

Gozo Regional Committee

Annual Report

and

Financial Statements

August 2010 to December 2011

Prepared by

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B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2011

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Financial Statements for the period ended 31 December 2011

Statement of Regional Committee's Members' and Executive Secretary's Responsibilities

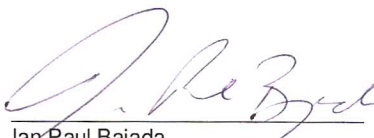
The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes the Regional Committee's statement of comprehensive income for the period and a statement of the Committee's retained funds at the end of period. By virtue of the same regulations it is the duty of the Committee Members and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the period and its retained funds as at the period end, and that they comply with the Act, the Local Councils (Financial) Regulations', and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Regional Committee and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Gozo Regional Committee on the 25th April 2012 and was signed on its behalf by:



Dr Samuel Azzopardi
President



Ian Paul Bajada
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2011

	<i>Note</i>	Aug 2010 to Dec 2011 (17 months) €
INCOME		
Funds received from Central Government	4	37,924
Funds raised under Local Enforcement System	5	68,584
General Income	6	7,944
		<u>114,452</u>
EXPENDITURE		
Personal emoluments	7	(46,343)
Operations and maintenance	8	(51,373)
Administration and other expenditure	9	(14,702)
		<u>(112,418)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>2,034</u>


The notes on pages 8 to 14 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

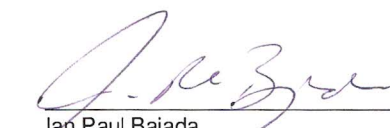
	<i>Note</i>	Dec 2011 €
ASSETS		
Non-Current Assets		
Property, plant and equipment	13	859
		<u>859</u>
Current Assets		
Receivables	10	45,472
Cash and Cash Equivalents	11	30,923
		<u>76,395</u>
Total Assets		<u><u>77,254</u></u>
 RESERVES AND LIABILITIES		
Reserves		
Retained Fund		2,034
		<u>2,034</u>
Current Liabilities		
Payables	12	49,220
Loan from Joint Committee	12	26,000
		<u>75,220</u>
Total Reserves and Liabilities		<u><u>77,254</u></u>

The notes on pages 8 to 14 are an integral part of the financial statements.

These Financial Statements were approved by the Regional Committee on the 25th April 2012 and signed on its behalf by:



Dr Samuel Azzopardi
President



Ian Paul Bajada
Executive Secretary

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2011

	Retained Funds €
At 1 August 2010	-
Total Comprehensive Income for the Period	2,034
	<hr/>
At 31 December 2011	2,034
	<hr/> <hr/>

The notes on pages 8 to 14 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the period ended 31 December 2011

	Aug 2010 to Dec 2011 (17 months) €
	<i>Note</i>
Cash flows from Operating Activities	
Surplus for the period	2,034
Adjustments for:	
Depreciation	<u>293</u>
Operating Profit before Working Capital Changes	2,327
Increase in Receivables	(45,472)
Increase in Payables	49,220
Net Cash inflows from Operating Activities	<u>6,075</u>
Cash flows from Investing Activities	
Purchase of Property, plant and equipment	(1,152)
Cash flows from Financing Activities	
Loan from Joint Committee	<u>26,000</u>
Net Increase in Cash and Cash Equivalents	30,923
Cash and Cash Equivalents at the Beginning of the Period	<u>-</u>
Cash and Cash Equivalents at the End of the Period	<u><u>30,923</u></u>
	11

The notes on pages 8 to 14 are an integral part of the financial statements.

Notes to the Financial Statements for the period ended 31 December 2011

1. General Information

Gozo Regional Committee is the Regional Authority of Gozo setup in accordance with the Local Councils Act, 1993 and legal Notices 91 and 92 of 1993. The Gozo Regional Committee has been established under the provisions of Art 37A (1) of the Act in accordance with Legal Notice 320 of 2011 dated 5th August 2011.

The office of the Gozo Regional Committee is situated at Banca Giuratale, Independence Square, Victoria, Gozo, VCT1020, Malta.

2. Accounting Policies and Reporting Procedures

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The principal accounting policies and reporting procedures used by the Region are as follows:

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs.

b. Local Enforcement System

Local Enforcement income represents the income as it accrues from contraventions as controlled by the Local Enforcement System. The amount receivable from the Local Enforcement System is disclosed in the statement of financial position.

c. Financial Instruments

The Region recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value plus transaction costs. Receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Region has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Region assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

At 31 December 2011, the carrying amounts of cash at bank, receivables, payables, and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

Notes to the Financial Statements for the period ended 31 December 2011 (cont)**d. Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment loss to date. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The present values of property, plant and equipment do not differ materially from those that would be determined by using fair values at the end of each reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Region and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Category	%
Computer Equipment	25
Office Equipment	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

e. Government Grants

Government grants are accounted for on a systematic basis in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

g. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Region will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Income and Expenditure.

h. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Region operates. These Financial Statements are presented in EUR which is the Region's functional and present currency.

Transactions denominated in foreign currencies are translated into EUR at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into EUR at the rates of exchange prevailing at the date of the Statement of Financial Position.

Notes to the Financial Statements for the period ended 31 December 2011 (cont)

i. Profit and Losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

j. Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

k. Related parties

Related parties are those persons or bodies of persons having relationships with the Regional Committee as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to Government related entities' disclosures.

l. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

m. Initial Application of a Standard and International Financial Reporting Standards in issue but not yet effective

The Region anticipates that the adoption of the other International Financial Reporting Standards, that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Regional Committee, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Funds received from Central Government

	Aug 2010 to Dec 2011 (17 months) €
Other Government Income	37,924

Notes to the Financial Statements for the period ended 31 December 2011 (cont)

	Aug 2010 to Dec 2011 (17 months) €
5. Income raised from Local Enforcement System	
Income from Contraventions	68,584

	Aug 2010 to Dec 2011 (17 months) €
6. General Income	
EU Funds	7,044
Income from tender documents	900
	<u>7,944</u>

	Aug 2010 to Dec 2011 (17 months) €
7. Personal Emoluments	
Personal emoluments include, inter alia:	
President's Allowance	11,137
Executive Secretary salary and allowances	32,905
Social Security Contributions	2,301
	<u>46,343</u>

	Aug 2010 to Dec 2011 (17 months) €
8. Operations and Maintenance	
Contractual Services:	
Local Enforcement System - expenses	51,373
	<u>51,373</u>

Notes to the Financial Statements for the period ended 31 December 2011 (cont)

	Aug 2010 to Dec 2011 (17 months) €
9. Administration and other expenditure	
Utilities	370
Office Services	672
Travel	2,014
Reimbursement of EU funds to Local Councils	6,751
Transport	228
Information services	414
Other contractual services	2,096
Professional Services	432
Community and Hospitality	1,432
Depreciation	293
	<hr/> 14,702 <hr/>
	2011
	€
10. Receivables	
Amounts receivable from related parties	9,262
Accrued income	36,210
	<hr/> 45,472 <hr/>

Accrued income consists of amounts receivable for contraventions which were unpaid as at year end.

11. Cash and Cash Equivalents

Cash and cash equivalents included in the statement of Cash Flows comprise the following amounts in the Region Statement of Financial Position:

	2011
	€
Bank Balance	30,919
Cash in hand	4
	<hr/> 30,923 <hr/>

Notes to the Financial Statements for the period ended 31 December 2011 (cont)

	2011 €
12. Liabilities	
Payables	42,391
Amounts due to related parties	785
Accruals	6,044
Loan from Joint Committee	26,000
	<u>75,220</u>

Included with payables, there is a balance of €9,823 which was disputed at year end.

Loan from Joint Committee is short term, unsecured, interest free and payable on demand.

13. Property, Plant and Equipment

	Computer and Office Equipment €	Total €
Cost		
At 1 Aug 2010	-	-
Additions for the period	1,152	1,152
At 31 Dec 2011	<u>1,152</u>	<u>1,152</u>
Accumulated Depreciation		
At 1 Aug 2010	-	-
Charge for the period	293	293
At 31 Dec 2011	<u>293</u>	<u>293</u>
Net Book Value		
At 31 Dec 2011	<u>859</u>	<u>859</u>

Notes to the Financial Statements for the period ended 31 December 2011 (cont)**14. Related Party Transactions**

The Government of Malta, specifically the Department of Local Government, is considered to be the ultimate controlling party.

Transactions carried out during the financial year with aforementioned entity, that are considered to be the most significant related party transactions, are included as follows.

	Aug 2010 to Dec 2011 (17 months) €
Income	
Funds received from Central Government	37,924

Transactions were also carried out with other Local Councils and Government entities that do not have control over the Region. These mainly include various Local Councils in Malta and Gozo.

15. Fair value of financial assets and financial liabilities

At 31 December 2011, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

16. Financial Risk Management

The Region's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Region's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Region's financial performance.

Credit risk

Financial assets which potentially subject the Region to concentrations of credit risk consist principally of cash at bank and debtors. The Region's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Region has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Region places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Region has no significant concentration of credit risk.

Other risks

The Region's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Region to cash flow interest rate risk. In general, the Region's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the President and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.



GOZO REGIONAL COMMITTEE

Report of the Local Government Auditor to the Auditor General

We have audited the accompanying financial statements of Gozo Regional Committee set out on pages 4 to 14, which comprise the statement of financial position as at 31st December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Regional Committee for the period then ended, and a summary of significant accounting policies and other explanatory notes.

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Committee Responsibilities for the Financial Statements

As described on page 3, the Executive Secretary and the Regional Committee are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Local Government Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We 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 whether the financial statements are free from 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 judgement, 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 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 on the effectiveness of the internal control of the Regional Committee. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and the Committee, 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 qualified audit opinion.

Basis for Qualified Opinion

The disclosures made in these financial statements in accordance with International Financial Reporting Standard 7 – Financial Instruments: Disclosures, are not adequate. Paragraph 7 of the Standard requires 'An entity to disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance'. No disclosure by category of financial assets and financial liabilities has been made. Furthermore, some of the mentioned risks such as the interest



rate risks arising from long term borrowings do not exist for the Regional Committee. The Regional Committee does not have any long-term borrowings and is not paying interest on any other borrowings.

The accounting records of the Gozo Regional Committee are primarily prepared from reports generated by the Local Enforcement System (LES) IT system which is operated by an external service provider. The LES income (€68,584 in note 5), expenses (€8,146 in note 9), receivables (€36,210 in note 10) and payables (€8,146 part of the payables in note 12) reported in these financial statements are therefore also based on these reports. Through our audit procedures we have verified that these financial statements reflect the income and expenses and amounts receivable and payable relating to contraventions issued and paid as reported by the LES IT system. We were not provided with satisfactory evidence that the IT system is operating properly and as intended and that the reports generated by it are free from material misstatements and there were no practicable alternative audit procedures that we could perform to obtain reasonable assurance on the completeness and existence of the information reported by the IT system.

Qualified opinion

In our opinion, except for the non-disclosures and the matter mentioned in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Regional Committee as of 31 December 2011 and of the Committee's financial performance and cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

In our opinion, except as set out in the preceding paragraphs, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

**This copy of the audit report has been signed by
William Spiteri Bailey FIA MIM CSA CPA (Partner) for and on behalf of
Spiteri Bailey & Co.**

Certified Public Accountants
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25/04/12