



GOZO REGIONAL COMMITTEE

Annual Report

And

Financial Statements

for the year ended 31 December 2012

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2012

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Financial Statements for the period ended 31 December 2012

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

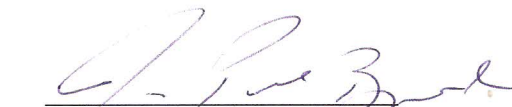
The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes the Regional Committee's statement of comprehensive income for the period and a statement of the Committee's retained funds at the end of period. By virtue of 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 Councils (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 Councils (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 19th April 2013 and was signed on its behalf by:



Dr Samuel Azzopardi
President



Ian Paul Bajada
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

		Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
	Note		
INCOME			
Funds received from Central Government	4	-	37,924
Funds raised under Local Enforcement System	5	335,381	68,584
General Income	6	50	7,944
		<u>335,431</u>	<u>114,452</u>
EXPENDITURE			
Personal emoluments	7	(34,449)	(46,343)
Operations and maintenance	8	(264,516)	(51,373)
Administration and other expenditure	9	(38,279)	(14,702)
		<u>(337,244)</u>	<u>(112,418)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		<u>(1,813)</u>	<u>2,034</u>

The notes on pages 8 to 19 are an integral part of the financial statements.


STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
	Note		
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	668	859
		<u>668</u>	<u>859</u>
Current Assets			
Receivables	11	124,303	45,472
Cash and Cash Equivalents	12	23,425	30,923
		<u>147,728</u>	<u>76,395</u>
Total Assets		<u>148,396</u>	<u>77,254</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		221	2,034
		<u>221</u>	<u>2,034</u>
Liabilities			
Payables	13	122,175	49,220
Loan from Joint Committee	13	26,000	26,000
		<u>148,175</u>	<u>75,220</u>
Total Equity and Liabilities		<u>148,396</u>	<u>77,254</u>

The notes on pages 8 to 19 are an integral part of the financial statements.

These Financial Statements were approved by the Regional Committee on the 19th April 2013 and signed on its behalf by:



 Dr Samuel Azzopardi
 President



 Ian Paul Bajada
 Executive Secretary

STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 December 2012

	Retained Funds €
At 1 August 2010	-
Total comprehensive income for the period	2,034
	<hr/>
At 31 December 2011	2,034
	<hr/> <hr/>
At 1 January 2012	2,034
Total comprehensive loss for the year	(1,813)
	<hr/>
At 31 December 2012	221
	<hr/> <hr/>

The notes on pages 8 to 19 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
Note		
Cash flows from Operating Activities		
Total comprehensive (loss)/income for the year/period	(1,813)	2,034
Adjustments for:		
Depreciation	191	293
Operating (loss)/profit before working capital changes	<u>(1,622)</u>	<u>2,327</u>
Increase in Receivables	(78,831)	(45,472)
Increase in Payables	<u>72,955</u>	<u>49,220</u>
Net Cash inflows from Operating Activities	(7,498)	6,075
Cash flows from Investing Activities		
Purchase of Tangible Fixed Assets	-	(1,152)
Cash flows from Financing Activities		
Loan from Joint Committee	<u>-</u>	<u>26,000</u>
Net Increase in Cash and Cash Equivalents	(7,498)	30,923
Cash and Cash Equivalents at the Beginning of the Year	<u>30,923</u>	<u>-</u>
Cash and Cash Equivalents at the End of the Year	12 <u>23,425</u>	<u>30,923</u>

The notes on pages 8 to 19 are an integral part of the financial statements.

Notes to the Financial Statements for the period ended 31 December 2012

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 2012 dated 5th August 2012.

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

These financial statements were approved for issue by the Region Members on the 18 February 2013. The Regional Committee's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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).

New and amended standards adopted by the Regional Committee

The Regional Committee has adopted the following new and amended standards as of 1 January 2012:

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures-Transfers of Financial Assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The Amendments are applicable for annual periods beginning on or after 1 July 2011.

New important standards and amendments not yet adopted by the Regional Committee

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

- IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. This Standard had not yet been adopted by the EU at the date of authorisation of these financial statements.

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

Accounting Policies and Reporting Procedures (cont.)

- On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. At the same time, the IASB issued a revised version of IAS 27 Separate Financial Statements and a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted.

- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require Regional Committees to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

- On 16 June 2011, the IASB issued an amended version of IAS19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted.

The Members of the Regional Committee and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Members and Executive Secretary anticipate that the adoption of 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 in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. 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:

Office Equipment	%
Computer Equipment	20
	25

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

Accounting Policies and Reporting Procedures (cont.).

Subsequent costs are included in the carrying amount of the asset 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 Regional Committee and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

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 Regional Committee 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 and 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 Comprehensive Income.

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.

Financial instruments

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

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets

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

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is

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

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 Regional Committee's 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.

Financial liabilities

The Regional Committee's financial liabilities include 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'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Regional Committee as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Regional Committee will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

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.

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Regional Committee operates. These financial statements are presented in €, which is the Regional Committee's functional and presentation currency.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only surpluses 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.

Cash and cash equivalents

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

Critical Accounting Estimates and Judgements

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 Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**Accounting Policies and Reporting Procedures (cont.)***Capital Management*

The Regional Committee's capital consists of its net assets, including working capital, represented by its retained funds. The Regional Committee's management objectives are to ensure:

- that the Regional Committee's ability to continue as a going concern is still valid and
- that the Regional Committee maintains a positive working capital ratio.

To achieve the above, the Regional Committee carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Regional Committee also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
Other Government Income	-	37,924

5. Income raised from Local Enforcement System

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
Income from Contraventions	335,381	68,584

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

6. General Income

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
EU Funds	-	7,044
Income from tender documents	50	900
	<u>50</u>	<u>7,944</u>

7. Personal Emoluments

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
Personal emoluments include, inter alia:		
Mayor's Allowance	6,539	12,917
Executive Secretary salary and allowances	25,904	31,125
Social Security Contributions	2,006	2,301
	<u>34,449</u>	<u>46,343</u>

8. Operations and Maintenance

Contractual Services:

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
Local Enforcement System - expenses	264,516	51,373
	<u>264,516</u>	<u>51,373</u>

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**9. Administration and other expenditure**

	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
Utilities	472	370
Office Services	1,641	672
Travel	1,991	8,765
Transport	823	228
Information services	59	415
Commission to Local Councils on LES	18,823	2,095
Professional Services	2,330	432
Public relations	1,982	-
Community and Hospitality	9,967	1,432
Depreciation	191	293
	<u>38,279</u>	<u>14,702</u>

10. Property, Plant and Equipment

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

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

10. Property, Plant and Equipment (cont.)

	Computer and Office Equipment	Total
	€	€
Cost		
At 1 January 2012	1,152	1,152
Additions for the year	-	-
At 31 December 2012	1,152	1,152
Depreciation		
At 1 January 2012	293	293
Charge for the year	191	191
At 31 December 2012	484	484
Net Book values		
At 31 December 2012	668	668

11. Receivables

	2012 €	2011 €
Receivables	29,471	9,262
Prepayments and accrued income	94,832	36,210
	<u>124,303</u>	<u>45,472</u>

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

12. 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:

	2012 €	2011 €
Bank Balance	23,209	30,919
Cash in hand	216	4
	<u>23,425</u>	<u>30,923</u>

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**13. Liabilities**

	2012	2011
	€	€
Payables	119,121	43,176
Accruals	3,054	6,044
Loan from Joint Committee	26,000	26,000
	<u>148,175</u>	<u>75,220</u>

Included with payables, there is a balance of €1,677 which was disputed at year end.

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

14. Related Party Transactions

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

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
North Joint Committee (Local Enforcement)	No Control
North Regional Committee	No Control
Central Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
MCAST	No control
National Library of Malta	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the period ended 31 December 2012 (cont.)**14. Related Party Transactions (cont.)**

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.

Income	Jan 2012 to Dec 2012 (12 months) €	Aug 2010 to Dec 2011 (17 months) €
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 and amount to €17,329, representing administration fees paid.

15. Fair value of financial assets and financial liabilities

At 31 December 2012 and 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 Regional Committee's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Regional Committee's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Regional committee's financial performance.

Credit risk

Financial assets which potentially subject the Regional Committee to concentrations of credit risk consist principally of cash at bank and receivables. The Regional Committee's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Regional Committee has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Regional Committee places a provision on any debt on which there is doubt of recoverability.

It is the policy of the Regional Committee as guided by the National Audit Office to provide for balances from receivables which are aged two years or more. In the year under review bad debts are therefore negligible and in this respect the Regional Committee has no significant concentration of credit risk. However, one have to understand that during 2013, this review of accrued income may have an impact on the committee's statement of comprehensive income.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from Related Parties:	€ 29,471
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Notes to the Financial Statements for the period ended 31 December 2012 (cont.)

16. Financial Risk Management (cont.)

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Regional Committee's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Regional Committee monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Regional Committee has as cash and cash equivalents the amount of Euro 23,425. This should ensure an ongoing working capital of the Regional Committee for the next 12 months..

Foreign Currency Risk

Foreign currency transactions arise when the Regional Committee buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Regional Committee does not trade in any foreign currency transactions.

Interest Rate Risk

The Regional Committee operates bank accounts without any financing facilities. As a result, the Regional Committee is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Regional Committee is not exposed to Market Risks.

Other risks

The Regional Committee's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Regional Committee to cash flow interest rate risk. In general, the Regional Committee is not exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows 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.



Spiteri Bailey & Co.

Accountancy Audit Advisory

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 19, which comprise the statement of financial position as at 31st December 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Regional Committee for the year 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.



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 (€335,381 in note 5), expenses (€18,823 in note 9), receivables (€94,832 in note 11) and payables (€7,958 part of the payables in note 13) 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 2012 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.

Emphasis of Matter

Without further qualifying our audit opinion, we would like to bring to your attention the fact that as at 31st December 2012, the current liabilities of the Regional Committee exceeded its current assets by Euro 447, indicating possible liquidity problems.

**This copy of the audit report has been signed by
Conrad Borg FCCA FIA DipIFR CPA (Partner) for and on behalf of
Spiteri Bailey & Co.**

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19 / 04 / 13