



GOZO REGIONAL COMMITTEE

**Annual Report
and
Financial Statements**

for the year ended 31 December 2015

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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Financial Statements for the year ended 31 December 2015

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 year and a statement of the Committee's retained funds at the end of year. 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 Regional Committee for the year and its retained funds as at the year 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, the 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 8th May 2018 and was signed on its behalf by:



Dr Samuel Azzopardi
President



George Refalo
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015 €	2014 €
INCOME	<i>Note</i>		
Funds raised under Local Enforcement System	4	345,354	300,658
General Income	5	2,374	2,310
		<u>347,728</u>	<u>302,968</u>
 EXPENDITURE			
Personal emoluments	6	(30,287)	(33,612)
Direct costs	7	(242,076)	(283,457)
Administration and other expenditure	8	(19,333)	(81,155)
		<u>(291,696)</u>	<u>(398,224)</u>
 TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		<u>56,032</u>	<u>(95,256)</u>

The notes on pages 8 to 18 are an integral part of the financial statements.

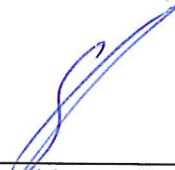
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015


	<i>Note</i>	2015 €	2014 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	<u>415</u>	<u>405</u>
		415	405
Current Assets			
Receivables	10	113,042	70,963
Cash and Cash Equivalents	11	<u>121,497</u>	<u>12,035</u>
		234,539	82,998
Total Assets		<u>234,954</u>	<u>83,403</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated losses		<u>(123,988)</u>	<u>(180,020)</u>
		(123,988)	(180,020)
Liabilities			
Payables	12	358,942	237,423
Loan from Joint Committee	12	<u>-</u>	<u>26,000</u>
		358,942	263,423
Total Equity and Liabilities		<u>234,954</u>	<u>83,403</u>

The notes on pages 8 to 18 are an integral part of the financial statements.

These Financial Statements were approved by the Regional Committee on the 8th May 2018 and signed on its behalf by:



 Dr Samuel Azzopardi
 President



 George Ráfalo
 Executive Secretary

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Accumulated Losses €
At 1 January 2014	(84,764)
Total comprehensive loss for the year	(95,256)
	<hr/>
At 31 December 2014	(180,020)
	<hr/> <hr/>
At 1 January 2015	(180,020)
Total comprehensive income for the year	56,032
	<hr/>
At 31 December 2015	(123,988)
	<hr/> <hr/>

The notes on pages 8 to 18 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 €	2014 €
	Note	
Cash flows from Operating Activities		
Total comprehensive income / (loss) for the year	56,032	(95,256)
Adjustments for:		
(Decrease) / Increase in provision for bad debts	(12,895)	48,147
Depreciation	94	115
Operating profit / (loss) before Working Capital Changes	<u>43,231</u>	<u>(46,994)</u>
Increase in Receivables	(29,184)	(9,781)
Increase in Payables	<u>121,520</u>	<u>59,510</u>
Net Cash inflows from Operating Activities	135,567	2,735
Cash flows from Investing Activities		
Purchase of Tangible Fixed Assets	(105)	-
Cash flows from Financing Activities		
Repayment of Loan from Joint Committee	<u>(26,000)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	109,462	2,735
Cash and Cash Equivalents at the Beginning of the Year	<u>12,035</u>	<u>9,300</u>
Cash and Cash Equivalents at the End of the Year	11 <u>121,497</u>	<u>12,035</u>

The notes on pages 8 to 18 are an integral part of the financial statements

Notes to the Financial Statements for the year ended 31 December 2015

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 Office B, The Duke Business Centre, 10th June 1887 Street, Victoria, Gozo, VCT1017, Malta.

These financial statements were approved for issue by the Region Members on the 8th May 2018. 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 Regional Committees 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

During the year under review, the Regional Committee has adopted the following International Financial Reporting Standards as adopted by the EU:

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**Accounting Policies and Reporting Procedures (cont.)**

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

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

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Regional Committee accounting periods beginning on or after 1 January 2016 or later periods, but the Regional Committee has not early adopted them:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Regional Committee is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue: and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Regional Committee is assessing the impact of IFRS 15.

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 Regional Committee anticipates 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 Furniture and Fittings	7.5
Office Equipment	20
Computer Equipment	25

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.).

Property, plant and equipment (cont)

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.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Regional Committee has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

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

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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.

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 impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. 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 Income

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

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.

Notes to the Financial Statements for the year ended 31 December 2015 (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 negative at the reporting date. 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. Income raised from Local Enforcement System

	2015 €	2014 €
Income from Contraventions	<u>345,354</u>	<u>300,658</u>

5. General Income

	2015 €	2014 €
Cultural activities	<u>2,374</u>	<u>2,310</u>

6. Personal Emoluments

	2015 €	2014 €
Personal emoluments include, inter alia:		
President's Honoraria	7,048	6,799
Executive Secretary salary and allowances	20,668	24,961
Employee's Salaries	1,077	-
Social Security Contributions	1,494	1,852
	<u>30,287</u>	<u>33,612</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**7. Direct costs****Contractual Services:**

	2015 €	2014 €
Local Enforcement System - expenses	<u>242,076</u>	<u>283,457</u>

8. Administration and other expenditure

	2015 €	2014 €
Utilities	655	1,185
Rent	300	-
Office Services	1,047	839
Travel	571	742
Transport	291	1,164
Information services	110	-
Other contractual services	22,981	26,317
Professional Services	1,536	1,449
Public relations	2,156	153
Community and Hospitality	2,486	1,044
Movement in provision for bad debts	(12,895)	48,147
Depreciation	95	115
	<u>19,333</u>	<u>81,155</u>

9. Property, Plant and Equipment

	Office Equipment	Computer Equipment	Furniture & Fittings	Total
	€	€	€	€
Cost				
At 1 January 2014	35	1,117	-	1,152
Additions for the year	-	-	-	-
	<u>35</u>	<u>1,117</u>	<u>-</u>	<u>1,152</u>
At 31 December 2014	35	1,117	-	1,152
Accumulated Depreciation				
At 1 January 2014	17	615	-	632
Charge for the year	3	112	-	115
	<u>20</u>	<u>727</u>	<u>-</u>	<u>747</u>
At 31 December 2014	20	727	-	747
Net Book Value				
At 31 December 2014	<u>15</u>	<u>390</u>	<u>-</u>	<u>405</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**9. Property, Plant and Equipment (cont.)**

	Office Equipment	Computer Equipment	Furniture & Fittings	Total
	€	€	€	€
Cost				
At 1 January 2015	35	1,117	-	1,152
Additions for the year	-	-	105	105
At 31 December 2015	<u>35</u>	<u>1,117</u>	<u>105</u>	<u>1,257</u>
Depreciation				
At 1 January 2015	20	727	-	747
Charge for the year	3	87	5	95
At 31 December 2015	<u>23</u>	<u>814</u>	<u>5</u>	<u>842</u>
Net Book values				
At 31 December 2015	<u><u>12</u></u>	<u><u>303</u></u>	<u><u>100</u></u>	<u><u>415</u></u>

10. Receivables

	2015 €	2014 €
Other receivables	13,937	33,933
Prepayments and accrued income	<u>99,105</u>	<u>37,030</u>
	<u><u>113,042</u></u>	<u><u>70,963</u></u>

Receivables

General receivables are analysed as follows:

	2015 €	2014 €
Within credit period	11,716	13,717
Exceeded credit period but not impaired	101,326	57,246
Impaired and provided for	42,314	55,209
Provision for doubtful debts	<u>(42,314)</u>	<u>(55,209)</u>
	<u><u>113,042</u></u>	<u><u>70,963</u></u>

Accrued income consists of amounts receivable for contraventions which were unpaid as at year end. Contraventions which were unpaid as at year end on which the tribunal has issued a decision by December 2013 were considered doubtful and a provision for these amounts was recorded in the financial statements. These amounts which were considered as irrecoverable totalled to Euro 42,314 (2014 - Euro 55,209).

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**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:

	2015	2014
	€	€
Bank Balance	118,651	11,971
Cash in hand	2,846	64
	<u>121,497</u>	<u>12,035</u>

12. Liabilities

	2015	2014
	€	€
Other payables	355,602	229,513
Accruals	3,340	7,910
Loan from Joint Committee	-	26,000
	<u>358,942</u>	<u>263,423</u>

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

13. Related Party Disclosures and 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 Regional Committee carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Local Enforcement System Agency	No control
Local Councils of Malta and Gozo	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Police General Headquarters	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Housing Authority	No control
Local Councils' Association	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**13. Related Party Disclosures and Transactions (cont.)**

No transactions were carried out during the financial year with aforementioned entity that is considered to be the significant related party.

Transactions were 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 €30,385 (2014: €26,164), representing administration fees on contraventions paid.

14. Fair value of financial assets and financial liabilities

At 31 December 2015 and at 31 December 2014, 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.

15. 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.

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, the Regional Committee provided for the receivables which are more than 2 years. These amounted to €7,061 and its effect is included in 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:	€ 18,976
- Receivables from Third Parties:	€ 94,076

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 121,497 (2014: Euro 12,035). This should ensure an ongoing working capital of the Regional Committee for the next 12 months.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**15. Financial Risk Management (cont.)***Going Concern Risk*

The Regional Committee had a net profit of €56,032 (2014: loss of €95,256) during the year ended 31 December 2015, and as at that date, the Regional Committee had a net liabilities position of €123,988 (2014: €180,020). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Regional Committee to cover present liabilities as well as short term obligations and commitments arising.

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	113,042	70,963
Cash and Cash Equivalents	121,497	12,035
	<u>234,539</u>	<u>82,998</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>358,942</u>	<u>263,423</u>

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.

GOZO REGIONAL COMMITTEE

Report of the Local Government Auditor to the Auditor General

We have audited the accompanying financial statements of the Gozo Regional Committee set out on pages 4 to 18, which comprise the statement of financial position as at 31st December 2015, 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.

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.

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Basis for Qualified Opinion

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 (€345,354 in note 4), expenses (€74,147 in note 7), receivables (€95,581 part of the accrued income in note 10) and payables (€99,356 part of the other 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 matter mentioned in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Regional Committee as of 31 December 2015 and of the Committee's financial performance and cash flows for the year 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, 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 your attention to the fact that as at 31st December 2015, the total liabilities of the Regional Committee exceeded its total assets by €123,988 indicating possible liquidity problems.



This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of

RSM Malta
Certified Public Accountants

8th May 2018