



**GOZO REGIONAL COMMITTEE**

**Annual Report  
and  
Financial Statements**

**for the year ended 31 December 2016**

**Prepared by**

**Daniel Galea B. Accty. (Hons.) CPA**

## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Regional Committee's and Executive Secretary's responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 19
Report of the Local Government Auditor to the Auditor General	20 - 22

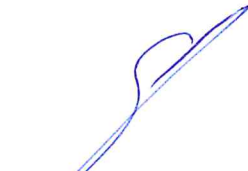
**Financial Statements for the year ended 31 December 2016**

**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 8<sup>th</sup> 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 2016

		2016 €	2015 €
	<i>Notes</i>		
<b>INCOME</b>			
Funds received from Central Government	4	50,000	-
Funds raised under Local Enforcement System	5	6,883	345,354
General Income	6	53,380	2,374
		<u>110,263</u>	<u>347,728</u>
<b>EXPENDITURE</b>			
Personal emoluments	8	(53,380)	(30,287)
Operations and maintenance	9	(63,578)	(242,076)
Administration and other expenditure	10	(32,388)	(19,333)
		<u>(149,346)</u>	<u>(291,696)</u>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<u>(39,083)</u>	<u>56,032</u>


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

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2016

		2016 €	2015 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	<u>1,872</u>	<u>415</u>
		<b>1,872</b>	<b>415</b>
<b>Current Assets</b>			
Receivables	12	70,958	113,042
Cash and Cash Equivalents	13	<u>157,444</u>	<u>121,497</u>
		<b>228,402</b>	<b>234,539</b>
<b>Total Assets</b>		<b><u>230,274</u></b>	<b><u>234,954</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated losses		<u>(163,071)</u>	<u>(123,988)</u>
		<b>(163,071)</b>	<b>(123,988)</b>
<b>Liabilities</b>			
Payables	14	313,345	358,942
Deferred income	14	<u>80,000</u>	<u>-</u>
		<b>393,345</b>	<b>358,942</b>
<b>Total Equity and Liabilities</b>		<b><u>230,274</u></b>	<b><u>234,954</u></b>

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 Refalo  
 Executive Secretary

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

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2016

	<b>Accumulated Losses €</b>
At 1 January 2015	(180,020)
Total comprehensive income for the year	56,032
<b>At 31 December 2015</b>	<b>(123,988)</b>
At 1 January 2016	(123,988)
Total comprehensive loss or the year	(39,083)
<b>At 31 December 2016</b>	<b>(163,071)</b>

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 2016

	2016 €	2015 €
	Note	
<b>Cash flows from Operating Activities</b>		
Total comprehensive (loss) / income for the year	(39,083)	56,032
Adjustments for:		
Movement in provision for bad debts	17,370	(12,895)
Depreciation	177	94
Operating (loss) / profit before Working Capital Changes	(21,536)	43,231
Decrease / (increase) in Receivables	24,714	(29,184)
Increase in Payables	34,403	121,520
Net Cash inflows from Operating Activities	37,581	135,567
<b>Cash flows from Investing Activities</b>		
Purchase of Tangible Fixed Assets	(1,634)	(105)
<b>Cash flows from Financing Activities</b>		
Repayment of Loan from Joint Committee	-	(26,000)
Net Increase in Cash and Cash Equivalents	35,947	109,462
Cash and Cash Equivalents at the Beginning of the Year	121,497	12,035
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>12</b> 157,444	<b>121,497</b>

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

**Notes to the Financial Statements for the year ended 31 December 2016**

**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 5<sup>th</sup> 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 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*

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

IFRS 14 permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and so can choose to apply only the requirements of IFRS 1 First time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016.

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures**

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for postemployment benefits should be denominated in the same currency as the benefits to be paid

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross reference. Applicable to annual periods beginning on or after 1 January 2016.

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes; clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. Effective for annual periods beginning on or after 1 January 2016.

*New Standards and amendments not yet adopted:*

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

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures**

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. Its effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017 however not yet endorsed for use in the EU.

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 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures**

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 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures**

*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.

*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.

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**2. Accounting Policies and Reporting Procedures**

*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.

*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.

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****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 received from Central Government**

	2016 €	2015 €
Street Lighting Devolution	<u>50,000</u>	<u>-</u>

**5. Income raised from Local Enforcement System**

	2016 €	2015 €
Income from Contraventions	<u>6,883</u>	<u>345,354</u>

**6. General Income**

	2016 €	2015 €
Reimbursement of Payroll from LESA	53,380	-
Cultural Income	-	2,374
	<u>53,380</u>	<u>2,374</u>

**7. (Loss) / Profit for the year**

	2016 €	2015 €
(Loss) / Profit for the year is stated after charging / (crediting) :		
Staff salaries	53,380	30,287
Depreciation of property plant & equipment	177	94
Movement in provision for doubtful debts	<u>17,370</u>	<u>(12,895)</u>

**8. Personal Emoluments**

	2016 €	2015 €
Personal emoluments include, inter alia:		
President's Honoraria	7,229	7,048
Executive Secretary salary and allowances	29,674	20,668
Employee's Salaries	13,086	1,077
Social Security Contributions	<u>3,391</u>	<u>1,494</u>
	<u>53,380</u>	<u>30,287</u>

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****9. Direct costs****Contractual Services:**

	2016 €	2015 €
Street Lighting	51,046	-
Local Enforcement System - expenses	12,532	242,076
	<u>63,578</u>	<u>242,076</u>

**10. Administration and other expenditure**

	2016 €	2015 €
Utilities	720	655
Rent	700	300
Office Services	1,323	1,047
Travel	2,476	571
Transport	1,410	291
Information services	63	110
Other contractual services	1,460	22,981
Professional Services	1,615	1,536
Public relations	454	2,156
Community and Hospitality	4,620	2,486
Increase / (Decrease) in provision for bad debts	17,370	(12,895)
Depreciation	177	95
	<u>32,388</u>	<u>19,333</u>

**11. Property, Plant and Equipment**

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

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****11. Property, Plant and Equipment (cont.)**

	Office Equipment	Computer Equipment	Furniture & Fittings	Total
	€	€	€	€
<b>Cost</b>				
At 1 January 2016	35	1,117	105	1,257
Additions for the year	-	764	870	1,634
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	35	1,881	975	2,891
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2016	23	814	5	842
Charge for the year	2	130	45	177
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	25	944	50	1,019
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book values</b>				
At 31 December 2016	10	937	925	1,872
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**12. Receivables**

	2016 €	2015 €
Other receivables	8,240	13,937
Prepayments and accrued income	62,718	99,105
	<hr/>	<hr/>
	70,958	113,042
	<hr/> <hr/>	<hr/> <hr/>

*Receivables*

General receivables are analysed as follows:

	2016 €	2015 €
Within credit period	10,744	9,661
Exceeded credit period but not impaired	60,214	103,381
Impaired and provided for	59,684	42,314
Provision for doubtful debts	(59,684)	(42,314)
	<hr/>	<hr/>
	70,958	113,042
	<hr/> <hr/>	<hr/> <hr/>

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 2014 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 59,684 (2015 - Euro 42,314).

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****13. 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:

	2016	2015
	€	€
Bank Balance	157,427	118,651
Cash in hand	17	2,846
	<u>157,444</u>	<u>121,497</u>

**14. Liabilities**

	2016	2015
	€	€
Other payables	306,339	355,602
Accruals	7,006	3,340
Deferred income	80,000	-
	<u>393,345</u>	<u>358,942</u>

**15. 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

During the year, the Gozo Regional Committee received €50,000 from the Central Government in accordance with the street lighting devolution agreement.

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 €1,460 (2015: €30,385), representing administration fees on contraventions paid.

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)**

**16. Fair value of financial assets and financial liabilities**

At 31 December 2016 and at 31 December 2015, 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.

**17. 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 €59,684 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:	€ 23,400
- Receivables from Third Parties:	€ 47,558

*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 157,444 (2015: Euro 121,497). This should ensure an ongoing working capital of the Regional Committee for the next 12 months.

*Going Concern Risk*

The Regional Committee had a net loss of €39,083 (2015: profit of €56,032) during the year ended 31 December 2016, and as at that date, the Regional Committee had a net liabilities position of €163,071 (2015: €123,988). 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.

**Notes to the Financial Statements for the year ended 31 December 2016 (cont.)****17. Financial Risk Management (cont.)****Summary of financial assets and liabilities by category:**

	<b>2016</b>	<b>2015</b>
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Accounts and other receivables	<b>70,958</b>	113,042
Cash and Cash Equivalents	<b>157,444</b>	121,497
	<b>228,402</b>	234,539
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<b>313,345</b>	358,942

*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.

RSM Malta

Mdina Road,  
Zebbug ZBG 9015,  
Malta.

T +356 2278 7000

F +356 2149 3318

www.rsm.com.mt

**GOZO REGIONAL COMMITTEE****REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Qualified Opinion**

We have audited the accompanying financial statements of the Gozo Regional Committee, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 4 - 19.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements give a true and fair view of the financial position of the Regional Committee as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**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 (€6,883 in note 5), expenses (€6,362 in note 9), receivables (€47,443 part of the accrued income in note 12) and payables (€6,362 part of the other payables in note 14) 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.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional Committee in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to the Regional Committee's Statement of Financial Position on page 5 which shows that as at 31 December 2016, the total liabilities of the Regional Committee, exceeded its total assets by €163,071. This condition indicates that a material uncertainty exists that may cast significant doubt as to whether the Regional Committee will be able to meet its liabilities as and when they fall due. Our opinion is not modified in respect of this matter.

RSM Malta

Mdina Road,  
Zebbug ZBG 9015,  
Malta.T +356 2278 7000  
F +356 2149 3318[www.rsm.com.mt](http://www.rsm.com.mt)**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued****Other Information**

The Executive Secretary and the Regional Committee's Members are responsible for the other information. The other information comprises the Statement of Regional Committee's Members and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Executive Secretary and Regional Committee's Members Responsibilities for the Financial Statements**

As described on page 3, the Executive Secretary and the Regional Committee's Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Regional Committee's Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Regional Committee's Members are responsible for assessing the Regional Committee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Regional Committee will continue as a going concern.

The Executive Secretary and the Regional Committee's Members are responsible for overseeing the Regional Committee's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

RSM Malta

Mdina Road,  
Zebbug ZBG 9015,  
Malta.

T +356 2278 7000  
F +356 2149 3318

[www.rsm.com.mt](http://www.rsm.com.mt)

## **REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued**

### **Auditor's Responsibilities for the Audit of the Financial Statements - continued**

- Obtain an understanding of internal control relevant to the audit 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 Regional Committee's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Regional Committee's Members.
- Conclude on the appropriateness of the Executive Secretary's and the Regional Committee's Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Committee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Committee to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary and the Regional Committee's Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **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.



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

RSM Malta  
Certified Public Accountants

Date: 8<sup>th</sup> May 2018