



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE OFFICE OF PROCUREMENT REGULATION FOR THE YEAR ENDED 30 SEPTEMBER, 2019

The accompanying Financial Statements of the Office of Procurement Regulation for the year ended 30 September, 2019 have been audited. The Statements comprise a Statement of Financial Position as at 30 September, 2019, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash Flows for the year ended 30 September, 2019, Accounting Policies and Explanatory Notes to the Financial Statements labelled 1 to 14.


2. The audit was conducted by a firm of Accountants approved by the Auditor General in accordance with section 2 of the Office of Procurement Regulation Act. Their Report dated 18th December, 2019, which is attached, refers.

SUBMISSION OF REPORT

3. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the provisions of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.



**4TH MARCH, 2020
PORT-OF-SPAIN**


**LORELLY PUJADAS
AUDITOR GENERAL**



Chartered Accountants
& Business Advisors

THE OFFICE OF PROCUREMENT REGULATION

FINANCIAL STATEMENTS

30 SEPTEMBER 2019

THE OFFICE OF PROCUREMENT REGULATION

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of the Office of Procurement Regulation (OPR), which comprise the statement of financial position as at 30 September 2019, the statements of comprehensive income, changes in equity and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the OPR keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the OPR's assets, detection/prevention of fraud, and the achievement of operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the OPR will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


Signed

18 December 2019


Signed

18 December 2019



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

**The Ministry of Finance
The Office of Procurement Regulation**

Opinion

We have audited the financial statements of The Office of Procurement Regulation, which comprise the statement of financial position as at 30 September 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Office of Procurement Regulation as at 30 September 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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 Office of Procurement Regulation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing the Office of Procurement Regulation'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 management either intends to liquidate the Office of Procurement Regulation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Office of Procurement Regulation's financial reporting process.

PKF Chartered Accountants and Business Advisors (Trinidad) is a member of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' 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.
- 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 Office of Procurement Regulation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Office of Procurement Regulation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditors' report. However, future events or conditions may cause the Office of Procurement Regulation 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 Board of Directors 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.

PKF

18 December 2019
Barataria
TRINIDAD

THE OFFICE OF PROCUREMENT REGULATION
STATEMENT OF FINANCIAL POSITION

ASSETS

		30 September	
	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		(\$)	(\$)
Current Assets:			
Cash and cash equivalents	4	16,470,494	8,195,691
Accounts receivable and prepayments	5	<u>1,754,727</u>	<u>5,770,627</u>
Total Current Assets		18,225,221	13,966,318
Non-Current Assets			
Intangible asset	6	93,707	-
Property, plant and equipment	7	<u>1,022,036</u>	<u>324,993</u>
Total Assets		<u>19,340,964</u>	<u>14,291,311</u>

LIABILITIES AND EQUITY

Current Liabilities:			
Accounts payable and accruals	8	1,760,395	36,135
Non-Current Liabilities:			
Deferred income	9	<u>2,912,254</u>	<u>3,301,717</u>
Total Liabilities		<u>4,672,649</u>	<u>3,337,852</u>
Equity:			
Accumulated surplus		<u>14,668,315</u>	<u>10,953,459</u>
Total Equity		<u>14,668,315</u>	<u>10,953,459</u>
Total Liabilities and Equity		<u>19,340,964</u>	<u>14,291,311</u>

These financial statements were approved by the Board of Directors and authorised for issue on 18 December 2019 and signed on their behalf by:


 Director


 Director

(The accompanying notes form an integral part of these financial statements)

THE OFFICE OF PROCUREMENT REGULATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	<u>Notes</u>	For the year ended 30 September 2019 (\$)	For the nine-month period ended 30 September 2018 (\$)
Income:			
Subventions		14,840,000	13,266,639
Development Programme Income		<u>400,934</u>	<u>198,283</u>
Total Income		<u>15,240,934</u>	<u>13,464,922</u>
Expenditure:			
Development Programme expenses		400,934	198,283
General and administrative expenses	13	2,427,564	1,183,716
Marketing expenses		129,189	69,899
Depreciation		244,062	21,485
Finance costs		3,062	395
Personnel costs	14	<u>8,321,267</u>	<u>1,037,685</u>
Total Expenditure		<u>11,526,078</u>	<u>2,511,463</u>
Total Comprehensive Income for the year/period		<u><u>3,714,856</u></u>	<u><u>10,953,459</u></u>

(The accompanying notes form an integral part of these financial statements)

THE OFFICE OF PROCUREMENT REGULATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Accumulated Surplus (\$)
Balance, 1 January 2018	-
Total Comprehensive Income for the period	<u>10,953,459</u>
Balance, 30 September 2018	<u>10,953,459</u>
Balance as at 1 October 2018	10,953,459
Total Comprehensive Income for the year	<u>3,714,856</u>
Balance as at 30 September 2019	<u>14,668,315</u>

(The accompanying notes form an integral part of these financial statements)

THE OFFICE OF PROCUREMENT REGULATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	For the year ended 30 September <u>2019</u> (\$)	For the nine-month period ended 30 September <u>2018</u> (\$)
Operating Activities:		
Total Comprehensive Income for the year/period	3,714,856	10,953,459
Adjustment for:		
Depreciation	<u>244,062</u>	<u>21,485</u>
	3,958,918	10,974,944
Adjustment for non-cash items:		
Net change in accounts receivables and prepayments	4,015,900	(5,770,627)
Net change in accounts payable and accruals	1,724,260	36,135
Net change in deferred income	<u>(389,463)</u>	<u>3,301,717</u>
Cash provided by operating activities	<u>9,309,615</u>	<u>8,542,169</u>
Investing Activities:		
Net change in intangible asset	(129,743)	-
Net change in property, plant and equipment	<u>(905,069)</u>	<u>(346,478)</u>
Cash used in investing activities	<u>(1,034,812)</u>	<u>(346,478)</u>
Net change in cash balances	8,274,803	8,195,691
Cash resources, beginning of year/period	<u>8,195,691</u>	<u>-</u>
Cash resources, end of year/period	<u><u>16,470,494</u></u>	<u><u>8,195,691</u></u>
Represented by:		
Cash and cash equivalents	<u><u>16,470,494</u></u>	<u><u>8,195,691</u></u>

(The accompanying notes form an integral part of these financial statements)

THE OFFICE OF PROCUREMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. Enactment and Principal Business Activity:

The Office of Procurement Regulation (OPR) was enacted by a Trinidad and Tobago Act of Parliament (Public Procurement and Disposal of Public Property Act, 2015) amended by Act No.5 of 2016 and Act No.3 of 2017. The Act replaces the Central Tenders Board Act. Its activities are carried out with the financial commitment and support of the Ministry of Finance. The objects of this Act are to promote:

- a) the principles of accountability, integrity, transparency and value for money;
- b) efficiency, fairness, equity and public confidence; and
- c) local industry development, sustainable procurement and sustainable development, in public procurement and the disposal of public property.

The OPR was established with the following principal objectives:

- a) To monitor the procurement of goods, works and services, and the disposal of public property, by public bodies to ensure compliance with the Act.
- b) To conduct audits and periodic inspections of public bodies to ensure compliance with the Act.
- c) To issue directions to public bodies to ensure compliance with the Act.
- d) To carry out such other activities and do such other acts as it considers necessary or expedient for the carrying out its functions.

2. Summary of Significant Accounting Policies:

a) **Basis of Financial Statements Preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars rounded to the nearest whole dollar. These financial statements have been prepared on the historical cost basis.

b) **Use of Estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the OPR's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations -

The OPR has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective, do not apply to the activities of the OPR or have no material impact on its financial statements:

- | | |
|---------|--|
| IFRS 1 | First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 2 | Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 3 | Business combinations – Amendments regarding the re-measurement of previously held interest (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 4 | Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 11 | Joint Arrangements - Amendments regarding the re-measurement of previously held interest (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 15 | Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 16 | Leases (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 17 | Insurance Contracts (effective for accounting periods beginning on or after 1 January 2022). |

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations (cont'd) -

- | | |
|----------|---|
| IAS 12 | Income Taxes - Amendments resulting from the income tax consequence of dividends (effective for accounting periods beginning on or after 1 January 2019). |
| IAS 19 | Employee Benefits – Amendments regarding plan amendments, curtailments or settlements (effective for accounting periods beginning on or after 1 January 2019). |
| IAS 23 | Borrowing Costs - Amendments regarding the borrowing costs eligible for capitalisation (effective for accounting periods beginning on or after 1 January 2019). |
| IAS 28 | Investment in Associates - Amendments clarifying certain fair value measurements (effective for accounting periods beginning on or after 1 January 2018). |
| IAS 28 | Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019). |
| IAS 40 | Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 January 2018). |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018). |
| IFRIC 23 | Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019). |

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

e) Intangible asset -

The OPR has adopted the cost model for the recognition of intangible assets. Intangible assets are accrued at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is provided using the straight-line method, which reflects the pattern in which the economic benefits of the asset are consumed by the OPR.

The following rates considered appropriate to write-off the asset over its estimated useful life is applied:

Computer software	-	33.3%
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f) Property, Plant and Equipment -

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the reducing balance method. The following applied rates are considered appropriate to write-off the assets over their estimated useful lives:

Office Furniture	-	20%
Office Equipment	-	25%
Motor Vehicle	-	25%

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

Gains and losses on disposals are determined by comparing the proceeds on disposal with the carrying amount in the financial statements. All gains and losses are recognised in the Statement of Comprehensive Income.

f) Cash and Cash Equivalents -

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

g) Accounts Receivable and Prepayments -

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

h) Accounts Payable and Accruals -

Accounts payable and accruals are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

i) Income and Expenditure -

Income and expenditure are recognised on the accruals basis.

j) Provisions -

Provisions are recognised when:

- i) the OPR has a present legal or constructive obligation as a result of past events;
- ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and
- iii) the amount can and has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

k) Subventions -

Grants/subventions from the Government of the Republic of Trinidad and Tobago are recognised at their fair values, where there is a reasonable assurance that:

- i) the grant/subvention will be received; and
- ii) the OPR will comply with all conditions attached, if any.

Grants relating to operating/recurrent expenses are recognised in full in the Statement of Comprehensive Income in the year in which the grant is received or becomes receivable.

Grants relating to the development programme are included in non-current liabilities as Deferred Income and are recognised in the Statement of Comprehensive Income over the period necessary to match them against the expenses they are intended to offset.

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

I) Financial instruments -

All recognised financial assets that are within the scope of International Financial Reporting Standard (IFRS) 9 are required to be subsequently measured at amortised cost or fair value on the basis of:

- (i) the entity's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

The OPR reassess its business models each reporting period to determine whether they have changed. No such changes have been identified for the current year.

Principal is the fair value of the financial asset at initial recognition. Interest is consideration for the time value of money and for credit and other risks associated with the principal outstanding. Interest also has a profit margin element.

Initial measurement

All financial instruments are initially measured at the fair value of consideration given or received.

The OPR measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The OPR uses a fair value hierarchy that categorises valuation techniques into three levels:

- (i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Assets and liabilities are classified as Level 1 if their value is observable in an active market. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value.
- (ii) Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability.
- (iii) Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

1) Financial instruments (cont'd) -

Subsequent measurement

Those financial assets which are held within a business model with the sole objective of collecting contractual cash flows which comprise principal and interest only, are subsequently measured at amortised cost. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as movements in Expected Credit Loss (ECL). When a financial asset measured at amortised cost is derecognised, the gain/loss is reflected in profit or loss.

Those financial assets which are held within a business model with the objectives of (i) collecting contractual cash flows which comprise principal and interest only, as well as (ii) selling the financial assets, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI). Gains/losses arising on remeasurement of such financial assets are recognised in OCI as *'Items that may be reclassified subsequently to P&L'* and are called *'Net FV gain/(loss) on financial assets classified as at FVOCI'*.

All other financial assets are subsequently measured at Fair Value Through Profit and Loss (FVTPL), except for equity investments, which the OPR has opted, irrevocably, to measure at FVTOCI. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as *'Net FV gain/(loss) on financial assets classified at FVTPL'*. When a financial asset measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Reclassification

If the business model under which the OPR holds financial assets changes, the financial assets affected are reclassified accordingly from the first day of the first reporting period following the change in business model.

Write-off

Financial assets are written off when the OPR has no reasonable expectations of recovery, for example, when the OPR determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay. A write-off constitutes a derecognition event. Subsequent recoveries resulting from the OPR's enforcement activities will result in gains.

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. Summary of Significant Accounting Policies (Cont'd):

1) Financial instruments (cont'd) -

Financial liabilities

Since the OPR does not trade in financial liabilities, and since there are no measurement or recognition inconsistencies, all financial liabilities are initially measured at fair value, net of transaction costs and subsequently, at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Financial liabilities recognised at amortised cost are not reclassified.

3. Financial Risk Management:

The OPR has various financial assets such as trade receivables and cash which arise directly from its operations. The OPR's financial liabilities comprise trade payables.

Financial risk factors

The following table summarizes the carrying amounts and fair values of the OPR's financial assets and liabilities:

	30 September 2019	
	Carrying Value (\$)	Fair Value (\$)
Financial Assets		
Cash and cash equivalents	16,470,494	16,470,494
Accounts receivable and prepayments	1,754,727	1,754,727
Financial Liabilities		
Accounts payable and accruals	1,760,395	1,760,395
	30 September 2018	
	Carrying Value (\$)	Fair Value (\$)
Financial Assets		
Cash and cash equivalents	8,195,691	8,195,691
Accounts receivable and prepayments	5,770,627	5,770,627
Financial Liabilities		
Accounts payable and accruals	36,135	36,135

THE OFFICE OF PROCUREMENT REGULATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. Financial Risk Management (Cont'd):

The OPR is exposed to interest rate risk, credit risk, liquidity risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the OPR to manage these risks are discussed below:

a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The OPR's exposure to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities is minimal and is monitored closely by management.

The OPR's exposure to the risk of changes in market interest rate is not material as there are no long term debt obligations and overdraft facility.

Interest rate sensitivity analysis

The OPR's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

		30 September 2019			Non - Interest Bearing	Total
	Effective Rate	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	(\$)	(\$)
Financial Assets						
Cash and cash equivalents	0.05 – 1.5%	16,465,494	-	-	5,000	16,470,494
Accounts receivable and prepayments	0%	-	-	-	1,754,727	1,754,727
		<u>16,465,494</u>	-	-	<u>1,759,727</u>	<u>18,225,221</u>
Financial Liabilities						
Accounts payable and accruals	0%	-	-	-	1,760,395	1,760,395
		-	-	-	<u>1,760,395</u>	<u>1,760,395</u>

THE OFFICE OF PROCUREMENT REGULATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. Financial Risk Management (Cont'd):

	Effective Rate	30 September 2018			Non - Interest Bearing (\$)	Total (\$)
		Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)		
Financial Assets						
Cash and cash equivalents	0.05 – 1.5%	8,190,691	-	-	5,000	8,195,691
Accounts receivable and prepayments	0%	-	-	-	5,770,627	5,770,627
		<u>8,190,691</u>	<u>-</u>	<u>-</u>	<u>5,775,627</u>	<u>13,966,318</u>
Financial Liabilities						
Accounts payable and accruals	0%	-	-	-	36,135	36,135
		<u>-</u>	<u>-</u>	<u>-</u>	<u>36,135</u>	<u>36,135</u>

b) Credit risk -

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

Cash and cash equivalent balances are held with high credit quality financial institutions.

Receivable balances are monitored on an ongoing basis, and as a result, the OPR's exposure to bad debts and impairment is not significant. With respect to credit risk arising from other financial assets such as cash and cash equivalents, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

In addition, the OPR also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

There are no significant concentrations of credit risk within the OPR.

c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but it also increases the risk of losses. The OPR minimising such losses by maintaining sufficient cash and other highly liquid current assets. The OPR is able to make daily calls on its available cash resources to settle financial and other liabilities. Additionally, the OPR monitors its risks of cash shortage by considering the maturity of its financial assets and the projected cash flows from operations.

Liquidity risk is not considered a material risk.

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3. Financial Risk Management (Cont'd):

c) Liquidity risk (cont'd) -

Liquidity gap

The OPR's exposures to liquidity risk is summarized in the table below, which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date.

	2019			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents	16,470,494	-	-	16,470,494
Accounts receivables and prepayments	<u>1,754,727</u>	<u>-</u>	<u>-</u>	<u>1,754,727</u>
	<u>18,225,221</u>	<u>-</u>	<u>-</u>	<u>18,225,221</u>
Financial Liabilities				
Accounts payable and accruals	<u>1,760,395</u>	<u>-</u>	<u>-</u>	<u>1,760,395</u>
	<u>1,760,395</u>	<u>-</u>	<u>-</u>	<u>1,760,395</u>
	2018			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents	8,195,691	-	-	8,195,691
Accounts receivables and prepayments	<u>5,770,627</u>	<u>-</u>	<u>-</u>	<u>5,770,627</u>
	<u>13,966,318</u>	<u>-</u>	<u>-</u>	<u>13,966,318</u>
Financial Liabilities				
Accounts payable and accruals	<u>36,135</u>	<u>-</u>	<u>-</u>	<u>36,135</u>
	<u>36,135</u>	<u>-</u>	<u>-</u>	<u>36,135</u>

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3. Financial Risk Management (Cont'd):

d) Operational risk -

Operational risk is the risk derived from deficiencies relating to the OPR's information technology and control systems, as well as the risk of human error and natural disasters. The OPR's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error.

e) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the country. The risk is limited to a significant extent by strong monitoring controls applied by the OPR's management.

f) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the OPR's operations (whether true or false) may result in a legal cases against the OPR. The OPR engages in public social endeavours to engender trust and minimize this risk.

4. Cash and Cash Equivalents:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Cash in hand	5,000	5,000
First Citizens Bank Limited		
- Recurrent Account	13,636,241	8,190,691
- Development Account	<u>2,829,253</u>	<u>-</u>
	<u>16,470,494</u>	<u>8,195,691</u>

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5. Accounts Receivable and Prepayments:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Subvention receivables	1,460,000	5,646,722
Prepayment	104,644	4,800
Cautionary fee	600	160
Value-Added-Tax receivable	189,483	45,289
NIS refundable	-	73,656
	<u>1,754,727</u>	<u>5,770,627</u>

6. Intangible Asset:

	<u>Computer Software</u>
	(\$)
Cost	
Balance as at 1 October 2018	-
Additions	<u>129,743</u>
Balance as at 30 September 2019	<u>129,743</u>
Accumulated Depreciation	
Balance as at 1 October 2018	-
Charge for the year	<u>36,036</u>
Balance as at 30 September 2019	<u>36,036</u>
Net Book Value	
Balance as at 30 September 2019	<u><u>93,707</u></u>
Balance as at 30 September 2018	<u><u>-</u></u>

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7. Property, Plant and Equipment:

	<u>Office Furniture</u> (\$)	<u>Office Equipment</u> (\$)	<u>Motor Vehicles</u> (\$)	<u>Total</u> (\$)
Balance as at 1 October 2018	-	6,478	340,000	346,478
Additions	<u>11,000</u>	<u>684,404</u>	<u>209,665</u>	<u>905,069</u>
Balance as at 30 September 2019	<u>11,000</u>	<u>690,882</u>	<u>549,665</u>	<u>1,251,547</u>

Accumulated Depreciation

Balance as at 1 October 2018	-	235	21,250	21,485
Charge for the year	<u>1,650</u>	<u>122,320</u>	<u>84,056</u>	<u>208,026</u>
Balance as at 30 September 2019	<u>1,650</u>	<u>122,555</u>	<u>105,306</u>	<u>229,511</u>

Net Book Value

Balance as at 30 September 2019	<u>9,350</u>	<u>568,327</u>	<u>444,359</u>	<u>1,022,036</u>
Balance as at 30 September 2018	<u>-</u>	<u>6,243</u>	<u>318,750</u>	<u>324,993</u>

	<u>Office Equipment</u> (\$)	<u>Motor Vehicles</u> (\$)	<u>Total</u> (\$)
Cost			
Balance as at 1 January 2018	-	-	-
Additions	<u>6,478</u>	<u>340,000</u>	<u>346,478</u>
Balance as at 30 September 2018	<u>6,478</u>	<u>340,000</u>	<u>346,478</u>
Accumulated Depreciation			
Balance as at 1 January 2018	-	-	-
Charge for the period	<u>235</u>	<u>21,250</u>	<u>21,485</u>
Balance as at 30 September 2018	<u>235</u>	<u>21,250</u>	<u>21,485</u>
Net Book Value			
Balance as at 30 September 2018	<u>6,243</u>	<u>318,750</u>	<u>324,993</u>

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8. Accounts Payable and Accruals:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Audit fees payable	48,900	34,350
Accruals	<u>1,711,495</u>	<u>1,785</u>
	<u>1,760,395</u>	<u>36,135</u>

9. Deferred Income:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
<u>Recurrent:</u>		
Balance, beginning of the year/period	3,301,717	-
Deferred expenditure	(792,450)	-
Grant received	803,930	3,500,000
Grant expenditure	<u>(400,943)</u>	<u>(198,283)</u>
Balance, end of year/period	<u>2,912,254</u>	<u>3,301,717</u>

10. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Contributions from the Ministry of Finance are not considered transactions with a related party in accordance with IAS 24 – Related Party Disclosures, which states, *inter alia*, that the following are not related parties:

- ‘... (i) providers of finance,
- (ii) trade unions,
- (iii) public utilities, and
- (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity,

simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process)...’

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10. Related Party Transactions (Cont'd):

A number of business dealings are transacted with related parties in the normal course of business.

Balances and transaction with related parties during the period were as follows:

	30 September	
	2019	2018
	(\$)	(\$)
Short-term benefits	4,966,751	2,004,106

11. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

With respect to the various classes of financial assets and liabilities, the carrying amounts of current assets and liabilities are deemed to be a reasonable approximation of the fair values because of their short-term nature.

12. Capital Risk Management:

The OPR manages its capital to ensure that it will be able to continue as a going concern while providing value to the clientele.

The capital structure of the OPR consists of equity in the form of accumulated surplus, attributable to the Ministry of Finance.

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13. General and Administrative Expenses:

	For the year ended 30 September <u>2019</u> (\$)	For the nine-month period ended 30 September <u>2018</u> (\$)
Audit fee	52,800	34,350
Books and periodicals	-	23,200
Board remuneration	1,354,550	985,010
Car park fees	144,182	32,391
Contracted services	131,062	40,038
Health and safety	2,062	-
Janitorial services	190,736	24,944
Miscellaneous expenses	8,903	1,400
Motor vehicle expenses	30,389	2,727
Overseas travel	44,211	5,643
Printing, stationery and office supplies	132,100	28,202
Repairs and Maintenance - Building	3,910	-
Repairs and Maintenance - Equipment	350	-
Software expenses	51,794	1,030
Subscriptions	19,334	1,690
Telephone	15,981	450
Training	245,200	2,641
	<u>2,427,564</u>	<u>1,183,716</u>

14. Personnel Costs:

	For the year ended 30 September <u>2019</u> (\$)	For the nine-month period ended 30 September <u>2018</u> (\$)
Salaries	8,009,278	1,019,095
NIS – Employer’s contributions	311,989	18,590
	<u>8,321,267</u>	<u>1,037,685</u>