MALTA STATISTICS AUTHORITY

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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Registered Office:	Lascaris, Valletta VLT 2000

15 April 2014

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,

This is the twelfth annual report to be submitted to the Minister for Finance since the Malta Statistics Authority was established on 1 March 2001.

The annual report, in accordance with the law regulating the Malta Statistics Authority, comprises the audited financial statements for the year ending 2013 together with information pertaining to statistical governance and policy making matters[1].

All matters relevant to this report were discussed and approved by the Malta Statistics Authority Board during the meeting held on 29 January 2014.

General

Since its inception the National Statistics Office (NSO), which is the executive arm of the Malta Statistics Authority, developed a wide-ranging set of statistics which is embedded within the European Statistical System. The datasets aim to provide insights on various social perspectives, business and economic trends.

The collection and dissemination of statistical information form part of a dynamic and ongoing process. The environment which the Authority works in is a continuously changing one. New methodologies and refinements are constantly being introduced or updated; to take a current example, the NSO is engaged in the transition from ESA 95 to ESA 2010. New statistical domains emerge as the economy continues to expand, while a new EU statistical legislative framework is being discussed in various fora of the European Union[2].

It has been noted that while traditional statistical indicators such as the gross domestic product, labour and price statistics remain relevant in today's world, other statistical domains are also gaining in importance. These include flash indicators such as short-term business statistics, geographical and environmental statistics, tourism figures and poverty baseline measures.

In this regard, the Malta Statistics Authority aims to ensure that the range of statistics produced meets the needs of both national and European policy makers. The Authority aims to produce good-quality data that satisfy the 15

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[1] Section 29 of the Malta Statistics Authority Act XXIV of 2000.

[2] For example, The Framework Regulation Integrating Business Statistics (FRIBS) is being discussed across various levels of decision makers across the European Union. *http://ec.europa.eu/smart-regulation/impact/planned_ia/docs/2012_estat_011_business_statistics_en.pdf*

principles which make up the European Statistics. This means that the best possible value will have to be extracted from the resources available. At the same time, the Authority will uphold efforts to stay within the financial budget.

Malta Statistics Authority Board

In accordance with Section 6(2) of the Malta Statistics Authority Act, the Authority is bound to meet at least twice every calendar quarter. In the course of 2013, the Malta Statistics Authority Board (MSA Board) met on 11 occasions. Six of these meetings were held by the previous Board, while the incumbent Board held five[3]. The announcement of the new MSA Board occurred during a ministerial visit to the National Statistics Office premises by the Hon. Edward Scicluna, Minister for Finance, on 31 July 2013. The Board is currently made up of Prof. Albert Leone Ganado in the role of Chairman, Dr Aaron George Grech, Deputy Chairman, and Prof. Edward Zammit, Mr Emanuel Delia, Mr Godwin Mifsud, Dr Ian Cassar, Mr Robert Borg and Mr Michael Pace Ross (in his capacity as NSO Director General) as board members.

Short-term Goals and Strengthening of Fundamental Principles

(i) Statistical Outputs

Since Malta joined the European Union and eventually became part of the euro zone, the NSO focused on producing several economic datasets in line with the requirements of a number of EU regulations and directives. In addition to the reporting obligations pertaining to an EU Member State, the NSO is committed to regularly provide information to international institutions. Foremost among these are the European Central Bank, the United Nations, the International Labour Office and the International Monetary Fund. With regard to the latter organisation, the NSO also subscribes to the Special Data Dissemination Standard (SDDS), implying a workload of several indicator updates per month and methodological updates when required. Statistical information is also provided to policy makers, be they part of government, analysts, researchers, public entities and NGOs.

During 2013, 250 news releases were disseminated to the general public and 136 SDDS indicators were communicated in a timely manner. Additionally, the NSO regularly transmits data to Eurostat to be included in this supranational organisation's releases and publications. This ensures Malta's presence and visibility in figures at an international Level. The External Cooperation and Communication Unit received and processed over 1,700 requests, many of them customised to specific user needs.

[3] Board meetings number 129 to 139 covering months January to December, 2013.

(ii) Strengthening Quality in the Production of Statistics

While the Authority is satisfied with the volume of statistics produced, one of its primary objectives is to emphasise and improve on quality. To this end, in November 2013, following an adjustment needed to Gross Domestic Product figures in respect of Quarter Two, the Malta Statistics Authority commissioned an external expert, Mr John Kidgell, to report on the state of Maltese official statistics and to recommend ways of strengthening their quality by, among others, having in place a series of checks. Mr Kidgell is a former head of the Economic Statistics Directorate within the UK Office for National Statistics. He was also Chair of the CMFB[4]. Mr Kidgell is familiar with the NSO's operations as he has been involved in several statistical task forces in collaboration with the Central Bank of Malta[5]. Mr Kidgell was also requested to inquire on the nature of the GDP adjustment and his findings were submitted to the MSA Board. The Board endorsed the expert's conclusions and, as requested by the Minister for Finance, made further recommendations in a report submitted to the Minister on 3 February 2014. The Malta Statistics Authority report was later made public by the Minister in a press conference held at the NSO premises on 20 February 2014.

The report highlighted other factors such as the importance of re-introducing the Economic Statistics Development Programme (ESDP). This is an inter-institutional working group which brings together stakeholder organisations such as the NSO, the Central Bank of Malta and the Economic Policy Department (EPD) within the Ministry for Finance to discuss statistical matters as they impinge on business and economic developments. The working group focuses on methodological and compliance issues arising from national needs and EU legislation and working group proceedings, as well as issues that concern future planning.

In 2013, the ESDP met on a number of occasions to discuss, among others, the introduction of the European System of National and Regional Accounts (ESA 2010) and the Balance of Payments and International Investment Position Manual (BPM6), which are to be adopted during 2014.

(iii) Other Outcomes: Setting-up of Cross-directorate Verification Structures and Documentation of Work Processes

Other outcomes taken up by the office of the Director General were the creation of the cross-directorate verification team and the documentation of work processes and metadata by each Unit. Each release is now being scrutinised by two statisticians external to the unit responsible for producing the compilation. Each statistician reviews the news release independently and provides feedback directly to the

[4] Committee on Monetary, Financial and Balance of Payments Statistics
[5] National Statistics *Annual Report 2009*, p.1

Director General. The remit given to the cross-directorate verification team covers many aspects but particular emphasis is placed on:

i. accuracy of news release tables;

ii. coherence of data with other statistical figures published by the NSO;

iii. suggestions for improvement; and

iv. signing-off the scrutiny exercise.

This is the first step towards building an internal audit control team whose remit would be more wide-ranging and which would extend to a more in-depth review of data compilation issues.

Furthermore, each Unit documented its work processes and metadata procedures. The reports shall provide information about relevant concepts, international standards and statistical models. Eventually, analysis is required to explore the linkages and relationships between the various releases in order to develop future business processes, develop contingency models and continue to strive for improved data integrity and consistency.

Follow-up Actions: Creation of Three Sub-committees

Early on, the MSA Board immediately recognised the importance of the outcome of the report drawn up by Mr Kidgell and set about ensuring a more effective monitoring of the statistical output of the NSO.

To this end it set up three sub-committees as follows:

1. A Governance sub-committee to monitor the operations of the NSO and to approve its business plan;

2. An Audit and Risk Assurance sub-committee to monitor financial management of funds, data issues and to ensure compliance with agreed policies and procedures; and

3. A Monitoring and Assessment sub-committee to evaluate official statistics post-publication and to analyse methodologies used in statistical compilation.

Through the Governance sub-committee the MSA Board is requesting the NSO to document all statistical operational procedures and methodologies. This committee will thereafter review these documents and recommend ways of reducing the risk of structural errors and defects brought about by the design and management of the business processes concerned.

Furthermore staff members are to be empowered to be more inquisitive with the information they process. It is the intention of the Authority that members of staff are not engaged solely in executing manual routine processes that result in statistical outputs, but are also able to ascertain that the information produced has valid economic or social significance.

The Audit and Risk Assurance sub-committee will be closely monitoring the government subvention to ensure that all funds are used diligently and that the return on investment is maximised. One of the Authority's main objectives is to maintain a balanced budget on an annual basis, avoiding as much as possible a financial deficit at the year's end. The financial statements for 2013 indicate that a surplus of €46,081 was recorded, reversing the trend of the previous year. This sub-committee will also be active in formulating a five-year plan that is user-driven, that recognises resource constraints, and that prioritises projects over a five-year period. In these activities, the sub-committee will set clear and measurable targets. Issues relating to funds needed to strengthen the NSO's IT infrastructure and data warehouse will undoubtedly be addressed in future reports.

The Monitoring and Assessment sub-committee will review NSO news releases post-publication and suggest changes to improve the usability of the published datasets, their interpretability and stakeholder coherence.

The Malta Statistics Authority Secretariat

The Malta Statistics Authority Act in Article 7 sets out the rigorous regulatory and supervisory role of the Authority. Articles 8 and 9 respectively specify the role of the Minister for Finance and that of the Director General of the National Statistics Office, and how they should relate to the Malta Statistics Authority.

The incoming MSA Board, from its first meeting in August 2013, noted the need to take urgent steps to ensure that the provisions of the Malta Statistics Authority Act are fulfilled. The most crucial step is that an effective regulatory and supervisory framework requires a clear separation of powers, roles and duties between the Authority and the NSO. To serve the purposes stipulated in Article 7, the Authority needs to have a permanent secretariat reporting to the Board, operating independently of the NSO and ensuring that decisions taken at Board level are being acted on. At the same time, the NSO has to develop appropriate corporate support functions in both human resource selection/performance monitoring and internal audit. Finally, the office of the Director General within the NSO needs to be strengthened in order to be able to reply to the regulatory queries of the Malta Statistics Authority secretariat.

The secretariat should be composed of a number of staff members who will be aiding the three sub-committees described above in the following duties:

(i) Governance sub-committee:

The Secretariat members will support the Governance sub-committee to ensure that an appropriate business plan is drafted and is being executed in a timely manner. They will monitor developments in training and development and will ensure equitable distribution of staff and functions across the NSO's four directorates. Secretariat members will also continue to develop the NSO's corporate image within the national and international community.

Functions pertaining to Governance:

i. monitor the operations of NSO, particularly cross-directorate cooperation;
ii. monitor the deployment and training of NSO staff;
iii. approve the business plan submitted by the DG and directors;
iv. assess relationships with data providers and other stakeholders;
v. monitor the perception of the NSO's image and seek to enhance it; and
vi. encourage the formulation of project management teams for specific tasks.

(ii) Audit and Risk Assurance sub-committee

This sub-committee, with the support of secretariat members will liaise with the DG's office to make certain that the NSO is utilising its resources, both human and financial, in an optimal manner. The Authority has an obligation to demonstrate value for money. In addition, it will explore possibilities of data sharing with organisations and increased use of administrative sources. More collaboration in this area will decrease the response burden on both households and business enterprises.

Functions pertaining to Audit and Risk Assurance:

i. supervise and assess performance plans submitted by the DG and directors;
ii. review and assess the financial aspects of the business plan submitted by the DG and directors;
iii. manage the budget allocation process with the Ministry for Finance;
iv. review and assess the NSO's business continuity provisions, particularly the effectiveness of its IT and data management resources; and
v. assess the NSO's risk profile, compliance with agreed policies and procedures, and internal control mechanisms.

(iii) Monitoring and Assessment sub-committee:

The objective of this sub-committee is to assess quality impacts and efficiency. The statistical output must be of a good quality, reliable, and in line with methodologies that are internationally harmonised to enable comparability and aggregation at EU level. Secretariat members will also look at issues of dissemination of statistics, including presentation issues, ensuring that the NSO's communication strategies are tailored to the needs of users. They will assess the various methodologies, ensure that they are well researched and documented with potential strengths and weaknesses explained, and examine how these are being applied to the relevant aspects of the NSO's work.

Functions pertaining to Monitoring and Assessment:

i. assess official statistics published by the NSO with a view to coherence, clarity, consistency and quality, and propose improvements;
ii. monitor and assess methodologies used in national statistics compilation;
iii. prepare reports on breaches of best practice and errors in national statistics;
iv. help review the non-financial aspects of the NSO business plan; and
v. advise on how to increase public confidence in and use of official statistics.

The Gozo Statistical Office

The Government is committed to set up a Regional Office in the island of Gozo to build a more detailed profile of statistics at NUTS 3 level[6]. Among other things, the Gozo Office will be of service to policy makers and stakeholders, such as business organisations, by providing the data they need to formulate policies and strategies. The office will aim to strengthen existing regional information, while at the same time improving coverage. The majority of initiatives taken by the NSO are driven by EU requirements. By contrast, the Gozo Office would be an initiative in response to the needs and priorities of policy makers and statistical users who are engaged in Gozo-specific projects. The MSA Board trusts that the Gozo Office will also serve as a pilot project for the deployment of a set of best practices, elements of which may in future be used by the NSO in Malta.

Initially, the office will cater for a range of salient indicators including demographic and education profiling, gainfully occupied indicators, transport statistics, and tourism indicators.

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[6] The NUTS classification divides up the economic territory of the Member States, including their territory outside regions as such. The latter comprises parts of the economic territory that cannot be assigned to a given region such as air space, territorial waters and the continental shelf, territorial enclaves (embassies, consulates and military bases), or resource deposits located in international waters and exploited by units residing in their territory.

If regional statistics are to be comparable, the geographical areas need to be of comparable size in population terms. Their political, administrative and institutional arrangements should also be specified. Where applicable, non-administrative units must reflect economic, social, historical, cultural, geographical and environmental considerations.
http://europa.eu/legislation_summaries/regional_policy/management/g24218_en.htm

The NSO and the Ministry for Gozo reached an agreement to use premises located in Victoria. Currently, the premises are undergoing structural alterations and refurbishment.

The NSO is targeting an initial staff complement of six persons comprising a manager, four statisticians and a clerk. During 2015 and 2016, the Gozo Office is expected to grow and take on additional responsibilities.

Future Initiatives

European System of Accounts 2010 (ESA 2010)

The most important project for the current year is the introduction of the European System of Accounts 2010 (ESA 2010)[7]. This new system of national accounting will replace the existing ESA 95, and will come into force by September 2014. ESA 2010 is intended to revise and update the common standards, classifications and accounting rules for Member States in compiling their national accounts and transmitting their data to Eurostat.

ESA 2010 improves and modifies ESA 95 in several aspects. With the 2010 version, better reporting of various economic areas is expected, such as more understanding of the relationship between expenditure and research and development, more detailed information on pension schemes, improvements in reporting on insurance services and more efficient data transmission systems between Member States and Eurostat. Additionally, ESA 2010 will focus more on service activity-oriented areas in view of the importance the Services Sector has assumed in European economic growth.

The MSA Board will lend its support to the NSO in carrying out this task.

Structural Business Statistics (SBS)

The Structural Business Statistics survey is one of the key components of Gross Domestic Product estimation (GDP). Over the past years the SBS questionnaire was no longer sent to all enterprises in manufacturing, construction, distributive trades and services. A stratified sample approach was introduced in place of the comprehensive enquiry. This helped reduce the burden on enterprises and also resulted in improved timeliness. In future, SBS coverage will need to be extended to the maximal number of NACE categories, enabling statisticians to replace some of the weaker estimation processes with more robust estimates from the SBS survey.

The MSA Board will advise and support the NSO in improving the SBS survey.

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[7] Eurostat webpage dedicated to ESA 2010:
http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-02-13-269

Reporting of Resident and Non-Resident Institutions in the Balance of Payments and National Accounts

Non-resident institutions, also known as Special Purpose Entities (SPEs), will have to feature in the National Accounts and Balance of Payments statements, in accordance with the ESA 2010 and BMP6 methodological manuals. According to the definition, such entities operate primarily outside national territory, with a minimal link to the economy of the country of residence.

The MSA Board will be verifying how such financial institutions will be impacting the National Accounts and Balance of Payment statements, and will assess the best method to compile and disseminate information.

GDP Deflators, Household Budgetary Survey and Update of Weights for the Retail Price Index (RPI) basket of goods.

An area which definitely calls for improvement is GDP deflators. These indices are used to transform data from nominal into real prices. In this regard, the NSO is carrying out preparatory work relating to the Household Budgetary Survey. The latter is required to update weights of the existing basket of goods used in the RPI. The Household Budgetary Survey was last carried out in 2008/9.

In the last Budget the Ministry dedicated funds to the Household Budgetary Survey. Work on this survey started late in 2013 and the NSO committed itself to preparing the necessary groundwork during 2014, with the aim of collecting data from households during 2015. Preparatory work involves updating the household code book, drawing up a representative sample, and designing the appropriate collection tool and database for data capture.

The MSA Board will be advising on matters relating to the carrying out of the Household Budgetary Survey and to the methodological work required to update the RPI basket of goods.

In addition, the success of this major survey depends on a combination of logistical and information aspects, mainly those relating to human resources and media consultation.

Services Deflators

The Malta Statistics Authority, together with the NSO, is committed to develop service price deflators over the coming years. The European Union has recognised the growth in importance of Services, both in terms of employment and economic activity and as an indicator of the future direction of the economy.

Eurostat data indicate that Services account for up to 70 per cent of economic activity in the European Union and constitute a major player for employment expansion[8]. Through the Services Directive, the European Union intends to achieve a competitive advantage in key areas of the sector: financial services, transport, telecommunications, broadcasting and recognition of professional qualifications[9].

In response to the increased significance of the Services Sector, Eurostat in 2006, launched the Service Producer Price Index (SPPI) which is provided for by Regulation 1158/2005 of 6 July 2005 (amending Regulation 1165/98 of 19 May 1998)[10]. By definition, SPPIs are indicators that capture movements in business cycles concerning services. SPPI indices are a measure of gross change in the service trading price and can therefore be used as deflators for turnover of services. The Regulation covers a range of services including: freight transport, air transport, postal services, telecommunications, computer- related services, consultancy services, architecture and engineering, advertising and security services.

Training of Staff

The Malta Statistics Authority is working on multiple goals to help the NSO to cultivate a culture of continuous educational development across all grades of individuals working at the Office. In the coming years, the Authority will support the development of a number of internal statistical courses.

It will also encourage the maximisation of resources for professional development made available by the Central Government, such as courses offered by the CDRT and study bursaries announced from time to time. The chairmanship of the Authority is also working to build bridges with the University of Malta and other training and academic institutions to develop executive educational programmes in the areas of statistics, economics, ICT, and management.

By means of these human resource initiatives, the Malta Statistics Authority is hopeful that commitment to the work place will grow and collective knowledge will eventually empower staff to develop greater analytical skills in their output.

Investment in Information Technology and Systems

For a National Statistical Institute to meet the criteria established by the European Statistical System, investment in sound information and data warehousing systems is required. From the beginning, the new MSA Board noted that the NSO has various data repository systems, but an integrated data

[8] European Commission website: The EU single market
http://ec.europa.eu/internal_market/top_layer/services/index_en.htm
[9] European Commission website: The EU single market
http://ec.europa.eu/internal_market/services/services-dir/index_en.htm
[10]http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:Services_producer_price_index_(SPPI)

warehouse is still not in place. Some units within the NSO still use spreadsheets in place of databases. Others make use of databases with limited querying facilities, while others use off-the-shelf packages such as SPSS.

By definition, a data warehouse has the capability of:

> *'Managing all available data of interest, enabling the NSI to (re)use this data to create new data/new outputs, to produce the necessary information and perform reporting and analysis, regardless of the data's source.[11]'*

Investment in this area is essential in order to reduce the possibility of error. Availability of data warehousing facilities would significantly reduce the incidence of error. Other advantages would be:

i. better-quality and more timely data;
ii. greater flexibility in data storage and exchange among relevant parties within the NSO;
iii. more capability to store, process and retrieve data;
iv. provision of traceability features;
v. facilitation of data sharing;
vi. better customisation of output.

The Malta Statistics Authority sees other benefits in ICT investment, such as the introduction of a framework for data governance and proper metadata management, while improving on existing confidentiality rules and data authentication and authorisation systems. The Authority recognises that such a project needs considerable foresight, planning and financial commitment, therefore requiring a cost-benefit analysis study. The Authority, together with the NSO, is seeking funds for carrying out a feasibility study for initiating work on this long-term project.

Additionally the Authority discerns the need for the NSO to introduce new internal ICT systems for further automation of statistical processes to eliminate the possibility of human error. At present, the majority of questionnaires that relate to business and economic statistics are paper-based; the online collection of primary data is limited to certain statistical enquiries. The current situation is that statisticians spend a considerable part of their working time in data inputting and cross-checking when their main focus should be on estimations and data analysis. The introduction of an appropriate ICT framework should bring about a culture change whereby statisticians are able to reduce the time spent in the acquisition of information and dedicate more attention to research and analysis.

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[11] Conference of European Statisticians, United Nations, October 2012
http://www.unece.org/fileadmin/DAM/stats/documents/ece/ces/ge.44/2012/mtg2/WP18.pdf

Conclusion

The MSA Board would like to thank the Hon. Edward Scicluna, Minister for Finance, for his continuous support of the Malta Statistics Authority and the NSO. Thanks are additionally due to the Permanent Secretary within the Ministry for Finance and the ministry staff for their co-operation and support. The MSA Board would like to acknowledge the useful work executed by its predecessors during their tenure.

Furthermore, the work and output of the Office during the year under review was made possible by the contribution of the government departments, entities, business enterprises, households and individuals that were forthcoming with their information. The Board is grateful to all these players for their co-operation and support.

The Board would also like to thank the Director General, directors and staff of the NSO who, throughout the year, worked hard to produce and disseminate statistical information in a timely and efficient manner. The MSA Board, in collaboration with the Office, is committed to strive towards higher quality measures as prescribed in the European Statistics Code of Practice.

Finally, in my first year at the helm of the Authority, I have valued enormously the advice, wide-ranging experience and work of my fellow Board members. I look forward to working with them in the year ahead.

Prof. Albert Leone Ganado
Chairman

The board of directors present their report and the Authority's audited financial statements for the year ended 31 December 2013.

Principal Activity
The Authority is responsible for the production of official statistics.

Review of Business

The Authority registered a surplus before tax of €46,081 for the year ended 31 December 2013 (2012: a deficit before tax of €81,605).

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 2013 are shown on page 16.

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.

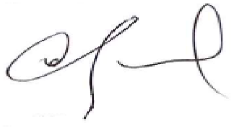
Events after the balance sheet date
No significant events occurred after the balance sheet date which requires mention in this report.

Disclosure of Information to the Auditors

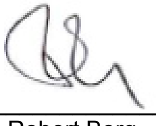
So far as each member of the board is aware, there is no relevant audit information of which the Authority's auditors are unaware. Each of the members has taken all the steps that he/she ought to have taken as a member in order to establish that the Authority's auditors are aware of any relevant information.

Directors
The present board members are to continue in office.

Approved by the board of directors and signed on its behalf on 29 January 2014 by:



Prof. Albert Leone Ganado
Chairman



Mr. Robert Borg
Director

Statement of Responsibilities of the Authority

The Authority is governed by a Board consisting 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 31 December 2013, 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 31 December 2013, 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.

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

29 January 2014

Income and Expenditure Account

	Notes	2013	2012
		€	€
Income	3	4,464,846	4,854,966
Expenditure		(4,419,282)	(4,936,740)
		45,564	(81,774)
Finance income	4	517	169
Surplus/(Deficit) before tax	5	**46,081**	**(81,605)**
Tax expense	6	-	(25)
Surplus/(Deficit) for the year		**46,081**	**(81,630)**

Statement of Financial Position

	Notes	2013	2012
		€	€
ASSETS			
Non - Current Assets			
Property, plant and equipment	7	306,117	398,798
Current Assets			
Inventories	8	48,422	54,836
Trade and other receivables	9	756,041	684,937
Cash and cash equivalents	10	272,175	249,857
		1,076,638	989,630
Total Assets		**1,382,755**	**1,388,428**
EQUITY AND LIABILITIES			
Retained funds		160,336	114,255
Non - Current Liabilities			
Deferred income	11	102,989	177,972
Current Liabilities			
Trade and other payables	12	1,119,430	1,096,201
Total Liabilities		**1,222,419**	**1,274,173**
Total Equity and Liabilities		**1,382,755**	**1,388,428**

The financial statements on pages 16 to 29 were approved by the Authority Board, authorised for issue on 29 January 2014 and signed on its behalf by:

Prof. Albert Leone Ganado
Chairman

Mr. Robert Borg
Director

Statement of Changes in Equity

	Retained funds
	€
Balance as at 31 December 2011	195,885
Deficit for the year	(81,630)
Balance as at 31 December 2012	**114,255**
Surplus for the year	46,081
Balance as at 31 December 2013	**160,336**

Statement of Cash Flows

	Notes	2013	2012
		€	**€**
Cash Flow from Operating Activities			
Surplus/(Deficit) before tax		46,081	(81,605)
Adjustments:			
Depreciation		103,096	106,386
Interest Income		(517)	(169)
Government Grant transferred to Income and Expenditure Account		(74,985)	(74,985)
Loss on disposal of Property, Plant and Equipment		-	-
		73,675	(50,373)
Decrease/(Increase) in Inventory		6,414	(5,902)
Increase in Receivables		(71,103)	(183,415)
Increase in Payables		23,232	283,172
Taxation paid		-	(25)
Net Cash Flow generated from Operating Activities		32,218	43,457
Cash Flow from Investing Activities			
Payments to acquire Property, Plant and Equipment		(10,416)	(36,546)
Interest received		517	169
Net Cash Flow used in Investing Activities		(9,899)	(36,377)
Net increase in cash and cash equivalents		22,319	7,080
Cash and cash equivalents at start of the year		249,856	242,777
Cash and cash equivalents at the end of the year	10	**272,175**	**249,857**

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 2013 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.

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.

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’.

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

	2013	2012
	€	€
Government subvention		
- direct: paid to Malta Statistics Authority	3,495,000	3,205,055
- indirect: expenses paid by the Ministry of Finance, the Economy and Investment	22,615	24,857
- programmes and initiatives	260,000	1,188,000
- refurbishment of premises paid by the Ministry of Finance, the Economy and Investment	30,006	10,001
Government grant	74,985	74,985
EU grant agreements	343,060	161,538
Sale of publications and surveys	167,698	129,500
Other income	71,482	61,030
	4,464,846	4,854,966

4. Finance income

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

	2013	2012
	€	€
Bank interest received	517	169

5. Surplus/(Deficit) before tax

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

	2013	2012
	€	€
Board members' remuneration	41,475	37,270
RPI Advisory Committee members' remuneration	9,290	9,830
Staff costs	3,725,718	3,265,533
Auditor's remuneration	833	833
Depreciation of property, plant and equipment	103,096	106,386
	3,880,412	3,419,852
Average number of employees	153	146

6. Tax expense

	2013	2012
	€	€
Malta income tax:		
Final withholding tax at 15%	-	25

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 2013	225,908	657,449	419,307	199,718	40,384	1,542,766
Additions	-	-	2,773	7,642	-	10,415
Disposals	-	-	-	-	-	-
At 31 December 2013	225,908	657,449	422,080	207,360	40,384	1,553,181
Depreciation						
At 1 January 2013	56,104	498,451	382,203	166,826	40,384	1,143,968
Charge for the year	4,518	75,355	11,096	12,127	-	103,096
Disposals	-	-	-	-	-	-
At 31 December 2013	60,622	573,806	393,299	178,953	40,384	1,247,064
At 31 December 2012	169,804	158,998	37,104	32,892	-	398,798
At 31 December 2013	165,286	83,643	28,781	28,407	-	306,117

8. Inventories

	2013	2012
	€	€
Books and publications	32,191	38,821
Stationery	16,231	16,015
	48,422	**54,836**

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

9. Trade and other receivables

	2013	2012
	€	€
Trade receivables	67,537	21,788
Accrued income	665,766	640,854
Financial assets	**733,303**	**662,642**
Prepayments	22,738	22,295
Trade and other receivables	**756,041**	**684,937**

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:

	2013	2012
	€	€
Not more than 1 month	53,033	21,014
More than 1 month but not more than 3 months	10,012	705
More than 3 months but not more than 6 months	4,492	69
	67,537	**21,788**

10. Cash and cash equivalents

Cash and cash equivalents include the following components:

	2013	2012
	€	€
Cash at bank	272,175	249,857
Cash and cash equivalents in the statement of financial position and statement of cash flows	**272,175**	**249,857**

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

11. Deferred income

	2013	2012
	€	€
Government grants		
At 1 January	252,957	327,942
Amount transferred to income and expenditure account	(74,985)	(74,985)
Additions	-	-
Disposals	-	-
At 31 December	**177,972**	**252,957**
Comprising:		
Current deferred income	**74,985**	**74,985**
Non-current deferred income		
Between two and five years	88,308	88,310
After more than five years	14,681	89,662
	102,989	**177,972**

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 2013	757,001	77,943	834,944
Additions	-	-	-
Disposals	-	-	-
At 31 December 2013	757,001	77,943	834,944
Amortisation			
At 1 January 2013	504,044	77,943	581,987
Amounts transferred to income and expenditure	74,985	-	74,985
At 31 December 2013	579,029	77,943	656,972
Balance			
At 31 December 2012	**252,957**	**-**	**252,957**
At 31 December 2013	**177,972**	-	**177,972**

12. Trade and other payables

	2013 €	2012 €
Trade payables	175,482	143,017
Accrued expenses	686,435	653,592
Financial liabilities	**861,917**	**796,609**
Deferred income from Government grants	74,985	74,985
Other deferred income	170,822	213,872
Other payables	11,706	10,735
Trade and other payables - current	**1,119,430**	**1,096,201**

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.

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	2013	2012
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	9	756,041	684,937
Cash and cash equivalents	10	272,175	249,857
		1,028,216	934,794

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:

	2013	2012
	€	€
Current assets		
Loans and receivables:		
- Trade and other receivables	756,041	684,937
- Cash and cash equivalents	272,175	249,857
	1,028,216	**934,794**
Current liabilities		
Financial liabilities measured at amortised cost:		
- Trade and other payables	**1,119,430**	**1,096,201**

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

	2013	2012
	€	€
Expenditure		
Air Conditioning Running Costs	440	1,288
Allowances	36,757	27,644
Auditors' remuneration	833	833
Bank interest and charges	443	331
Board members' remuneration	41,475	37,270
Cleaning expenses	29,510	30,660
Computer maintenance costs	-	655
Conference expenditure	588	-
Depreciation	103,096	106,386
General expenses	1,630	1,089
Hire of equipment	5,884	5,679
Hospitality and entertainment	2,232	1,399
Insurance fees	4,193	3,872
IT Support – paid by Ministry	1,834	2,696
Legal and professional fees	3,727	6,905
Licences, memberships and subscriptions	33,339	41,565
Medical services	1,399	1,810
Motor vehicle running expenses	7,055	11,595
Postage and couriers	21,010	28,703
Printing and stationery fees	35,841	31,565
Publicity fees	3,207	1,866
Rental fees	18,968	19,585
Repairs and maintenance	34,431	41,472
RPI Advisory Committee members' remuneration	9,290	9,830
Salaries	3,725,718	3,265,533
Surveys and interviews (Note A)	121,137	1,061,951
Training costs	3,088	5,384
Telecommunication costs	19,307	27,515
Transport fees	-	989
Travelling expenses	114,132	120,637
Uniforms expenses	5,014	3,383
Water and electricity fees	33,704	36,650
	4,419,282	**4,936,740**

Note A: In 2012, this expense included the salaries related to census which is performed every ten years amounting to €936,000.

MALTA

MINISTERU GĦALL-FINANZI MINISTRY FOR FINANCE

21 January 2014

Director General

National Statistics Office

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

Reference is made to the amount of €649,124, due by the National Statistics Office representing the sum accruing as at 31st December 2013, 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.

Alfred Camilleri

Permanent Secretary

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