on Tourism Satellite Accounts. The intention is to have a better picture of the contribution of the tourism industry to the GDP. It is a

highly technical exercise that will be carried out with the assistance of an expert and the co-operation of tourism operators.

The NSO will continue to compile and publish a biannual statement of Foreign Direct Investment (FDI) in a disaggregated form. As has already been anticipated, this exercise may give rise to confidentiality issues that have to be taken account of.

It is intended to focus more attention on statistics on the use and supply of water, land, energy, emissions, waste generation and other sustainable development indicators.

Notwithstanding collaboration with the Office of the Refugee Commissioner on the capture of migration and asylum statistics in a more reliable manner, difficulties are still being met in the compilation of migration statistics, particularly information relating to migratory outflows. More investigation is needed in this particular area of demographic statistics.

The NSO will maintain a continuous dialogue and consultation with the principal data users to ensure that their needs are met on time. It will continue to adhere to the advance release calendar in the dissemination of statistical releases.

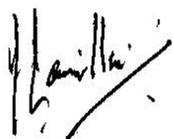
The MSA Board will proceed with its monthly monitoring of methodologies and best practices for the compilation of timely and good-quality statistics, in accordance with the European Statistical Code of Practice.

Acknowledgements

The Board would like to thank all ministries, government departments, business enterprises, NGOs, households and individuals that have supplied information to the NSO in the period under review. A special mention should be made with regard to the technical and financial assistance received from Eurostat.

The MSA would like to thank the media for their efforts in communicating official information in an impartial manner, the general public, and all those who offered assistance, suggestions, and showed appreciation of the efforts made by the NSO to give Malta an efficient and reliable statistical service.

In endorsing the detailed and informative report of the NSO Director General, the Board would like to thank the Office's management and staff for their sterling work during 2012.



Reno Camilleri
Chairman

The board of directors present their report and the Authority's audited financial statements for the year ended 31st December 2012.

Principal Activity

The Authority is responsible for the production of official statistics.

Review of Business

The Authority registered a deficit before tax of €81,605 for the year ended 31 December 2012 (2011: a surplus before tax of €5,011).

Future Developments

The Authority is not envisaging any changes in the operating activities for the forthcoming year.

Results and Dividends

The results for the year ended 31 December 2012 are shown on page 17.

Related Party Transactions

Details of transactions with related parties undertaken by the Authority during the year are disclosed in the notes to the financial statements.

Events after the balance sheet date

No significant events occurred after the balance sheet date which requires mention in this report.

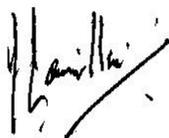
Disclosure of Information to the Auditors

So far as each member of the board is aware, there is no relevant audit information of which the Authority's auditors are unaware. Each of the members has taken all the steps that he/she ought to have taken as a member in order to establish that the Authority's auditors are aware of any relevant information.

Directors

The present board members are to continue in office.

Approved by the board of directors and signed on its behalf on 27 February 2013 by:



Mr. Reno Camilleri
Chairman



Ms. Rita Schembri
Member

Statement of responsibilities of the Authority

The Authority is governed by a Board of eight members. Among other responsibilities, the Authority is responsible for the production of official statistics in accordance with international requirements and standards.

The Authority is responsible for ensuring that:

- a. Proper accounting records are kept of all transactions entered into by the Authority, and of its assets and liabilities;
- b. Adequate controls and procedures are in place for safeguarding the assets of the Authority, and the prevention and detection of fraud and other irregularities.

In preparing the financial statements, which give a true and fair view of the state of affairs as at the end of each financial period and of its surplus or deficit for that period, the Authority:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- follows International Financial Reporting Standards as adopted by the European Union; and
- prepares the financial statements on the going concern basis unless this is considered inappropriate.

Independent Auditor's Report

We have audited the accompanying financial statements of Malta Statistics Authority, which comprises the statement of financial position as of 31st December 2012, and the income and expenditure account, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Authority Board's Responsibility for the Financial Statements

The Authority Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

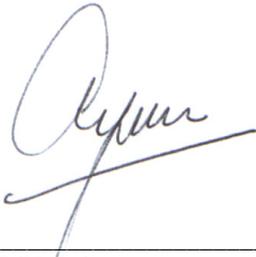
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion in the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority for the year ended 31st December 2012, and of its financial performance and its cash flows for the year then ended. The financial statements have been prepared in accordance with International Financial Reporting Standards

as adopted by the European Union and have been properly prepared in accordance with the requirements of the Malta Statistics Authority Act, 2000.

A handwritten signature in blue ink, appearing to read 'A. J. M.', is written over a horizontal line.

PKF (Malta)
Certified Public Accountants and Registered Auditors
35, Mannarino Road, Birkirkara BKR 9080, Malta

27 February 2013

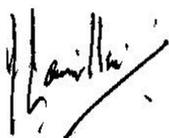
Income and Expenditure Account

	Notes	2012 €	2011 €
Income	3	4,854,966	4,407,855
Expenditure		(4,936,740)	(4,402,929)
		<u>(81,774)</u>	<u>4,926</u>
Finance income	4	169	85
(Deficit)/Surplus before tax	5	(81,605)	5,011
Tax expense	6	(25)	(13)
(Deficit)/Surplus for the year		<u>(81,630)</u>	<u>4,998</u>

Statement of Financial Position

	Notes	2012	2011
		€	€
ASSETS			
Non - Current Assets			
Property, plant and equipment	7	<u>398,798</u>	<u>468,637</u>
Current Assets			
Inventories	8	54,836	48,934
Trade and other receivables	9	684,937	501,522
Cash and cash equivalents	10	<u>249,857</u>	<u>242,777</u>
		<u>989,630</u>	<u>793,233</u>
Total Assets		<u>1,388,428</u>	<u>1,261,870</u>
EQUITY AND LIABILITIES			
Retained funds		<u>114,255</u>	<u>195,885</u>
Non - Current Liabilities			
Deferred income	11	<u>177,975</u>	<u>247,849</u>
Current Liabilities			
Trade and other payables	12	<u>1,096,201</u>	<u>818,136</u>
Total Liabilities		<u>1,274,173</u>	<u>1,065,985</u>
Total Equity and Liabilities		<u>1,388,428</u>	<u>1,261,870</u>

The financial statements on pages 17 to 31 were approved by the Authority Board, authorised for issue on 27 February 2013 and signed on its behalf by:



Mr. Reno Camilleri
Chairman



Ms. Rita Schembri
Member

Statement of Changes in Equity

	Retained funds €
Balance as at 31st December 2010	190,887
Surplus for the year	4,998
Balance as at 31st December 2011	<hr/> 195,885
Deficit for the year	(81,630)
Balance as at 31st December 2012	<hr/> 114,255 <hr/>

Statement of Cash Flows

	Notes	2012 €	2011 €
Cash Flow from Operating Activities			
(Deficit)/Surplus before tax		(81,605)	5,011
Adjustments:			
Depreciation		106,386	101,236
Interest Income		(169)	(85)
Government Grant transferred to Income and Expenditure Account		(74,985)	(74,986)
Loss on disposal of Property, Plant and Equipment		-	53,270
		(50,373)	84,446
(Increase)/Decrease in Inventory		(5,902)	13,306
Increase in Receivables		(183,415)	(377,484)
Increase in Payables		283,172	451,504
Taxation paid		(25)	(13)
<i>Net Cash Flow generated from Operating Activities</i>		<u>43,457</u>	<u>171,489</u>
Cash Flow from Investing Activities			
Payments to acquire Property, Plant and Equipment		(36,546)	(32,206)
Interest received		169	85
<i>Net Cash Flow used in Investing Activities</i>		<u>(36,377)</u>	<u>(32,121)</u>
Net increase in cash and cash equivalents		7,080	139,368
Cash and cash equivalents at start of the year		<u>242,777</u>	<u>103,409</u>
Cash and cash equivalents at the end of the year	10	<u>249,857</u>	<u>242,777</u>

Notes to the Financial Statements

1. Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a. Statement of compliance

The financial statements have been prepared and presented in accordance with the provisions of the Companies Act, 1995 enacted in Malta, which requires adherence to International Financial Reporting Standards (IFRSs).

The Act specifies that if one of its provisions is in conflict or not compatible with IFRSs or its application is incompatible with the obligation for the financial statements to give a true and fair view, that provision shall be departed from in order to give a true and fair view.

b. Basis of preparation

The financial statements are presented on the historical cost basis.

c. Standards and Interpretations effective in the current year

The board has assessed the impact of the mandatory amendments and interpretations to standards for the Authority's accounting periods beginning on or after 1 January 2012 and concluded that there is no material impact to the Authority's Financial Statement.

d. Use of estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimate and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

e. Functional and presentation currency

The financial statements are presented in euro (€), which is the Authority's functional currency.

Transactions in foreign currencies are translated to the functional currency of the Authority at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

Notes to the Financial Statements

2. Significant Accounting Policies

a. Income and expense recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Authority for services provided, excluding trade discounts.

Revenue from the sale of services provided is recognised when all the following conditions have been satisfied:

- The Authority has transferred to the buyer the significant risks and rewards of ownership of the services provided. This is generally when the customer has approved the services that have been provided;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Authority; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from government subvention is recognised on an accrual basis.

Government grants and EU grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Government grants and EU grants related to assets are presented in the statement of financial position by setting up the grant as deferred income and is recognised in profit or loss on a systematic basis over the useful life of the asset.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Operating expenses are recognised in the income and expenditure account upon utilisation of the service or at the date of their origin.

b. Employee benefits

Contributions towards the state pension in accordance with local legislation are recognised in the profit or loss when they are due.

c. Property, plant and equipment

Value Method

Items of property, plant and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Notes to the Financial Statements

Depreciation

Depreciation is charged to the income and expenditure account on a straight line method over the estimated useful lives of items of property, plant and equipment, and major components are accounted for separately. The estimated useful lives are as follows:

	%
- Improvements to premises	2
- Computer equipment	20 - 33.33
- Furniture, fixtures and fittings	15
- Office equipment	15
- Motor vehicles	20

No depreciation is provided on assets that are not yet brought into use.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or administrative and other expenses.

d. Impairment testing of tangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the Authority's management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Authority's members.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

e. Financial instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

i. Financial assets

For the purpose of subsequent measurement, financial assets of the Authority are classified into loans and receivables upon initial recognition.

All income and expenses relating to loans and receivables are presented within 'finance costs', 'finance income', or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Authority's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

ii. Financial liabilities

The Authority's financial liabilities include trade and other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs' or 'finance income'.

Notes to the Financial Statements

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to acquiring the inventories and to bringing them to their existing location and condition. Financing costs are not taken into consideration. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

g. Cash and cash equivalents

Cash and cash equivalents comprise demand deposits.

Notes to the Accounts

3. Income

	2012 €	2011 €
Government subvention		
- direct: paid to Malta Statistics Authority	3,205,055	2,930,164
- indirect: expenses paid by the Ministry of Finance, the Economy and Investment	24,857	42,775
- programmes and initiatives	1,188,000	835,966
- refurbishment of premises paid by the Ministry of Finance, the Economy and Investment	10,001	1,815
Government grant	74,985	74,985
EU grant agreements	161,538	337,493
Sale of publications and surveys	129,500	130,805
Other income	61,030	53,852
	<u>4,854,966</u>	<u>4,407,855</u>

4. Finance income

The following amounts have been included in the income and expenditure account line for the reporting periods presented:

	2012 €	2011 €
Bank interest received	<u>169</u>	<u>85</u>

5. (Deficit)/Surplus before tax

(Deficit)/Surplus before tax is stated after charging:

	2012 €	2011 €
Board members' remuneration	20,964	35,232
RPI Advisory Committee members' remuneration	9,830	9,927
Staff costs	3,281,839	3,179,217
Auditor's remuneration	833	1,000
Depreciation of property, plant and equipment	106,386	101,236
	<u>3,419,852</u>	<u>3,326,612</u>
Average number of employees	<u>146</u>	<u>123</u>

6. Tax expense

	2012 €	2011 €
Malta income tax:		
Final withholding tax at 15%	<u>25</u>	<u>13</u>

Notes to the Accounts

7. Property, plant and equipment

The Authority's property, plant and equipment and their carrying amounts can be analysed as follows:

	Improvements to premises €	Computer equipment €	Furniture and fittings €	Office equipment €	Motor vehicles €	Total €
Cost						
At 1 January 2012	225,908	657,449	329,896	178,283	40,384	1,431,920
Additions	-	-	15,111	21,435	-	36,546
Disposals	-	-	74,300	-	-	74,300
At 31 December 2012	225,908	657,449	419,307	199,718	40,384	1,542,766
Depreciation						
At 1 January 2012	51,586	421,070	296,950	153,293	40,384	963,283
Charge for the year	4,518	77,381	10,953	13,533	-	106,385
Disposals	-	-	74,300	-	-	74,300
At 31 December 2012	56,104	498,451	382,203	166,826	40,384	1,143,968
At 31 December 2011	174,322	236,379	32,946	24,990	-	468,637
At 31 December 2012	169,804	158,998	37,104	32,892	-	398,798

8. Inventories

	2012 €	2011 €
Books and publications	38,821	33,615
Stationery	16,015	15,319
	54,836	48,934

Publications which are given free of charge are valued at their original cost.

9. Trade and other receivables

	2012 €	2011 €
Trade receivables	21,788	46,426
Accrued income	640,854	420,195
Financial assets	662,642	466,621
Prepayments	22,295	34,901
Trade and other receivables	684,937	501,522

The carrying value of short-term loans and receivables is considered a reasonable approximation of fair value.

Notes to the Accounts

9. Trade and other receivables (cont'd)

The Authority does not have any credit terms with its trade debtors. The age of trade debtors is as follows:

	2012 €	2011 €
Not more than 1 month	21,014	38,035
More than 1 month but not more than 3 months	705	8,301
More than 3 months but not more than 6 months	69	90
	21,788	46,426

10. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2012 €	2011 €
Cash at bank	249,857	242,777
Cash and cash equivalents in the statement of financial position and statement of cash flows	249,857	242,777

The Authority did not have any restrictions on its cash at bank at year end.

11. Deferred income

	2012 €	2011 €
Government grants		
At 1 January	327,942	372,285
Amount transferred to income and expenditure account	(74,985)	(74,986)
Additions	-	31,847
Disposals	-	(1,204)
At 31 December	252,957	327,942
Comprising:		
Current deferred income	74,985	80,093
Non-current deferred income		
Between two and five years	88,310	155,475
After more than five years	89,662	92,374
	177,972	247,849

This refers to government grants with respect to computer equipment and improvements to premises which are deferred over the assets' useful lives.

Notes to the Accounts

Note -

	Government grant €	European Union grant €	Total €
Cost			
At 1 January 2012	757,001	77,943	834,944
Additions	-	-	-
Disposals	-	-	-
At 31 December 2012	<u>757,001</u>	<u>77,943</u>	<u>834,944</u>
Amortisation			
At 1 January 2012	429,059	77,943	507,002
Amounts transferred to income and expenditure	(74,985)	-	(74,985)
At 31 December 2012	<u>354,074</u>	<u>77,943</u>	<u>432,017</u>
Balance			
At 31 December 2011	<u>327,942</u>	-	<u>327,942</u>
At 31 December 2012	<u>402,927</u>	-	<u>402,927</u>

12. Trade and other payables

	2012 €	2011 €
Trade payables	143,017	164,482
Accrued expenses	653,592	545,333
Financial liabilities	<u>796,609</u>	<u>709,815</u>
Deferred income from Government grants	74,985	80,093
Other deferred income	213,872	20,000
Other payables	10,735	8,228
Trade and other payables - current	<u>1,096,201</u>	<u>818,136</u>

Short-term financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

13. Related party transactions

The Malta Statistics Authority is an autonomous public institution and reports to Parliament on an annual basis. The Board members of the Authority are appointed by the Government of Malta.

During the period under review, the Authority entered into transactions with a number of Government-related entities.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related parties are unsecured and interest free. Outstanding balances are usually settled in cash.

Income recognised for the year under review relating to subventions received from the Government of Malta are disclosed in note 3.

Notes to the Accounts

14. Risk management objectives and policies

The Authority is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from both its operating and investing activities. The Authority's risk management is coordinated by the Board members and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial risks.

The financial risks to which the Authority is exposed are described below in notes 14.1 to 14.5.

14.1 Foreign currency risk

The Authority is not significantly exposed to foreign currency risk since most of its transactions are carried out in euro.

14.2 Interest rate risk

The Authority is not exposed to interest rate risk on its payables since all these are interest free.

14.3 Credit risk

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2012 €	2011 €
Classes of financial assets – carrying amounts			
Trade and other receivables	9	684,937	466,621
Cash and cash equivalents	10	249,857	242,777
		<u>934,794</u>	<u>709,398</u>

The Authority's Board members consider that all the above financial assets for each of the reporting dates under review are of good credit quality.

None of the Authority's financial assets is secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Authority is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

14.4 Liquidity risk

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Authority's obligations when they become due.

The Authority ensures a steady and healthy cash flow through persistent chasing up debtors on a weekly basis to ensure that target inflows are received monthly. Targets are set by the managing director, who monitors cash flow regularly together with the accountant.

The Authority's financial liabilities at the reporting date under review are all short term and their contractual maturities fall within one year.

Notes to the Accounts

14.5 Summary of financial assets and liabilities by category

The carrying amounts of the Authority's financial assets and liabilities as recognised at the end of the reporting periods under review may also be categorised as follows:

	2012 €	2011 €
Current assets		
Loans and receivables:		
- Trade and other receivables	684,937	466,621
- Cash and cash equivalents	249,857	242,777
	<u>857,387</u>	<u>709,398</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
- Trade and other payables	<u>1,096,201</u>	<u>709,815</u>

15. Capital management policies and procedures

The Authority's capital management objectives are:

- To ensure the Authority's ability to continue as a going concern, and
- To provide official statistics from the capital investment made in the Authority.

The capital structure of the Authority consists of cash and cash equivalents and reserves.

The Board's policy is to maintain a strong capital base to maintain Government, public and creditor confidence and to sustain future development of the Authority's ever-growing role and activities.

16. Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

17. Comparative Information

Certain comparative information has been reclassified to conform to the current's year disclosure for the purpose of fairer presentation.

Expenditure Schedule

	2012 €	2011 €
Expenditure		
Accountancy fee	-	764
Air Conditioning Running Costs	1,288	-
Allowances	27,644	19,901
Auditors' remuneration	833	1,000
Bad debts written off	-	135
Bank interest and charges	331	395
Board members' remuneration	20,964	35,232
Cleaning expenses	30,660	36,667
Computer maintenance costs	655	2,199
Conference expenditure	-	4,718
Depreciation	106,386	101,236
General expenses	1,089	2,635
Hire of equipment	5,679	6,275
Hospitality and entertainment	1,399	7,697
Insurance fees	3,872	4,735
IT Support – paid by Ministry	2,696	5,228
Legal and professional fees	6,905	45,067
Licences, memberships and subscriptions	41,565	39,226
Loss on disposal of property, plant and equipment	-	53,270
Medical services	1,810	3,281
Motor vehicle running expenses	11,595	8,647
Postage and couriers	28,703	63,857
Printing and stationery fees	31,565	142,095
Publicity fees	1,866	96,184
Rental fees	19,585	19,499
Repairs and maintenance	41,472	26,430
RPI Advisory Committee members' remuneration	9,830	9,927
Salaries	3,281,839	3,179,217
Surveys and interviews (Note A)	1,061,951	270,635
Training costs	5,384	4,479
Telecommunication costs	27,515	37,530
Transport fees	989	5,416
Travelling expenses	120,637	128,991
Uniforms expenses	3,383	2,941
Water and electricity fees	36,650	37,420
	4,936,740	4,402,929

Note A: Survey and Interview expenditure amounting to €1,061,951 for the year ended 31 December 2012 includes an amount of €936,000, which was incurred in relation to salaries of interviewers for Census of Population and Housing held in 2011.

Ministeru tal-Finanzi, l-Ekonomija u
Investiment



Ministry of Finance, the Economy &
Investment

Uffiċċju tas-Segretarju Permanenti

Office of the Permanent Secretary

7 March 2013

Director General
National Statistics Office

**SERVICE PENSION PAYABLE TO PUBLIC OFFICERS RETIRING FROM THE
NATIONAL STATISTICS OFFICE**

Reference is made to the amount of € 586,000, due by the National Statistics Office representing the sum accruing as at 31 December 2012, in respect of service pension payable to ex-public officers retiring from the National Statistics Office who are eligible to receive this pension.

It is confirmed that the Government of Malta will compensate the National Statistics Office for the outlay that it will make in settling the amount due, up to the amount indicated and up to the extent that it shall not be possible for the National Statistics Office to meet this expenditure out of its annual budgetary allocation.

A handwritten signature in black ink, appearing to be "Alfred Camilleri".

Alfred Camilleri
Permanent Secretary

