



EDP Consolidated Inventory of sources and methods

Methodology for the compilation of the
Excessive Deficit Procedure for Malta

Compiled by the
Government Finance Unit
Economic Statistics Division

October 2008

Published by the
National Statistics Office
Lascaris
Valletta VLT 2000
Malta
Tel.: (+356) 25 99 70 00
Fax:(+356) 25 99 72 05 / 25 99 71 03
e-mail: nso@gov.mt
website: <http://www.nso.gov.mt>

CIP Data

EDP Consolidated Inventory of sources and methods. – Valletta: National Statistics Office, 2008
vi, 34p.

ISBN: 978-99909-73-68-6 (print)
978-99909-73-69-3 (online)

For further information, please contact:

Government Finance Unit
Economic Statistics Division
National Statistics Office
Lascaris
Valletta VLT 2000
Malta
Tel: (+356) 2599 7240
Fax: (+356) 2599 7256

Our publications are available from:

The Data Shop
National Statistics Office
Lascaris
Valletta VLT 2000
Tel.: (+356) 25 99 72 19
Fax: (+356) 25 99 72 05

Department of Information
3 Castille Place
Valletta VLT 2000
Tel.: (+356) 21 25 05 50
Fax: (+356) 21 23 71 70

Foreword

The Excessive Deficit Procedure (EDP) Consolidated Inventory is a description of sources and methods that are used in the EDP notifications. This document refers to the National Statistics Office's biannual EDP notifications prior to 1st April and 1st October each year. This inventory sheds light on the compilation of the Government's deficit and debt levels.

Following a first publication in respect of the April 2008 edition, the NSO is hereby publishing an update which takes into account the revised methodology relating to the recording of the main tax revenues.

My appreciation goes to Michael Pace Ross, Director (Economic Statistics Division) and to the Government Finance Unit staff: Joseph Bonello, Mark Galea, Katya Scicluna Bartoli, Claire Grima and Clyde Caruana.

Reno Camilleri
Acting Director General

October 2008

CONTENTS

	Page
Foreword	iii
1. Delimitation of General Government	1
2. Central Government data	2
2.1 Availability and use of data sources	2
2.2 Data treatment	8
3. State Government	11
4. Local Government	12
4.1 Availability and use of data sources	12
4.2 Data treatment	16
5. Social Security Funds	18
6. Actual data on government debt	19
6.1 Half-finalised and finalised data	19
6.2 Data for the current year notified in April	21
7. Special issues	24
7.1 Long-term contracts between Government and Private Entities	24
7.2 Long-term contracts for military equipment	25
7.3 Pension Schemes	26
7.4 Guarantees	28
General Notes	29
Annex 1	31

1. Delimitation of General Government

The delimitation exercise is an exercise carried out by the National Statistics Office (NSO) with the cooperation of the Ministry of Finance and the input of the Central Bank of Malta. Discussions are held between the Ministry of Finance (MFIN) (specifically the Budget Office and the Treasury) and the NSO whenever a new entity is set up, and where substantial funding level changes are involved. Any entities which are so identified are then examined in considerable detail based on a specifically designed template to determine its sector delineation. The main criterion for sector delimitation is the 50% rule although other issues, such as control and ownership, are also taken into account.

Any borderline cases are revisited regularly, and appropriate decisions taken as necessary.

Since the result is determined based on the observations from a number of years, there is no difference in the treatment for the April (n) and October (n) notifications.

The Ministry of Finance compiles data for the budgetary central government (BCG) for year n. However the Ministry of Finance is aware of the local delimitation issues (as explained above) and of all the components which make up the General Government sector.

Annex 1 contains a list of units classified within the General Government sector.

2. Central Government data

This section describes the availability and use of main data sources for the Central Government sub-sector (S.1311) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half-finalised, finalised and current data, and the process of revision of data.

2.1 Availability and use of data sources

2.1.1 Data sources for Central Government main unit: “The State”

- 1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 1 – Source Data Accounting ¹

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
C	(1) Current revenue and expenditure	A/U	A/U	A/U	A/U
C	(2) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C	(3) Current and capital revenue and expenditure and financial transactions	A/U	A/U	A/U	A/U
C	(4) Balance sheets	A/U	A/U	A/U	A/U
	Detailed				
C	(5) Current revenue and expenditure	A/U	A/U	A/U	A/U
C	(6) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C	(7) Current and capital revenue and expenditure and financial transactions	A/U	A/U	A/U	A/U
C	(8) Balance sheets	A/U	A/U	A/U	A/U
	 Financial Statements				
C	(9) Profit and loss accounts	A/U	A/U	A/U	A/U
C	(10) Balance sheets	A/U	A/U	A/U	A/U
	 Other Reporting				
A	(11) Statistical surveys *	A/U	A/U	A/U	A/U
NA/NU	(12) Other	NA/NU	NA/NU	NA/NU	NA/NU

* Used to determine the accruals adjustments

- 1b) **Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.**

¹ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

Such an occurrence is not possible.

1c) Complementary codification at data source, by counterpart sector

Only primary data is used for the compilation of the EDP notification. Counterpart information is only used in the compilation of financial accounts for general government in order to determine the counterpart sector of the financial instruments.

1d) Complementary information of other units/departments that are not reflected in the Budget Reporting, when compiling ESA95 accounts

This is not normally the case because all the Treasury accounts are coded in ESA 95.

1e) Consistency of classifications used in the Budget Reporting of “the State” and in the Budget Reporting of other General Government entities

Classifications are harmonised across the whole sector.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The NSO has online access, as necessary, to the basic source of the statements, in terms of the Malta Statistics Authority Act 2000.

1g) Nature of the data sources – cash, accrual or mixed

See Table 1

1h) Circumstances in which data available from basic sources is consolidated

When the transactions are known to be intra-sectoral, this data is consolidated.

1i) Changes in the accounting rules foreseen in the near future (if any)

As explained in more detail under 2.2.1b, as from 2005 the NSO has been granted access to accruals data for all the components of the budgetary central government.

2.1.2 Data sources for Central Government: Other entities / other central government bodies (please detail)

These are the extra-budgetary units which are listed under Annex 1.

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 – Source Data Accounting

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
A	(1) Current revenue and expenditure	A/U	A/U	A/U	A/U
A	(2) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
A	(3) Current and capital revenue and expenditure and financial transactions	A/U	A/U	A/U	A/U
A	(4) Balance sheets	A/U	A/U	A/U	A/U
	Detailed				
A	(5) Current revenue and expenditure	NA/NU	A/U	A/U	A/U
A	(6) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
A	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
A	(8) Balance sheets	NA/NU	A/U	A/U	A/U
	 Financial Statements				
A	(9) Profit and loss accounts	NA/NU	A/U	A/U	A/U
A	(10) Balance sheets	NA/NU	A/U	A/U	A/U
	 Other Reporting				
A	(11) Statistical surveys *	A/U	A/U	A/U	A/U
NA/NU	(12) Other	NA/NU	NA/NU	NA/NU	NA/NU

*Used to capture the data for year n-1 (April notification), and for year n, as necessary.

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit

Such an occurrence is not possible.

2c) Complementary codification at data source, by counterpart sector

As far as the EBUs are concerned, only primary information is used.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts

This is not normally the case but if necessary, any relevant information is asked (as required) from each individual entity. Such information is usually readily supplied.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units in other sub-sectors of General Government

Since the NSO is responsible for all the coding (with the full support of the Treasury), there is complete harmonisation of codes across all the components of General Government.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

As far as the extra-budgetary units are concerned, the NSO deals directly with each individual entity; i.e. data are received first hand and not through the Ministry of Finance or through the Central Bank. It must be stressed that the Ministry of Finance does insist with the EBUs that they are to comply with NSO's requests for data.

2g) Nature of the data sources – cash, accrual or mixed

See Table 2.

2h) Circumstances in which data available from basic sources is consolidated

If data refer to intra-sectoral transactions they are consolidated. This is the case for capital and current transfers and for interest payments.

2i) Changes in the accounting rules foreseen in the near future (if any)

No major changes to the accounting rules governing the Extra-Budgetary Units are envisaged in the near future.

2.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the current year in the first notification.

As far as Central Government data is concerned, this is made available to the NSO in real time. By the April notification, data for the current year (n-1) may be considered final.

On the other hand, some of the EBUs have a financial year ending 30th September. In this case the annual financial statements for year n-1 may not be ready by the time of the first notification. Naturally, for the EBUs that have a financial year ending 31st December, their accounts will also not be ready in time for the first notification. The data in this case are taken from questionnaires.

ii) Data sources specifically used in the context of the first notification

The following data sources are used in the context of the first (April) notification:

Central Government Accounts:

- *Financial Reports;*
- *DAS (Departmental Accounting System) for n-1. This database includes all the transactions of Central Government and is available in real time;*
- *Financial Estimates, which are presented at the time of the budget (normally quarter 4) and provide a comprehensive set of estimates covering the consolidated fund of Central Government for year n;*
- *Surveys carried out by the Treasury (to cover accruals adjustments). These surveys do not cover taxes and social contributions (refer to 2.2.1b).*

Extra Budgetary units classified under sub-sector S.1311:

- *Financial Statements:*
Where available these are the main source of data. These annual statements are audited. Some units also provide forecasts and budget estimates which are most useful in getting information on years n-1 and n.
- *Questionnaires:*
The main sources of data for the first notification are the questionnaires which are sent to all units. The dedicated questionnaire provides data for the years n-1 and n.

iii) Estimation methods that may be used in the context of the first notification and their importance in the central budget and for other units included in Central Government

- **For budgetary central government**
As explained earlier, the degree of estimation for central government is limited to year n. All other data may be considered as taken from a direct source. Even in this case, the estimation is limited to taking data from the official financial estimates as presented with the budget for year n.

- **For other units included in Central Government**

These estimates are drawn up from the returns to the questionnaires sent by NSO to all the units. No non-response is allowed for the major units, and therefore any estimation is by definition limited.

2.1.4 Auditing Process

I) Working balances of Central Government that were submitted to an auditing process

The accounts of the Budgetary Central Government are reviewed by the Auditor General. The final set of data is available for year n-1 by the time of the October notification of year n. However, normally, only minor revisions are effected to the preliminary n-1 data presented in the April notification. For the time being all the accounts of the Budgetary Central Government are cash-based; and an accruals adjustment is carried out as detailed further on in this document.

The other components of Central Government (S.1311) are the entities termed as Extra-Budgetary Units. These are the entities (non-market producers, owned and supported by government) which have been classified as falling within this sub-sector. These institutional units are legally required to prepare an annual set of audited accounts. The NSO has the facility to download these accounts from the website of the financial regulator (MFSA - Malta Financial Services Authority).

The final (annual) audited accounts are normally available to the NSO for year n-1 by the time of the October notification. This shortfall is made up through the use of a specific questionnaire, which is received from all the Extra-Budgetary Units.

The accounting system of the Extra-Budgetary Units is accruals-based.

II) Incorporation of the findings of the auditing process in the national accounts

The audited accounts make up the basic source of data for all the sub-sectors of government. Until a full set of audited financial statements is available, NSO does not consider the data to be final because, in the absence of audited statements, the data would be based on questionnaires and/or internal estimates.

The accounts of the Budgetary Central Government are audited and made available with the annual Financial Report in the second calendar quarter. (The NSO still has direct online access to the data at all times).

2.2 Data treatment

2.2.1 Half-finalised and finalised data

a) Financial transactions that may be included in the public accounts of Central Government and are excluded in notification table 2

The source of all transactions carried out within Central Government (excluding EBUs) is the Financial Report, which is compiled from the Treasury's accounting system. Hence, no financial transactions that may be included in the Public Accounts of Central Government can be excluded from Notification Table 2. Adjustments are made in view of the fact that some transactions are reported as non-financial in public accounts whereas they should actually be treated as financial transactions for EDP purposes.

b) Information and method(s) used for the adjustment cash/accrual for items other than interest

The data for Central Government are intrinsically based on the Government's cash accounting standards.

At the beginning of 2005, the Treasury launched an exercise across the Budgetary Central Government to capture accruals data. This was the result of a structured plan through which all the accounting officers were given specific training on the correct compliance with this initiative.

Indeed the Treasury Department has developed a database, and all the entities of Central Government are required to provide quarterly accruals data. This information is monitored by the Accounting Methodology and Compliance Unit at the Treasury. The standards used are the Malta Government Accounting Standards, which in turn are based on the International Public Sector Accounting Standards. Consistency across the whole Budgetary Central Government sub-sector is thus ensured.

The National Statistics Office has online (read only) access to this database and uses the accrual figures in order to adjust the cash data as necessary.

As far as the data covering the Extra-Budgetary Units (EBUs) forming part of Central Government are concerned, this is captured from the financial reports of the individual organizations. Surveys carried out by the National Statistics Office, covering all the EBUs (listed in Annex 1), complement the data of the financial reports. Since the financial reports of these EBUs are a priori accruals-based, there is no need for further adjustment in this respect.

As noted in the previous version of this document (general note – page 30), the NSO has implemented the revisions necessary for the adoption of Council Regulation 2516/2000 (recording of taxes and social contributions). This revision is effective from the October 2008 Notification. Revenue from taxes and social contributions is now time-adjusted cash. Based on Eurostat advice, NSO has undertaken a study to

see what the results would be for different time-lags. Following this exercise, Eurostat approved time-adjustment of $t+1$ for VAT and $t+2$ for income taxes and social contributions. For the time being, the revision has been made for the years 2004 to date. The revisions covering the years 1995-2003 will be done at the time of the next GDP benchmark revision, scheduled for 2010.

c) Sources and methods used for the calculation of interest on an accrual basis

As described under 2.2.1b above, the EBU's draw up their accounting records on an accruals-based methodology. For the Central Government, the Treasury Department looks at the list of outstanding Treasury Bills and Malta Government Stocks, and interest on foreign borrowing. Each individual tranche is analysed to determine the amount of interest due at end of the reference year. The data are aggregated to reflect the total interest payable as at 31st December. The same is done for interest receivable.

A detailed breakdown of this analysis is typically included (in an annex) with Malta's EDP submission document.

d) Information on other accounts receivable/payable that may be provided in public accounts data

The accrued income and expenditure resulting from the exercise described under 2.2.1b is recorded here.

e) Sources and method(s) for the adjustment related to units classified within or outside central government

This is not applicable for Malta: the full accounts of the units falling within Central Government are analysed and consolidated within the sub-sector.

f) Other adjustments regularly implemented

The adjustment of the Central Bank profit transferred to Government is dealt with in the 'Other financial transactions' of Notification Table 2. 'Other adjustments' regularly include the following:

- Non-financial transactions in the Treasury Clearance Fund (Deposit Account);
- Non-financial transactions in the Treasury Clearance Fund (Advance Account);
- Treasury Clearance Fund flows in respect of unallocated stores;
- Loan or investment write-offs (if any);

g) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations, capital injection into public corporations, payments from the central bank

All these transactions are identifiable in the public accounts and all financial transactions are reported in the annual Financial Report, which is published by the Treasury. Although the final published version is normally available during quarter two, the EDP task force has adequate pre-information on these financial transactions.

The EDP task force is provided with the information on any privatisation issues.

2.2.2 Revision process

Steps in the revision process of data, for the State and for other units included in central government, after the first notification

- ***for central budget***
While no significant changes are envisaged to the central government data (as far as the Government Departments are concerned) for year n-1, data for year n is updated to reflect the actual performance during the first half of the year.
- ***for other units included in Central Government***
For the October notification, practically all the audited financial statements covering year n-1 become available; and this data replaces the estimates submitted in the first notification. At the same time the estimates for year n are updated as necessary.

3. State Government

Not applicable for Malta.

4. Local Government

This section describes the availability and use of main data sources for the Local Government sub-sector (S.1313) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half-finalised, finalised and current data, and the process of revision of data.

4.1 Availability and use of data sources

4.1.1 Data sources for Local Government main units: municipalities, localities

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

In Malta this sub-sector encompasses the 68 Local Councils

Table 3 – Source Data Accounting ²

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
NA/NU	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
NA/NU	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
NA/NU	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
NA/NU	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
A	(5) Current revenue and expenditure	NA/NU	A/U	A/U	A/U
A	(6) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
A	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
A	(8) Balance sheets	NA/NU	A/U	A/U	A/U
	 Financial Statements				
A	(9) Profit and loss accounts	NA/NU	A/U	A/U	A/U
A	(10) Balance sheets	NA/NU	A/U	A/U	A/U
	 Other Reporting				
NA/NU	(11) Statistical surveys	NA/NU	NA/NU	NA/NU	NA/NU
NA/NU	(12) Other *	NA/NU	NA/NU	NA/NU	NA/NU

* The financial data for year n (April and October notification), and for year n-1 (April) is arrived at by using the MFIN's budget allocation as a benchmark.

² A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit

Such a state of affairs is not possible because each Local Council produces its own individual financial statements and a full set of annual audited accounts.

1c) Complementary codification at data source, by counterpart sector

The COFOG classification of expenditure is harmonised across the General Government sector. As far as counterpart information is concerned, NSO has availability of data both from the part of Central Government (as regards transfers), and from the Central Bank (as regards financial transactions).

1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts

This is not normally the case because the audited accounts forwarded to the NSO are usually quite detailed.

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units

There is consistency between classifications.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The basic data (audited accounts) are submitted directly to the NSO. (The Local Councils are required by law to forward an audited financial report to the Department of Local Councils. NSO has explained to the councils its requirement for data and the councils submit a full set of audited accounts to the NSO as soon as such accounts become available).

The data for year n (April and October), and for year n-1 (April) is arrived at by using the MFIN's budget allocation as a benchmark. Since the local councils are not allowed by law to raise taxes, and they depend mostly on the budget allocation for their respective funds, these estimates are considered reliable. As soon as the audited statements are available, the estimates are updated accordingly.

1g) Nature of the data sources – cash, accrual or mixed

See Table 3.

1h) Circumstances in which data available from basic sources is consolidated

There are no circumstances where basic source data (for Local Councils) are consolidated.

1i) Changes in the accounting rules foreseen in the near future (if any)

No changes to the accounting rules of the Local Councils are foreseen in the near future.

4.1.2 Data sources for Local Government: Local Government bodies / non-profit institutions

Not applicable for Malta.

4.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the current year in the first notification

The data covering current year n-1 and year n are based on estimates, which in turn are worked out on the actual outturn as reported in the audited financial statements up to year n-2. The year n-1 figures are then adjusted based on the total value of subvention transferred (to the Local Councils) from the consolidated fund of central government.

ii) Data sources specifically used in the context of the first notification

As specified under 4.1.3a above, the financial reports up to year n-2 are used. These are available for all the individual Local Councils (68 in total). The actual and projected transfers from Central Government's consolidated fund are taken from the Government's Financial Report and from the Financial Estimates.

iii) Estimation methods that may be used in the context of the first notification

There are two basic estimations which are done to the data covering the Local Government.

- *Although the financial year of the local councils ends on 31st March, NSO has assumed that the accounts cover the calendar year where the nine months occur;*
- *The second estimation covers the years n and n-1. The actual audited accounts for these years are not available by the time of the first notification. Since the local councils in Malta are basically financed*

through a subvention passed over from Central Government's consolidated fund, NSO uses as benchmark the amount of the Government's subvention for n-2 and estimates new figures for n-1 and n based on the subventions (actual and planned) during the specific years.

4.1.4 [Auditing Process]

I) Working balances of Local Government that were submitted to an auditing process.

Local Government (S.1313) is made up of 68 Local Councils (as listed in Annex 1b). These local councils are also individually required to draw up annual audited accounts. Following the setting up of the necessary institutional arrangements, each local council forwards a set of audited accounts to the NSO as soon as this is available, usually in time to cover the year n-1 of the October notification.

Since the local councils are primarily funded through government funds (they are not allowed by law to raise taxes), NSO estimates the missing data (for year n and for year n-1 of the April submission), based on the approved budget allocations. Such estimates have, in the past, been reasonably accurate.

II) Incorporation of the findings of the auditing process in the national accounts

When available, the audited accounts make up the basic source of data for all the sub-sectors of government. Until a full set of audited financial statements is available, NSO does not consider the data to be final because in the absence of audited statements the data would be based on questionnaires and/or internal estimates. However, normally as soon as the actual data are received, this is integrated into the system of ESA accounts.

According to local legislation, all registered institutional units are required to present audited financial statements to the MFSA (the local financial regulator). Then NSO has the facility to download these statements from the MFSA website. The Local Councils are required by law to present their audited accounts to the Department of Local Councils. The Government Finance Unit has an agreement with all the Local Councils whereby a separate copy is concurrently sent to the NSO. As a result of these institutional arrangements, the accounts used by the NSO, for the years n-2 and n-3 (for all the components of General Government), are normally audited statements. The n-1 data in the October notification are normally taken from audited statements. Data for year n are taken from the specific questionnaires, or from budget estimates. However, as soon as audited data are available, these replace the provisional data.

4.2 Data treatment

4.2.1 Half finalised and finalised data

a) Original source of data used as a starting step

In Malta this sub-sector encompasses the Local Councils. The primary source of data covering this sub-sector is made up of the respective annual financial reports. These are compiled individually, are audited and cover their financial year which ends on 31st March. NSO considers these annual financial statements to cover the calendar year ended the previous 31st December. In this way for example, we consider the annual accounts for financial year ending 31st March 2008, to cover calendar year 2007.

b) Financial transactions that may be included in the public accounts of local Government and are excluded in notification table 2

Up till now NSO never come across any financial transactions in the public accounts of local government which are to be excluded in notification table 2.

c) Information and the method (s) used for the adjustment cash/accrual for items other than interest

As explained under item 4.2.1a the data is sourced from audited financial reports, which are drawn up under the accruals based principle. For this sub-sector therefore no cash/accrual adjustments for revenue or expenditure are necessary.

d) Sources and methods used for the calculation of interest on an accrual basis

See item 2.2.1c (primary source of data is already accruals based).

e) Information on other accounts receivable/payable that may be provided in the data sources

See item 2.2.1c (primary source of data is already accruals based).

f) Sources and method (s) for the adjustment related to units classified within or outside local Government

Only the Local Councils are classified within the local government sub-sector. This list is therefore invariable (unless new Local Councils are created by an Act of Parliament), and exclusive. No adjustments are necessary because all the Extra-Budgetary Units (EBUs) classified within sector S.13 are recorded

under the Central Government (S.1311) sub-sector. In other words no Local Council has ever set up an independent institutional unit.

g) Other adjustments regularly implemented

Not applicable.

h) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations and capital injection into public corporations owned by local Government

Not applicable.

4.2.2 Revision process

Steps in the revision process of data, after the first notification

As far as sub-sector S.1313 (Local Government) is concerned, the basic source of information is through the respective financial statements. As indicated earlier (under 4.2.1a), the financial year ends on 31st March. While the financial reports for year n-1 are not available for the first notification, these are at hand and analysed by the time of the second notification.

5. Social Security Funds

Not applicable for Malta.

6. Actual data on government debt

6.1 Half-finalised and finalised data

- a) **Adjustments to the data sources that may be needed in order to value debt according to the specific EDP rules for each government sub-sector**

Central Government

The starting point for the debt position in notification table 1 (pre-consolidation) is taken from the most recently available data at Treasury (Financial Report not yet published). At the time of the first notification, this covers year n-1 and n-2. This data is consolidated between the various funds of Government. Data for year n-1 are taken from the records of the Treasury (Debt Management Section). The data for year n are then arrived at by adding the projected deficit for year n to the closing debt position of year n-1, less the financing items.

Extra-Budgetary Units classified under S.1311 sub-sector

The debt position for this sub-sector is taken from the financial reports of the different entities. Each individual account is analysed, and a full sequence of accounts (up till the financial account) is drawn up. This constitutes the basic source of debt for this category. In order to fill any gaps (especially for the years n and n-1 where the financial reports may not be available), NSO uses the data from the questionnaire sent to these units.

Local Government

The full sequence of accounts (up till the financial account) is drawn up for Local Councils, using their individual accounts as the source. The debt position is taken from this source. The only adjustment done is to arrive at an estimation for n and n-1 for the first notification. By the time of the second notification, n-1 data will be considered final.

Local Councils are not allowed to take out loans from any financial institution without the prior written consent of the Minister responsible for Local Councils.

- b) **Sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions)**
- ***at the level of each government sub-sector (intra-flows and positions)***

S.1311

Central Government

a. *Loans taken*

Most of the debt for this sub-sector is denominated in national currency. The loans denominated in foreign currency are revalued at the end of the year based on the opening middle exchange rate applicable on the last working day of the year.

b. *Loans granted*

All the loans granted by Central Government are denominated in the national currency. Other financial instruments are denominated in the national currency.

Extra Budgetary units classified under S.1311 sub-sector

Loans taken and granted.

The loan (cash and other instruments) positions (taken and granted) are taken from the financial statements.

The dedicated questionnaire asks specifically for the loan position as at 31st December. These data are used for the compilation of debt for this sub-sector for the years n and n-1.

Consolidation within the sub-sector

The NSO ensures that it has available full counter-party information on loan positions. Debt is then consolidated across the sub-sector.

S.1313

Local Government

Local Councils are encouraged by Central Government not to enter into any loan agreement, therefore the aggregate debt figure for this sub-sector is insignificant.

▪ ***at the level of general government sector (inter-flows and positions)***

After consolidation at the level of each government sub-sector, the debt positions are also consolidated at the level of General Government sector, but in this case any consolidation is negligible.

c) **Use of financial accounts for the implementation of notification table 3 concerning assets and other liabilities**

The NSO has drawn up the financial accounts for the local councils and for the Extra-Budgetary Units classified within the S.1311 sub-sector. The differences between the financial and capital account are duly noted in the Notification Table 3. It is to be noted that whenever complete statements were available, it was possible to achieve a good level of consistency between the two accounts. However, when the financial

accounts were drawn up on estimates, discrepancies were observed. In case of discrepancy, it is assumed that the net lending/net borrowing (B9) from the Capital Account is the correct figure.

The NSO has compiled the full set of financial accounts for the General Government sector, starting from 2003. This compilation has been used to compile the Notification Table 3.

- d) Sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector**

Data are normally available at nominal value. Where necessary, Central Bank of Malta and the Treasury supplement the data.

- e) Sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector**

Financial Statements are used for any adjustments.

6.2 Data for the current year notified in April

- a) Data sources that may be used specifically in the context of the first notification**

Data sources:

S.1311

Central Government

The following Data Sources for Central Government are used in the context of the first notification:

DAS (Departmental Accounting System)

This is available online to the NSO. Data is cash based and is available in real time.

Questionnaires on Accruals

This exercise is conducted by the Treasury and covers all components of budgetary central government (government departments and ministries).

Extra Budgetary Units classified under S.1311 sub-sector

- **Financial Reports:**
Where available these have been the main source of data. These are normally annual and are audited.
- **Questionnaires:**
Since not all Extra-Budgetary Units have financial reports and also to provide data for year n and n-1, the NSO sends a dedicated questionnaire to all the units classified under S.1311.

S.1313

Local Government

- **Financial Reports:**
All the Local Councils draw up a set of annual accounts. These are audited and are sent to NSO through the Department of Local Councils.

b) Estimation methods that may be used in the context of the first notification

Estimation methods

S.1311

Central Government

The financial data for Budgetary Central Government is cash-based. The past data is then adjusted for accruals as detailed under 2.2.1.

Data for year n are taken from the budget estimates drawn up by the Ministry of Finance (Budget Office).

Extra-Budgetary Units classified under S.1311

The data taken from the audited accounts are considered as final. If audited accounts are not yet available, the information gap is filled in through the use of dedicated questionnaires which are sent to all institutional units classified within the general government sector.

S.1313

Local Government

The data for local government is taken from the last available accounts (at the time of the April notification covering year n-2); therefore we need to estimate the data for years n and n-1. Since local councils in Malta are basically financed through a subvention transferred from Central Government, NSO uses as a benchmark the amount of the Government's subvention for n-2 and estimates new figures for n and n-1 based on the subventions (actual and planned) during the specific years.

c) Steps in the revision process of data, after the first notification

By the time of the second notification, the final audited accounts for the year $n-1$ become available. Therefore for the October notification, the data for year $n-1$ is revised as necessary, and the estimate for year n is updated.

7. Specific issues

7.1 Long-Term Contracts between Government and Private Entities

7.1.1 Identification and data sources of long-term contracts between Government and Private Entities (PPPs)

During the course of 2007, Government entered into a project aimed at setting up a PPP agreement which will cater for the setting up and operation of a home for the elderly. Government made available to the NSO a copy of the legal texts covering this project.

7.1.2 Alternative data sources in cases of lack of comprehensiveness or reliability

Since NSO has access to direct information, no alternative sources are required.

7.1.3 Terminology used for PPPs in the national language(s) and correspondence in English

These are referred to as Private Public Partnerships in official texts.

7.1.4 Agency, organization, or association dealing specifically with PPPs

The PPP Unit within the Ministry of Finance is the competent authority having responsibility for the furthering of the PPP process generally, and more specifically, for the development of an environment that facilitates the emergence of suitable PPP projects. It was set up in 2005 with a view to disseminating the PPP process across the public sector.

7.1.5 Legal instruments, including laws, regulations, or decrees, governing or regulating PPPs

Malta has not put in place specific legal instruments that govern the application of PPPs. The relevant provisions of the Public Contract Regulations, 2005, particularly those regulating the 'competitive dialogue' procedure and 'negotiated' procedure, are resorted to.

7.2 Long-term contracts for military equipment

7.2.1 Contracts used by military forces for the procurement of equipment:

The budget allocation of capital for the procurement of equipment is insignificant.

As a rule, the procurement process follows the standard procedures set out by the Ministry of Finance. These include the use of a public call for tenders and the setting up of an adjudicating board. Military equipment, such as weapons, certain vehicles, etc, are procured directly from the manufacturer/supplier, with prior financial approval, due to the fact that such equipment is of a proprietary nature.

Payment terms vary from one supplier or contractor to another.

The Armed Forces of Malta (AFM) does not make use of long-term rental contracts, and international special agencies are not normally used.

There are no Maltese government units engaged in the production of military equipment.

7.2.2 Borderline cases regarding the classification of some goods as military goods or as other equipment used by military forces

There are no borderline cases in Malta.

7.2.3 Recording of the impact on government expenditure from the above-mentioned contracts

Transactions covering procurement of military equipment are recorded on a cash basis, i.e. when the actual settlements are made. This is consistent with the treatment of other central government expenditure.

7.2.4 Available information for the treatment of the above-mentioned contracts in national accounts

All financial information relating to the transactions in the above mentioned contracts is made available to the National Accounts compilers (through the centralised Departmental Accounting System).

7.3 Pension Schemes

7.3.1 Definition of pensions

The following codes are applicable to classification of coverage of pension schemes:

- | | |
|--|----------------|
| 1) disability pensions | (disability) |
| 2) early retirement benefits due to reduced capacity to work | (disability) |
| 3) old age pensions | (old age) |
| 4) anticipated old age pensions | (old age) |
| 5) partial pensions | (old age) |
| 6) survivors' pensions | (survivors) |
| 7) early retirement benefits for labour market reasons | (unemployment) |

Malta does not have a Social Security Fund. Social benefits are administered mainly by the Ministry for Social Policy and are financed through the Consolidated Fund.

7.3.2 Classification of pension schemes

The following table lists pension schemes in Malta. The key to the "Coverage" numbers can be found in section 7.3.1 above, and the key for "Scheme" can be found beneath the table.

#	Scheme name	Coverage	Scheme
1	Contributory Social Security Benefits	1,2,3,6	A
2	Non-Contributory Social Security Benefits	1,3	E
3	Other Pensions	1,3,4,6	A
4	MDD/MSCL Voluntary Retirement Scheme	7	E

The key codes for "Scheme" above are as follows:

- A. social security schemes;*
- B. private funded schemes administered by insurance companies or autonomous pension funds;*
- C. private funded schemes operated by employers, which maintain special reserves (segregated from other reserves);*
- D. private unfunded schemes operated by employers (without special reserves);*
- E. social assistance;*
- F. other insurance.*

Categories B and C together are defined as ‘private funded schemes’. Schemes of category C can also be defined as ‘non-autonomous pension funds’. Categories C and D together are usually referred to as ‘non-autonomous employers’ schemes’.

7.3.3 Classification of social insurance pension schemes

The social insurance pension schemes cover all the gainfully occupied persons in Malta. Maltese civil servants employed before 1979 benefit from an ex-service pension over and above the statutory contributory social security pension. In the ESSPROS programme this has been classified as non-contributory and is listed under “Other Pensions”.

7.3.4 Definition of social security schemes

Social security schemes in Malta are classified and treated as part of Central Government, and not as a separate sector within General Government.

7.3.5 Classification of institutional units supporting pension schemes. Borderline cases

The pension schemes are classified by sub-sector as follows:

		<i>Categories of pension schemes</i>					
		<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>
<i>Institutional sectors/ sub-sectors</i>	<i>S.11</i>	<i>XX</i>	<i>No</i>	<i>Yes</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.121</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.122</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.123</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.124</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.125</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.1311</i>	<i>Yes</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>Yes</i>	<i>No</i>
	<i>S.1312</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>
	<i>S.1313</i>	<i>No</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.1314</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>	<i>XX</i>
	<i>S.14</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
	<i>S.15</i>	<i>XX</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>
<i>S.2</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	<i>No</i>	

Yes = there are institutional units belonging to the sector/sub-sector which support (run) the pension scheme of the specified category;

No = there is no institutional unit belonging to the sector/sub-sector which supports (runs) pension schemes of the specified category;

XX = the combination is impossible.

7.4 Guarantees

7.4.1 Treatment of new guarantees provided

New guarantees are treated as contingent liabilities, and are therefore not recorded in the national accounts.

7.4.2 Treatment of Guarantees called (and not repaid within the same year by the original debtor)

There has been no experience of guarantees called in Malta.

7.4.3 Treatment of repayments related to guarantees called

Not applicable.

7.4.4 Treatment of write-offs by government, if any, of government assets that arose from calls

Refer to 7.4.2 and 7.4.3.

General Notes:

a. Institutional Arrangements: EDP Compilation

The responsibility for the compilation of the EDP tables in Malta is shared between the Ministry of Finance and the National Statistics Office (NSO). An action group (called the Government Finance Committee) made up of officers from the NSO, the Budget Office, the Treasury, the Financial Management Monitoring Unit, as well as from the Central Bank of Malta, coordinate the EDP exercise. Other officials are invited to attend action group meetings whenever necessary.

The ultimate responsibility for methodological issues rests with the NSO.

The action group endorses the delimitation status adopted for each publicly financed unit.

The action group is also responsible for the coding of all government transactions as well as the functional classification. This ensures a completely harmonised coding structure across sector S.13.

b. Institutional awareness to the EDP Compilation

The deficit and debt ratios as determined by the EDP exercise are used in the official Budget Speech when presenting data on the 'Financial Position' of Government.

ANNEX 1**List of the institutional units included within the General Government Sector.****a. List of Extra Budgetary Units forming part of sub-sector S.1311**

<i>Ref</i>	<i>No</i>	<i>Name of EBU</i>
<i>EB</i>	<i>2</i>	<i>St James Cavalier Creativity Centre</i>
<i>EB</i>	<i>15</i>	<i>Bord tal-Koperattivi</i>
<i>EB</i>	<i>26</i>	<i>Gozo Ferries Co Ltd</i>
<i>EB</i>	<i>38</i>	<i>Malta Council for Economic and Social Development (MCESD)</i>
<i>EB</i>	<i>46</i>	<i>Malta Tourism Authority</i>
<i>EB</i>	<i>54</i>	<i>National Commission for Disabled Persons</i>
<i>EB</i>	<i>65</i>	<i>Occupational Health and Safety Authority (OHSA)</i>
<i>EB</i>	<i>66</i>	<i>Office of the Ombudsman</i>
<i>EB</i>	<i>82</i>	<i>Malta Communications Authority (MCA)</i>
<i>EB</i>	<i>87</i>	<i>Broadcasting Authority</i>
<i>EB</i>	<i>90</i>	<i>Employment and Training Corporation (ETC)</i>
<i>EB</i>	<i>93</i>	<i>Foundation for Medical Services</i>
<i>EB</i>	<i>96</i>	<i>International Institute for Ageing</i>
<i>EB</i>	<i>97</i>	<i>Malta College of Arts, Science and Technology (MCAST)</i>
<i>EB</i>	<i>98</i>	<i>Malta Council for Science and Technology (MCST)</i>
<i>EB</i>	<i>101</i>	<i>Malta Government Investments Ltd (MGI)</i>
<i>EB</i>	<i>102</i>	<i>Malta Standards Authority</i>
<i>EB</i>	<i>103</i>	<i>Manoel Theatre Management Committee</i>
<i>EB</i>	<i>105</i>	<i>National Audit Office (NAO)</i>
<i>EB</i>	<i>106</i>	<i>Malta Philharmonic Orchestra</i>
<i>EB</i>	<i>107</i>	<i>Malta Environment and Planning Authority (MEPA)</i>
<i>EB</i>	<i>108</i>	<i>Malta Transport Authority (ADT)</i>
<i>EB</i>	<i>109</i>	<i>Sedqa</i>
<i>EB</i>	<i>110</i>	<i>Appogg</i>
<i>EB</i>	<i>111</i>	<i>Malta Society of Arts, Manufacture and Commerce</i>
<i>EB</i>	<i>112</i>	<i>University of Malta</i>
<i>EB</i>	<i>115</i>	<i>Zammit Clapp Hospital</i>
<i>EB</i>	<i>117</i>	<i>Foundation for Educational Services</i>
<i>EB</i>	<i>118</i>	<i>Foundation for Tomorrow's Schools</i>
<i>EB</i>	<i>121</i>	<i>Malta Statistics Authority</i>
<i>EB</i>	<i>123</i>	<i>Medicines Authority</i>

a. List of Extra Budgetary Units forming part of sub-sector S.1311 (continued)

Ref	No	Name of EBU
EB	126	Malta Resources Authority (MRA)
EB	127	Lotteries and Gaming Authority (LGA)
EB	129	Malta National Laboratory
EB	130	Heritage Malta
EB	131	Malta Council for Culture and the Arts
EB	132	Wasteserv Malta Ltd
EB	135	Mount Carmel Hospital
EB	137	Housing Authority
EB	138	Superintendence of Cultural Heritage
EB	140	Industrial Projects and Services Ltd (IPSL)
EB	141	Kunsill Malti għall-Isport
EB	142	Malta Enterprise Corporation
EB	145	Sapport
EB	146	Environment Protection Fund
EB	147	Malta Investment Management Company Ltd (MIMCOL)
EB	148	Malta Government Technology Investments Ltd (MGTIL)

b. List of Local Councils making up sub-sector S.1313

Ref	No	
LC	01	Valletta
LC	02	Mdina
LC	03	Birgu
LC	04	Isla
LC	05	Bormla
LC	06	Qormi
LC	07	Żebbuġ (Malta)
LC	08	Żabbar
LC	09	Siggiewi
LC	10	Żejtun
LC	11	Victoria
LC	12	Attard
LC	13	Balzan
LC	14	Birkirkara

b. List of Local Councils making up sub-sector S.1313 (continued)

<i>Ref</i>	<i>No</i>	
LC	15	<i>Birzebbuga</i>
LC	16	<i>Dingli</i>
LC	17	<i>Fgura</i>
LC	18	<i>Floriana</i>
LC	19	<i>Fontana</i>
LC	20	<i>Gudja</i>
LC	21	<i>Gżira</i>
LC	22	<i>Għajnsielem</i>
LC	23	<i>Għarb</i>
LC	24	<i>Għargħur</i>
LC	25	<i>Għasri</i>
LC	26	<i>Għaxaq</i>
LC	27	<i>Ħamrun</i>
LC	28	<i>Iklin</i>
LC	29	<i>Kalkara</i>
LC	30	<i>Kerċem</i>
LC	31	<i>Kirkop</i>
LC	32	<i>Lija</i>
LC	33	<i>Luqa</i>
LC	34	<i>Marsa</i>
LC	35	<i>Marsascala</i>
LC	36	<i>Marsaxlokk</i>
LC	37	<i>Mellieħa</i>
LC	38	<i>Mgarr</i>
LC	39	<i>Mosta</i>
LC	40	<i>Mqabba</i>
LC	41	<i>Msida</i>
LC	42	<i>Munxar</i>
LC	43	<i>Nadur</i>
LC	44	<i>Naxxar</i>
LC	45	<i>Paola</i>
LC	46	<i>Pembroke</i>
LC	47	<i>Pieta'</i>
LC	48	<i>Qala</i>

b. List of Local Councils making up sub-sector S.1313 (continued)

<i>Ref</i>	<i>No</i>	
LC	49	<i>Qrendi</i>
LC	50	<i>Rabat</i>
LC	51	<i>Safi</i>
LC	52	<i>San Ġiljan</i>
LC	53	<i>San Ġwann</i>
LC	54	<i>San Lawrenz</i>
LC	55	<i>San Pawl il-Baħar</i>
LC	56	<i>Sannat</i>
LC	57	<i>Santa Luċija</i>
LC	58	<i>Santa Venera</i>
LC	59	<i>Sliema</i>
LC	60	<i>Swieqi</i>
LC	61	<i>Ta' Xbiex</i>
LC	62	<i>Tarxien</i>
LC	63	<i>Xagħra</i>
LC	64	<i>Xewkija</i>
LC	65	<i>Xgħajra</i>
LC	66	<i>Żebbuġ (Gozo)</i>
LC	67	<i>Żurrieq</i>
LC	68	<i>Mtarfa</i>

General Note: Adoption of Council Regulation 2516/2000

As from the October 2008 Notification, NSO is fully compliant with Council Regulation 2516/2000 (recording of taxes and social contributions), through the time-adjusted cash method. This adoption is outlined in more detail under section 2.2.1b.

