



MCCAA

MALTA COMPETITION AND
CONSUMER AFFAIRS AUTHORITY

Annual Report 2019

Mission Statement

*Having a market where
fair trading prevails
and consumer welfare
is enhanced*

Chairperson's Address

As I look back on 2019, it is reassuring that an organisation, with such a large remit covering very diverse areas of regulation, with totally different skill sets required, has a single focus – the consumer's well-being.

Whether it is at the corporate level or through the four entities, competition, consumer affairs, technical regulations and standards and metrology, all of us here at the Malta Competition and Consumer Affairs Authority have this interlinked value that ultimately leads to a wider selection of high quality products and services at reasonable prices.

The MCCA Board has given its direction to ensure it continues to maximise on the synergies that can be derived from all this expertise and knowledge. At the same time, it is conscious that the business models, activities and the way consumers make their decisions and what they are faced with are changing at a rapid pace.

The Authority needs to scrutinise these new areas of consumer choice and be agile in its response. This is why we have continued to invest in IT tools to facilitate our work and to offer a choice to all those wishing to access our services online. Similarly, as we continue our efforts to communicate with consumers through traditional media, we see more and more communication through social media, both in terms of our efforts internally and the way consumers wish to interact with the Authority.



At Board level, we are conscious of the need to utilise public resources well and to do so transparently. In 2019 we commissioned a study that gave a clear indication of our contribution to the national economy. This revealed that for every €1 that the Government invests in the Office for Competition, the nation receives over €30 in value. We plan to extend this independent assessment to other areas.

Before I go on to highlight this year's achievements, allow me to pay tribute to two pillars of the MCCAAs who passed on in 2019. The Director of Market Surveillance, Ing. Michael Cassar, who was synonymous with this area of expertise both locally and internationally, died suddenly in March. Since 2017, he was chairman of PROSAFE, a non-profit professional organisation for market surveillance authorities and officers from the European Economic Area. Michael was greatly respected by both his colleagues and his counterparts from other European countries.

The first chairman of the MCCAAs, Ing. Francis Farrugia, who was responsible for preparing the legislation to set up the Authority and led it until 2013, passed on in December. Ing. Farrugia chaired the Malta Standards Authority from 2000 to 2011 and represented Malta in high-level positions in European and international organisations, including the CEN and CENELEC Administration Board, ANEC, EAAB, DG ENV EMAS Article 49 Committee and EU Ecolabel Board, ISO Council, ECHA and WELMEC. Both have left their legacy with the Authority.

2019 saw the conclusion of the substantial legislative work, in close collaboration with the Attorney General's Office, to address the Constitutional Court judgment. The resultant Bill was well received in Parliament and was passed without amendment.

The National Action Plan for the Sustainable Use of Pesticides was revised, and a new plan launched, covering 2019-2023. The revision followed an extensive public consultation exercise and aims, among others, to reduce pesticide use by promoting and supporting low pesticide input pest management strategies that give priority to methods and products with the lowest risk to human health and the environment.

The Authority adopted the United Nations Economic Commission for Europe Declaration for Gender Responsive Standards and Standards Development, and we are working to ensure the introduction of better female and local NGO representation in the drawing up of national standards.

Operationally, we continued to strengthen our presence on social media where we are seeing growing public engagement. Our annual *Servizz bi Tbissima* award was also given fresh impetus through social media, resulting in over 5,000 votes from consumers – more than five times those registered in the previous year.

At an international level, the Authority signed an MoU with the Albanian Competition Authority covering bilateral co-operation and sharing of best practices. Another MoU was signed with the University of Bari to provide training and support in the area of pesticide equipment testing.

A key milestone was the opening of the MCCAAs office in Xewkija, Gozo. This office extends all the MCCAAs's services to Gozo and provides a one-stop shop for both consumers and business operators. The office also provides our Gozitan employees with the opportunity to cut down on their daily commute to Malta since they can work remotely from this location.

ISO 9001:2015 certification, through the British Standards Institute, was extended to the activities of the Office for Consumer Affairs. This certification underscores the Office's ability to provide services consistently that meet the applicable requirements and serve to enhance customer satisfaction.

We continued to be committed to building our employee competence. In the past year we have undertaken an authority-wide training needs analysis and have drawn up a comprehensive training programme. This programme will support increased job satisfaction and improved employee performance.

This challenging programme of works would not have been possible without the support of the Board of Governors and the dedicated input of the Authority's employees. I take this opportunity to extend my heartfelt thanks to all for the excellent results we have achieved and look forward to working together on our ambitions vision for the coming years.

Board of Governors



CHAIRPERSON
Ing. Helga Pizzuto



DEPUTY CHAIRPERSON
Mr John Abela



MEMBER
Mr Benny Borg Bonello



MEMBER
Dr Maria Briffa



MEMBER
Ing. Mario Cassar



MEMBER
Ms Sylvana Civelli



MEMBER
Prof. Joe Falzon



MEMBER
Mr Reginald Fava



MEMBER
Ms MaryAnne Micallef



MEMBER
Prof. Anthony Serracino Inglott



MEMBER
January-24 April
Dr Bridgette Sultana

Directors General



OFFICE FOR COMPETITION
Mr Godwin Mangion



OFFICE FOR CONSUMER AFFAIRS
Ms Joyce Borg
January-13 September



TECHNICAL REGULATIONS DIVISION
Mr Edward Xuereb



STANDARDS & METROLOGY INSTITUTE
Ing. Francis Farrugia

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Office for Competition



The Office for Competition (OC) has a statutory duty to promote competition for the benefit of consumers. Its areas of activity include enforcement, advocacy, control of concentrations and participation in EU and international fora. It aims to facilitate the smooth operation of well-functioning markets by promoting sound, competitive practices for the benefit of consumers, businesses and the economy. Besides investigating anti-competitive market activities, the Office's input is also regularly sought from public authorities on public restraints emanating from laws, regulations, policies and procurement activities.

2019 saw the introduction of breakthrough legislation that resolved the deadlock brought on by legal action attacking the validity of decisions by the OC. Extensive legislative amendments have been introduced by the Competition Act and Consumer Affairs Act and other Laws (Amendment) Act that came into force with Legal Notice 179 of 2019, published on 29 July.

The procedure adopted by the relevant administrative authorities in competition and consumer cases now complies with the right to a fair hearing enshrined in the Constitution of Malta and strengthens the competition law enforcement system in Malta, providing the necessary tools to the **Office for Competition to ensure that undertakings comply with the Competition Act to the benefit of both consumers and businesses.**

Another highlight of 2019 was the undertaking of an independent economic impact assessment study aimed at quantifying the economic and consumer welfare impact that accrues to the Maltese economy from the Offices activities.

In the five years between 2014 and 2018, the aggregate benefits to the economy in terms of gross value added attributable to the OC's operations exceeded €50 million, when accounting for both the direct and indirect effects. ***This equates to an average total return ratio of €30.40 for every €1.00 of budget allocated to the OC.***

Regulatory Activity

In 2019, the Office investigated alleged infringements of the Competition Act in the wholesale and retail trade, manufacturing, the arts, entertainment and recreation, financial and insurance activities, transportation and storage, and professional, scientific and technical activities sectors, among others.

The majority of these investigations were initiated following a complaint by an aggrieved party. While the OC has undertaken investigative work on a number of allegations, the OC is reporting only those allegations where the OC issued a decision in 2019.

Decisions issued

Interim Measures on four insurance companies extended

On 12 February, the OC renewed for the third time the interim measure decision issued in 2017 on four insurance companies concerning the repair of motor vehicles and motorcycles sector. The measure was previously renewed on 16 March and 14 September 2018.

This extension was carried out in terms of Article 15(2) of the Competition Act prior to the amendments introduced in 2019 that allowed for interim measure decisions issued by the OC to be renewed by the Director General insofar as this was necessary and appropriate.

In its decision, the OC noted that an extension of the Decision was necessary and appropriate, given that the investigation was still being carried out. In the absence of these interim measures, there remained a risk of serious and irreparable damage to competition.

The OC added that the extension of the Decision was required to ensure that the existing competitive situation would be maintained to protect competition in the market, pending the final outcome of the case. The OC decided to renew its decision for a further five months up to 11 July 2019. The Office reassessed the situation and considered that, after that date, the conditions for interim measures no longer subsisted.

Sports sector investigation

On 27 February 2017, the OC received a complaint alleging an infringement by the Aquatic Sports Association (ASA) of Articles 5 and/or 9 of the Maltese Competition Act regarding its rules on the maximum number of team players of non-Maltese nationality who can play in a senior match organised by or played under the aegis of the ASA.

After opening an in-depth investigation, which in part included sending informal requests for information to gather feedback from other competition authorities within the European Competition Network, the OC concluded that, on the basis of the information gathered during the investigation, there were insufficient grounds to act on the complaint.

The complainants requested the OC to reconsider its conclusion. On 19 September 2019, the OC reaffirmed its initial conclusions and informed the complainants accordingly in terms of the newly amended provisions under Article 14(2) of the Competition Act.

Control of Concentrations

In 2019, the OC received an unprecedented 12 notifications on proposed concentrations concerning several markets operating both locally and abroad. These markets include the financial and insurance activities sector, the manufacturing sector, the information and communication sector, the arts, entertainment and recreation sector, the construction sector, the wholesale and retail trade sector and the professional, scientific and technical activities sector. All concentrations were assessed within the time limits stipulated in the Control of Concentrations Regulations.

Following an initial internal assessment of the proposed concentrations, all notifications of the undertakings concerned met the turnover thresholds, as defined in regulation 2 of the Control of Concentrations Regulations. The following were the 12 concentrations examined by the OC:

- Centerbridge Partners LP's acquisition of certain software assets from International Business Machines Corporation;
- Acquisition of Abaco S.p.A. by Dea Capital Alternative Funds s.g.r. S.p.A.;
- Acquisition of joint control of Costa Edutainment S.p.A. by Oaktree Capital Management LP;
- Joint venture between M&Z Group Limited and BPM Limited;
- Acquisition of De La Rue Identity Solutions Limited by HID Corporation Limited;
- Acquisition of CKV Marketing by CKV Central Limited;
- Acquisition of Vungle Ltd by Redbird Parent Holdings Inc.;
- Acquisition of Watch Topco Limited by Quad US BidCo Inc.;
- Acquisition of La Poste SA by Caisse des dépôts et Consignations;
- Acquisition of Velprint Limited by Giov. Muscat Co. Limited;
- Acquisition of FirstUnited Insurance Brokers Limited by Argus Group Holdings Ltd; and
- Acquisition of JP Pharma Operations by Brown's Pharma Limited.

The first 10 concentrations were declared lawful after qualifying for the simplified procedure, since the proposed concentrations did not give rise to serious doubts on the lessening of competition in the Maltese market. These concentrations were cleared and declared lawful within the four-week period as stipulated in regulation 12(4) of the Control of Concentrations Regulations.

Phase I investigations

On the other hand, the acquisition of FirstUnited Insurance Brokers Limited by Argus Group Holdings Ltd required the OC to conduct a Phase I investigation. This was due to the horizontal overlaps that existed between the activities of the notifying parties in the insurance brokerage market, specifically in the classes of the provision of life insurance and accident and health, where the combined market share based on gross written premiums stood at [25-35]% and [35-45]%, respectively.

The Office concluded that the proposed transaction would not lead to substantial lessening of competition in the market for the provision of insurance services since the parties would have a combined market share of [0-5]% in the whole distribution of the life insurance market and [10-20]% with a minimal increment brought about by the acquired party in the whole accident and health insurance market and therefore declared the concentration lawful.

Similarly, the assessment of the acquisition of JP Pharma Operations by Brown's Pharma Limited necessitated a Phase I investigation. This was because the combined horizontal market share at one of the local geographical markets was estimated to be 33%, therefore being 18 percentage points higher than the threshold stipulated in regulation 12(1)(iii) for examining concentrations under the simplified procedure.

Following its assessment, the OC concluded that, at the retail level, the proposed transaction would not substantially lessen competition in the sale of prescription and non-prescription medicines in retail pharmacies within the defined local geographic markets.

Furthermore, the OC estimated the combined market share of the notifying parties post transaction to be between 5-10% of the pharmaceutical retail outlet market in Malta and therefore considered the notifying party's ability to exert pressure on its suppliers to be limited. As a result, the OC declared the concentration lawful.

Legislation and Litigation

Legislation

Competition Act reform

The Competition Act and the Consumer Affairs Act and other Laws (Amendment) Act, 2019 implemented radical changes to the Competition Act that became necessary following landmark Constitutional Court judgments that dated back to 2016. In these judgments, the Court considered that the fines imposed in competition law proceedings, that served as a deterrent, could also be quite severe and were intended as a punishment and not as compensation for damages.

In view of this, the Constitutional Court concluded that the competition law proceedings leading to the imposition of a fine were of a criminal nature and, despite being fully compliant with the European Convention on Human Rights, the proceedings fell foul of Article 39(1) of the Constitution, which states: “Whenever any person is charged with a criminal offence he shall, unless the charge is withdrawn, be afforded a fair hearing within a reasonable time by an independent and impartial court established by law.”

The legislative amendments that came into force through Legal Notice 179 introduce a dual administrative/judicial enforcement model through a separation of powers between the OC and the Civil Court (Commercial Section). The OC is the investigative arm, being able to request the Court to impose remedies and penalties and recommending the quantum of such penalties, and the Court takes decisions after hearing submissions from both sides.

In this scenario, the OC retains its powers to investigate suspected infringements of competition law and to institute proceedings before the Civil Court (Commercial Section) when the Director General considers that there is an infringement of Articles 5 and/or 9 of the Competition Act and/or Articles 101 and/or 102 of the Treaty on the Functioning of the EU.

Transposition of Directive (EU) 2019/1

Directive (EU) 2019/1 aims to empower competition authorities in member states to become more effective enforcers, thereby ensuring the proper functioning of the internal market. The directive aims to equip national competition authorities with the appropriate enforcement tools that will help establish a uniform, EU-wide competition enforcement area. To that end, the Directive provides for minimum guarantees and standards to empower national competition authorities to reach their full potential.

Some of the key measures that feature in this Directive include ensuring that national competition authorities have proper and sufficient resources to enforce national and EU competition law, and that they are able to do so independently. The Directive also provides for national competition authorities to have an effective leniency procedure, as well as the necessary framework to enable mutual co-operation between one national competition authority and another. This system ensures that authorities can rely on each other to carry out fact-finding measures on each other’s behalf to foster co-operation and mutual assistance among member states.

In 2019, the OC started the process of transposing the Directive into national legislation, which should be completed by 4 February 2021.

Litigation

Uffiċċju għall-Kompetizzjoni vs Korporazzjoni Enemalta wara l-Ilment ta’ Attard Services et

The OC is in the process of defending its antitrust report dated February 2011 wherein the OC found that Enemalta had breached the Competition Act in the market for the provision of storage and throughput facilities for Jet A1 fuel.

Court proceedings were concluded in 2019 and, as at end 2019, a decision was awaited from the Civil Court (Commercial Section) as to whether an infringement or otherwise of the Competition Act and the Treaty on the Functioning of the European Union took place.

Falzon Group Holdings Limited (C 1731) et vs Direttur Ġenerali (Kompetizzjoni) et

The OC’s decision, issued in October 2016, finding resale price maintenance in the fuel market an infringement of Article 5 of the Competition Act, has now become final.

In July 2019, the Constitutional Court in the case Falzon Group Holdings Limited et vs Direttur Ġenerali (Kompetizzjoni) et rejected the arguments raised by Falzon Group Holdings Limited alleging that the investigative process adopted by the OC breached the right of the undertaking to a fair hearing, as protected by Article 39(1) of the Constitution of Malta and Article 6 of the European Convention on Human Rights.

Therefore, the investigative procedure carried out by the OC in the case was confirmed to be within the parameters of the law.

Subsequently, Falzon Group Holdings Limited discontinued the case that was instituted against the OC before the First Hall of the Civil Court in its Constitutional Jurisdiction, and also discontinued the appeal proceedings that were instituted against the OC on the merits of that decision before the Competition and Consumer Appeals Tribunal, today the Civil Court (Commercial Section).

Report issued in terms of Article 27 of the Competition Act – (Joined Cases 609-612/2017) Federated Association of Travel and Tourism Agents (FATTA) v Brussels Airlines et, Federated Association of Travel and Tourism Agents (FATTA) v Austrian Airlines AG et, Federated Association of Travel and Tourism Agents (FATTA) v Swiss International Air Lines Ltd et and Federated Association of Travel and Tourism Agents (FATTA) v Deutsche Lufthansa Aktiengesellschaft et

In November 2018, following a rigorous investigation on the airline industry, the OC submitted an in-depth report with its findings to the First Hall of the Civil Court on FATTA’s allegations of a concerted practice and an abuse of a dominant position. The report was prepared following a request by the Courts, in line with the terms of Article 27 of the Competition Act, to stay the proceedings and request the Director General to submit a report on the competition questions raised before it when these relate to Article 5 of the Competition Act and/or Article 101 of the TFEU, or when it is alleged that there is an abuse of a dominant position in accordance with Article 9 of this Act and/or Article 102 of the TFEU. In its findings, the OC concluded that it does not find any infringement of Article 5 and Article 9 of the Competition Act.

Subsequently, in 2019, the First Hall of the Civil Court requested the OC to reply to technical questions on its findings and on 27 June 2019 the Court concluded that it found no evidence that proves any breach of Article 5 and/or Article 9 of the Competition Act and therefore confirmed the OC’s findings.

Advocacy

Three provisions in Article 14 of the MCCA Act (Cap. 510 of the Laws of Malta) empower the OC to act as an advocate of competition by providing expert competition law advice to public authorities to promote the elimination of restraints through regulations, laws and policies. Competition advocacy complements competition law enforcement. In 2019, the OC provided advice to a number of public authorities including:

- **Malta Financial Services Authority:** the MFSA requested advice on a concentration application concerning the financial and insurance services and the postal services sectors. The OC assisted the MFSA in the matter and advised on the related competition matters.
- **Central Procurement and Supplies Unit (Ministry for Health) on the supply of infant formula at Mater Dei Hospital:** the OC felt the need to approach the CPSU after the Office was informed by a supplier of infant formula, follow-on formula and other formula or milk products for older infants or toddlers in the private retail market that the public contract of supply of infant formula at Mater Dei Hospital was causing a distortion of competition on the supply in the private retail market for infant formula, follow-on formula and other formula or milk products for older infants or toddlers. After assessing the allegations made and convening meetings with the parties concerned, the OC decided to exercise its advocacy role on the competition issues concerned.

Through an advocacy letter sent on 17 July 2019, it informed the CPSU that the tendering system adopted in the public health service was distorting competition in a number of secondary markets in the private retail market, creating barriers to entry and expansion for other suppliers of these products.

In conclusion, the OC advocated towards a system where a choice of products is offered to the parents at

Mater Dei Hospital and, at the same time, suppliers must always guarantee security of supply of infant formula to the public health service in a timely manner.

During the adjudication period of the tender, that was issued on 24 April 2019, an appeal was lodged by a supplier of infant formula. On 19 December 2019, there was a public hearing on the matter before the Public Contracts Review Board for which the OC was requested to testify on matters of points of competition.

The OC continues to monitor the baby infant formula market also in 2020 to promote a competitive environment. In this way the OC aims to create a competition culture that demands fair and efficient markets.

Independent study

The OC commissioned an independent study, conducted by Dr Ian Cassar, a leading expert in input-output methodology at the University of Malta, to quantify the economic benefits that accrue to the Maltese economy as a result of the OC's activities. The assessment, finalised in November 2019, demonstrates how the interventions of the OC in different sectors of the economy benefit consumers while increasing transparency and measures the effectiveness of its activities.

Through an application of time series econometric methodology, input-output methodology and the OECD's recommendations and assessments, the study sets out the estimated impacts and quantitatively explores the multiplier effects of both the direct and indirect roles of the OC for the period 2014-2018.

Apart from the direct economic benefits that could be attributed to the OC's operations, there is an even larger economic benefit arising from deterrence effects of anti-competitive behaviour. In fact, the study measured both the direct and indirect economic benefits that accrue from the OC's activities.

In principle, the existence of a competition authority deters companies from engaging in anti-competitive behaviour that they would otherwise have engaged in. Examples of deterrence effects that accrue from the presence of a competition authority include increases in the number of firms and lower mark-ups in the market, and boosts in total factor productivity and GDP.

The study estimated that the direct financial benefit to the economy in terms of Gross Value Added for the five-year period under review amounted to €35.5 million, representing an annual average economic benefit of nearly €7.1 million. On the other hand, the indirect economic benefits amounted to €3.1 million per annum over the same period.

In aggregate, these equate to an average of €10.2 million per year and translate to an average total return ratio of 30.4:1. The return ratios aim to capture the benefit to the economy in relation to a euro of budget allocated to the Office to cover the cost of its operations, such as salaries, rent and other overhead costs.

The role of promoting competition and safeguarding consumers' interests has a range of positive benefits on consumers, including lower prices, quality assurance, increased choice, better innovation and improved efficiency.

Table 1: Estimated Return Ratios for the period 2014-2018

	2014	2015	2016	2017	2018
Return Ratio (Direct Effects)	16.9	26.1	15.8	31.6	15.8
Total Return Ratio (Direct & Indirect effects)	25.6	34.7	24.6	41.2	26.0

The scope of these impact assessments is to quantify the benefits and therefore to put the figures in perspective.

This analysis helps the policymaker to gauge the rate of return from the investment allocated to the OC and the OC itself in setting case priority based on expected economic impacts.

“We always knew that the Office made a great contribution to the economy, but the moment that is quantified you have something more tangible in hand.”

European and International participation

The OC played an active role in European and international fora aimed at increasing co-operation and coherence among competition authorities. The OC assigns high importance to international co-operation with other competition authorities since it provides a platform through which best practices on combating anti-competitive practices, such as cartels and abuse of market power, are shared.

Furthermore, these meetings facilitate the exchange of information and experience in antitrust and merger cases among the various competition authorities. This information enables the OC to build its knowledge and expertise on the application of competition law and to keep abreast with the latest developments in the jurisdictions of the other competition authorities.



Members of the OC actively participated in 2019 in a number of expert working group meetings of the European Commission relating to thematic issues on abuse of dominance, mergers, horizontal issues, co-operation issues and cartels, among others. The OC also participated in the Chief Economist working group meeting and in various sectoral working groups, including food, healthcare and pharmaceuticals, financial services and digital markets.

The OC acted as rapporteur for the Advisory Committee on restrictive practices and dominant position at its meeting on 17 January 2019, when the draft decision of DG Competition on the financial and insurance activities sector was discussed.

The OC remained an active participant in meetings organised by the Competition Committee within the Organisation for Economic Co-operation and Development (OECD). Among the thematic issues discussed were the regulatory role within a competition framework, the designation of effective consumer facing remedies, e-commerce and competition, market concentration and the role of competition in blockchain technology.

On a day-to-day basis, the OC also co-operated with other national competition authorities within the European Competition Network through exchanges of information.

Contributing to EU legislative proposals

EU Directive 2019/1 to empower the competition authorities of member states to be more effective enforcers and ensure the proper functioning of the internal market was signed into law on 11 December 2018 and published in the *Official Journal* of the European Union on 14 January 2019.

Members of the OC remained active contributors and participants in all working parties organised by the European Commission in 2019 on agenda items relating to EU Directive 2019/1. Furthermore, through the European Competition Network, the OC contributed to thematic discussions involving legal and technical issues on this Directive and assisted national competition authorities of other member states through timely responses to their requests for information on specific issues of the Directive.

Memorandum of Understanding (MoU) with Albania

In December 2018, the MCAA and the Albanian Competition Authority (ACA) entered an MoU on bilateral co-operation. Under this MoU, the two authorities recognised the common values underlying their regulations in the field of competition policy and competition enforcement, namely, to exchange best practices on the economics of antitrust and merger control, and to share results of studies and other published knowledge on competition policy.

In September 2019, members of the ACA attended bilateral meetings with the OC. Both authorities discussed and exchanged technical knowledge on various topics, including issues on competition

law enforcement, the role of a competition authority as a member state within the EU and recent developments in competition law. Furthermore, the possibility of employee exchange programmes and experts' training to benefit from mutual experience in the field of investigations on violation of competition rules were also discussed.

Members of the ACA identified areas and activities of common interest to those of the OC during this visit with a focus on the provision of formal training from OC officials. The OC acceded to the ACA's request and is currently undergoing the necessary preparations to provide the requested training.

Office for Consumer Affairs



The Office for Consumer Affairs (OCA) continues to be committed to the promotion and protection of consumer interests. It is our objective to foster a balanced relationship between consumer and trader to ensure ongoing consumer welfare.

Legislation

Consumer Affairs Act Reform

The Consumer Affairs Act was extensively amended following two milestone decisions delivered by the Constitutional Court in 2016 and 2018 on the Office for Competition (OC). These decisions also affected the Office for Consumer Affairs. The amendment process was followed by the enactment of Act XVI of 2019, entitled the Competition Act and Consumer Affairs Act and other Laws (Amendment) Act, 2019, which came into force on 29 July 2019 (except for Articles 4 and 5 of this Act).

This Act establishes that the Civil Court (Commercial Section) has the exclusive competence to issue a penalty on the trader concerned on the request of the Director General (Consumer Affairs) within a judicial process initiated by means of a sworn application filed by the Director General (Consumer Affairs).

Although the Constitutional Court judgments were related only to the OC, decisions by the OCA were still challenged given that the OCA followed a similar procedure to the OC.

Office for Consumer Affairs 2019 main achievements

The OCA has continued its outreach to consumers by disseminating information on consumer rights through educational interviews aired on TV and radio programmes and through the publication of weekly information articles in local newspapers. Presence on social media has also been strengthened, featuring educational infographic videos on the Authority's Facebook page highlighting consumer rights and responsibilities.

In 2019, nearly 1,000 consumers sought the assistance of this Office for help to obtain free redress from local sellers on disputes over products and services purchased.

Furthermore, over 200 air passengers registered claims against airlines, which resulted in compensation for 150 passengers.

During the annual World Consumer Rights Day Conference, the effect of smart products on consumers' lives and how consumers' legal rights can be further strengthened in the digital world were discussed with experts in the field. Furthermore, with over 5,000 submitted votes, the fifth edition of the yearly competition 'Premju Servizz bi Tbissima' saw record consumer participation.

In 2019 there was also a significant increase of price indication inspections, 2,500 more inspections when compared to 2018. Over 20,000 inspections were carried out in retail outlets in Malta and Gozo to ensure compliance with the Price Indication Regulations. The focus of the 'extra' inspections was held in the evenings and weekends, and were conducted on village feast kiosks, trade fairs, open markets and special events, such as the Notte Bianca.

The OCA, as the Single Liaison Office for Malta for the Consumer Protection Cooperation Regulation, actively participated in the annual EU online sweep, which in 2019 focused on checking websites offering for sale clothing and footwear, furniture and household items and electric appliances, to identify breaches of EU consumer law. Furthermore, as a result of its active participation in the EU E-Enforcement Group and Academy meetings, the MCCA was selected for *ad hoc* training on digital skills for Intelligence, Internet Investigations and Evidence gathering.

In collaboration with the Malta Medicines Authority, following the monitoring of 499 pharmaceuticals, the retail prices of 29 medicines were reduced, with markdowns exceeding 30% for eight medicines.

Topics

Credit Notes

World Consumer Rights Day

Price Indication

Consumer

Travel

Misleading Advertising

Responsibilities

Air Passenger Rights

Consumer Contracts

Guarantees

Problems With Ordered Goods

Private Sales

Complaining Effectively

Unfair Contract Terms

Trust You Scheme

Consumer Claims

Online Purchases

Unwanted Gifts

Unwanted Products

Deposits

Aggressive Practices

Tribunal

Car Rental

Unsolicited Goods

Consumer Redress

Gift Vouchers

Trader's Obligations

Safe Online Shopping

Toy Safety

Digital Content

Shopping During Sales

Accommodation Problems

Off-Premises Contracts

Consumer Contracts

Delayed Delivery

Cooling Off Period

Telecommunications

Hidden Charges

Purchase Of Services

Services

Product Safety

Delivery Problems

Information Dissemination through local media

To further enhance consumer education and protection, during 2019 the Information Directorate continued to strengthen its presence in the local media through regular participation in TV and radio programmes aired on the main local stations.

Some of the innovative topics discussed included information on aggressive practices, unsolicited goods, telecommunication services, distance and off-premises purchases, the purchase of digital content and services, as well as traders' obligations. The selection of these topics was based on an analysis of the most common consumer enquiries submitted by consumers through the Authority's various communication channels, including e-mail enquiries and Facebook private messages.

Table 2 : Media Output (2017-2019)

Media Output (2017-2019)				
	Articles	Talks	TV Programmes	Radio Programmes
2017	128	14	109	87
2018	117	29	138	84
2019	112	13	95	72

The 11th issue of *L-Għażla* magazine was published in English and Maltese in December on the MCAA's website. Of the educational talks delivered to various consumer groups, seven were held in different localities around Malta as part of the *Għaqal id-Dar Hajja Ahjar* courses, organised by the Ministry for the Family and Social Solidarity, the Parliamentary Secretariat for Local Government and Home Economics in Action.

Requests for information or questions put to the Office from consumers are on a downward trend with **6,400 queries received in 2019 (compared to 12,203 in 2017 and 11,073 in 2018)**.

These queries were received through a host of communication channels, including by Freephone, telephone, e-mail, personal visits and social media. An increased number of consumers are opting to communicate with the Authority through its Facebook page so as to get feedback on their enquiries more promptly. The most common queries concerned issues with telecommunication services, product guarantees and the purchase of large household items and vehicles.

In line with the MCAA's rebranding, three new information leaflets were updated and re-designed: These leaflets are:

- Trust You Scheme;
- Sale of Goods to Consumers; and
- Lodging a Complaint: A Consumer's Guide.

World Consumer Rights Day

A half-day conference, titled 'Trusted Smart Products', was organised to mark World Consumer Rights Day on 15 March. The conference theme is chosen by Consumers International and then adapted to a local context – to discuss how smart technology is changing the nature of the products and services consumers interact with, and how these are affecting their everyday lives.

The conference was addressed by the Parliamentary Secretary for Consumer Rights, Dr Deo Debattista, and other distinguished speakers from the University of Malta, the European Commission, experts on consumer affairs, the Information and Data Protection Commission, the Cybercrime Unit and the Malta Chamber of SMEs.

The speakers discussed how artificially intelligent products are changing every aspect of our lives, how the current legislative framework protects consumers, the legislative changes that are currently under way to fill any gaps in EU legislation, and information on the importance that consumers make informed decisions about the processing of their personal data through smart products. Typical mistakes consumers make when connecting with the digital world, and precautionary measures to avoid falling victim to hackers and cybercriminals, were also debated.

The conference brought together participants from different spheres and highlighted the need for the different sectors, be they product developers, data protection officers, IT or AI specialists, to work with consumer bodies to foster a world in which consumers can have confidence that their wellbeing is safeguarded.

Fifth edition of Premju Servizz bi Tbissima

Premju Servizz bi Tbissima (Service with a Smile Award) rewards commercial practices of benefit to the consumer that go over and above the seller's obligations.

The competition's popularity was given a boost by maximising online exposure with over 5,200 votes being received by the closing date. In this edition, over 800 different sellers and companies were nominated across the five categories.

The top five traders that got most votes in each category were closely vetted by the Servizz bi Tbissima Board to ensure that the votes received were valid and according to the competition's terms and conditions, and to check that nominated traders abided by the award's code of conduct.

The companies that placed first in each of the five categories received a trophy, a certificate and the right to use the Servizz bi Tbissima logo in their promotional material.

Trust You Scheme

In 2019, 16 new businesses joined the Trust You Scheme. To evaluate the new applicants and re-validate all current Trust You members, a total of 249 pre-certification and certificate renewal inspection visits were conducted. The Trust You Scheme signals to consumers that the trader fosters good business practices and abides by a ten-point code of conduct in which the consumer's interests are safeguarded.

Among the segments embraced by the scheme were clothing and shoe stores, baby centres, accessories, sportswear, jewellers, gift shops, home furnishing and furniture, appliances/computing/electronics, food stores, air-conditioning retailers, home improvement stores, pet shops, hairdressers, medical centres, stationers, toy shops, hardware stores, eyewear outlets and insurance providers.

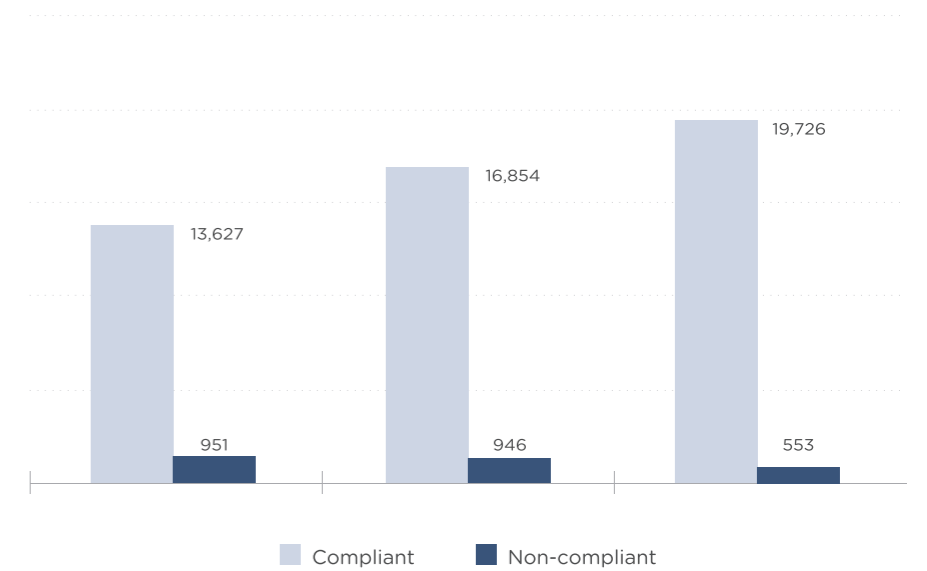
Market Oversight Pricing and commercial practices

A total of **20,279 visits (up from 14,578 in 2017 and 17,800 in 2018)** to retail outlets across Malta and Gozo were carried out to ensure compliance with the Price Indication Regulations.

The inspections included checks on fruit and vegetable hawkers and checks at open air market stalls and in village and beach kiosks. 20% of the inspections were focused in the main shopping areas, namely Valletta, Birkirkara, Paola, Hamrun, Sliema, Mosta, St Julian's and Victoria (Gozo).

A total of 553 outlets (2017: 951; 2018: 946) were found to be non-compliant.

Figure 1: Total number of inspections indicating compliant and non-compliant outlets



For the first time last year, over 2,000 inspections were conducted on village feast kiosks, at special events, like the Notte Bianca, at trade fairs, open-air markets and on vegetable hawkers operating in the evenings, on weekends and on public holidays. The number of non-compliant retailers totalled 65.

Table 3: Number of inspections

Type of Event	Number of Inspections
Village feast kiosks	344
Special events (Notte Bianca)	13
Trade fairs	140
Open-air markets	1,529
Ta' Qali vegetable market	87
Vegetable hawkers	73
TOTAL	2,186

Co-ordination with the Inspections Co-ordination Unit

Inspections as part of the pilot project, with co-ordinated inspections in pet shops, butchers, fishmongers, garden centres, hairdressers and beauticians, continued in line with the Co-ordination of Government Inspections Act (Chapter 568). In November, another pilot was launched with primary inspections in the Pet Shop (Non-Animals) category. These inspections covered 14 outlets.

Specific Market Exercises

Two specific market exercises were undertaken to monitor the January Sales and the Summer Sales in July, covering the clothing, footwear and costume jewellery sectors. Two criteria were considered:

- the presentation of the discounted price as the final price; and
- a clear indication of the price.

Of the 829 outlets inspected, 24 were found to be non-compliant with either one or both criteria (2017 – 800 inspections with 85 non-compliant; 2018 – 830 inspections with 45 non-compliant).

These outlets were found to have regularised their position by the second unannounced inspection.

Table 4 : Market exercise on Sales in 2019

Locality	No. of Outlets Visited	Market exercises on Sales in 2019			
		Final Discounted Price		Items on Sale Clearly Marked	
		Yes	No	Yes	No
Valletta	168	163	5	163	5
Birkirkara	42	42	0	42	0
Hamrun	89	89	0	88	1
Sliema	209	208	1	209	0
Mosta	90	89	1	89	1
Paola	114	113	1	113	1
Bay Street	51	44	7	40	11
Victoria (Gozo)	66	65	1	66	0
TOTAL	829	813	16	810	19

The authenticity of trade fair discounts on the price of white goods was also monitored over the course of **139 inspections. These inspections were held between March and July when 28 outlets were monitored every month on a specific basket of items (2017 – 140 inspections, with 20 outlets monitored; 2018 – 150 inspections, with 20 outlets monitored).** No misleading practices were identified.

In March, the directorate assisted the Technical Regulations Division (TRD) by conducting a market exercise on gas cylinders to ensure that all cylinders were certified and had the correct expiry date. Between October and December, it also assisted the TRD in collecting pesticide samples from 23 points of sale, including the *Pitkali* (vegetable market) and retail outlets. Inspectors were given the necessary training to conduct these two exercises.

Consumer Protection Co-operation Regulation

The OCA is responsible for implementing EC Regulation 2006/2004 of the European Parliament and of the Council of 27 October 2004 on co-operation between authorities responsible for the enforcement of consumer

protection laws (CPC Regulation). This Regulation lays down the general conditions and a framework for co-operation between national enforcement authorities to ensure that the laws establishing consumer rights are equally enforced across the internal market and to create a level playing field for businesses. Under this Regulation this Office has the responsibilities of both the Single Liaison Office and as competent authority to a number of EU Regulations and Directives.

As the Single Liaison Office, this Office co-ordinates the application of this Regulation, including the distribution of any incoming enforcement or information requests to the notified competent authorities in Malta, where during 2019 a total of three enforcement requests were forwarded to the respective competent authorities for actioning – all three requests were related to websites offering online purchases or services. In 2019, the Office also co-ordinated with all the other competent authorities for the upcoming new CPC Regulation, applicable as from January 2020.

As competent authority, two enforcement requests were received in line with this Regulation. Four officials from the Commission for Consumer Protection in Bulgaria were also hosted under the EU's exchange of officials programme. Other actions included the continuation of the Dual Quality

of Food action undertaken in co-ordination with the Joint Research Centre of the European Commission, following the results of a pan-European testing campaign of food products; and the Social Media action with the aim of bringing the terms of service of the main social media operators into conformity with European consumer law.

The directorate also participated in the E-Enforcement Group and E-Enforcement Academy meetings. As a result of this participation, the Authority was selected for *ad hoc* training on digital skills for Intelligence, Internet Investigations and Evidence gathering, with 25 officers from the Enforcement Directorate and from the TRD's Market Surveillance Unit benefiting from this training.

Annual EU Online Sweep

In 2019, 20 websites offering clothing and footwear, furniture and household items and electric appliances were simultaneously checked to identify breaches of EU consumer law, particularly of consumer rights linked to delivery terms and the right of withdrawal.

Throughout 2019, follow-up actions on the results of the 2018 sweep were undertaken and agreement was reached with five local service providers voluntarily committing to regularise their position.

Proceedings and investigations

In April, an administrative decision was published on administrative proceedings concluded with a telecommunications service provider.

In another case, following an investigation that commenced in 2018, the OCA decided that it had grounds to request the Court to impose interim measures to protect the collective interests of consumers against unfair commercial practices and unfair contract terms, and provisions under the Consumer Rights Regulations. The Court did not uphold the Office's request since it considered it premature to intervene and the request for the interim measures was declined. The investigation was ongoing as at the end of 2019.

In another case, the First Hall of the Civil Court, in its constitutional jurisdiction, decided that the role of the Director General (Consumer Affairs) was not in line with the Constitution of Malta.

This constitutional decision followed an administrative decision issued against an operator in 2018, which was appealed before the former Competition and Consumer Appeals Tribunal, and a constitutional case was filed by the same operator on the administrative procedure under the Consumer Affairs Act (prior to the enactment of Act XVI of 2019).

The Court of Appeal in its superior jurisdiction confirmed an appeal decision that was delivered by the Competition and Consumer Appeals Tribunal, over five years before, in which the DG (Consumer Affairs) was ordered to investigate specific complaints on the public transport service, review the market on pricing in public transport and investigate the pricing of the parking service, if necessary, with the co-operation of the DG (Competition).

A number of without-prejudice meetings were held with traders found to be infringing consumer protection legislation, followed by and in conjunction with other correspondence to reach voluntary compliance prior to taking any administrative or criminal action.

EU participation

Participation at EU level remained high with participation in:

- the Consumer Protection Co-operation (CPC) Committee meetings;
- the CPC System Key Users Group;
- the E-Enforcement Group;
- the E-Enforcement Academy;
- the CPC Priorities Working Group;
- workshops related to the implementation of the new CPC Regulation and the Modernisation Directive;
- Consumer Policy Network meetings;
- a High-level Policy Seminar on the Future EU Consumer Policy Priorities;
- National Enforcement Body meetings on passenger rights and consumer credit/mortgage credit; and
- the Consumer Protection and Information Working Group meetings (CONSOM) to discuss the proposals under the New Deal for Consumers Package.

Medicine pricing

High prices of medicines pose a continuous challenge to public healthcare systems or patients when an out-of-pocket cost is incurred. Strategies to measure, monitor and manage prices are therefore essential to promote equity in access to medicines. The authority's strategy to address this issue is twofold: monitoring; and regulation of pricing using external price referencing and consumer education.

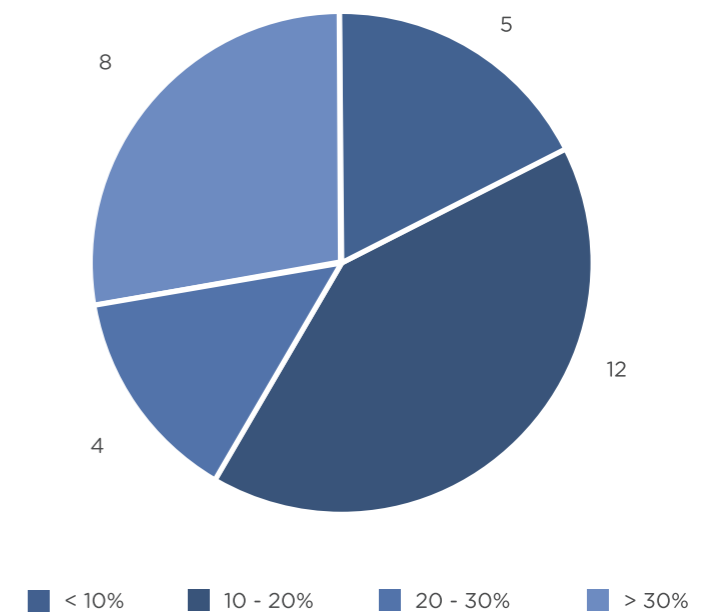
External price referencing, or international price comparison, is a tool used by most of the EU member states to monitor and control medicine prices. It is essentially a benchmarking exercise in which local prices of medicines are compared to a reference 'basket', which comprises the countries used as reference markets for prices.

The number and composition of the reference basket considered for comparison and the algorithms used is established under the terms of a voluntary agreement between the Government and the local pharmaceutical stakeholders. The OCA compares domestic retail prices of medicines to benchmark values calculated from retail prices in line with the agreed model.

Pricing interventions by the OCA target price revisions at manufacturer level, which subsequently have a cascade effect on wholesale and retail prices. Constructive dialogue and engagement with the pharmaceutical stakeholders are the cornerstones of the OCA's operational strategy.

The retail prices of 499 pharmaceutical preparations were monitored and the MCCAA, in collaboration with the Malta Medicines Authority, secured the revision of the retail prices of 29 medicines in 2019. Retail prices were reduced for medicines that are prescribed to treat a variety of medical conditions, including erectile dysfunction, osteoporosis and neuropathic pain. Markdowns exceeded 30% for eight medicines (see Figure 2).

Figure 2: Medicine price markdowns by percentage



Apart from addressing affordability issues, the OCA also strives to promote consumer interests in the choice and acquisition of medicines. The challenge lies in the dissemination of information and knowledge to bring about the necessary shift in mindset when buying medicines, particularly in respect of generic pharmaceuticals.

Assistance to consumers

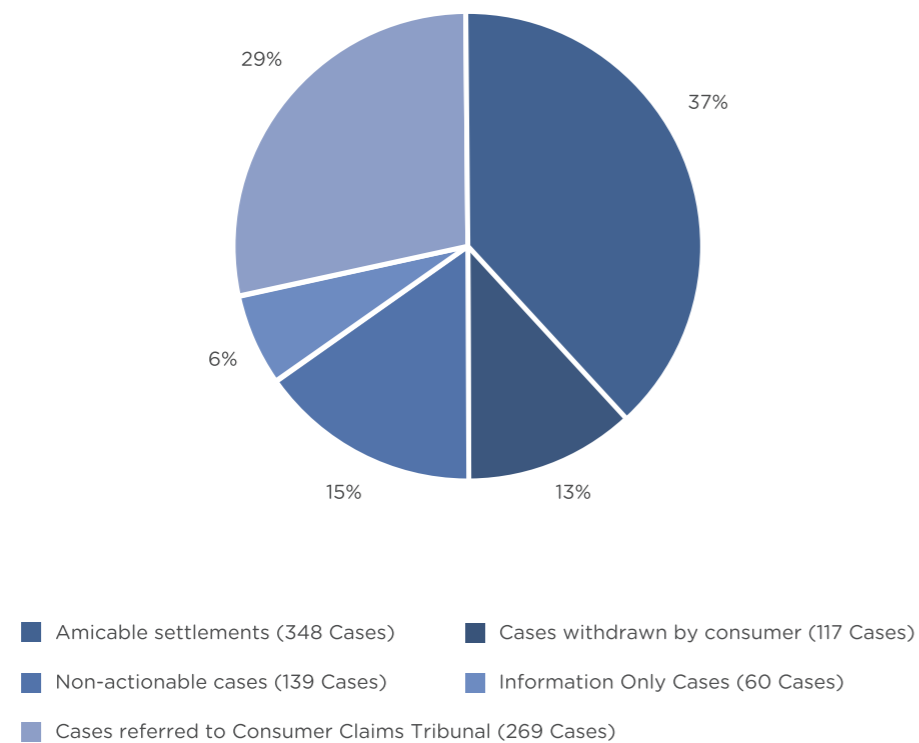
National

During 2019 complaints registered for conciliation continued to be on the increase, with 963 registered complaints (compared to 936 in 2017 and 824 in 2018). 14% of the complaints received were closed as non-actionable or inadmissible due to the cases falling outside the remit of the Office or due to lack of documentation.

An additional 6% of cases were closed after the necessary required information was provided to the consumer. From the remaining 764 cases, 46% were resolved through an amicable settlement following the conciliation procedure carried out by the Directorate's complaint officers. 15% of cases were withdrawn or discontinued by the consumer, and 35% of cases were referred to the Consumer Claims Tribunal (CCT). The remaining cases were still undergoing conciliation at the time of writing of this report.

Four public warning statements were issued in 2019 against traders who failed to honour the Tribunal's decision and this following attempts being made to intervene to encourage the trader to comply with the CCT decision.

Figure 3: Cases processed in 2019



Air Passenger Rights

In its role as the National Enforcement Body (NEB) under the EC Regulation 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding, cancellation or long delay of flights, guidance and assistance was provided to consumers on refunds and compensation from airlines.

In 2019, 213 claims were registered on behalf of 355 passengers travelling from Malta. Through its intervention, 150 passengers were compensated by the airline operator involved and passengers received €43,412 of compensation between them. The corresponding figures for 2017 were 96 claims for 219 passengers with €59,216 in compensation received; and in 2018, 145 claims for 261 passengers with €59,900 in compensation received.

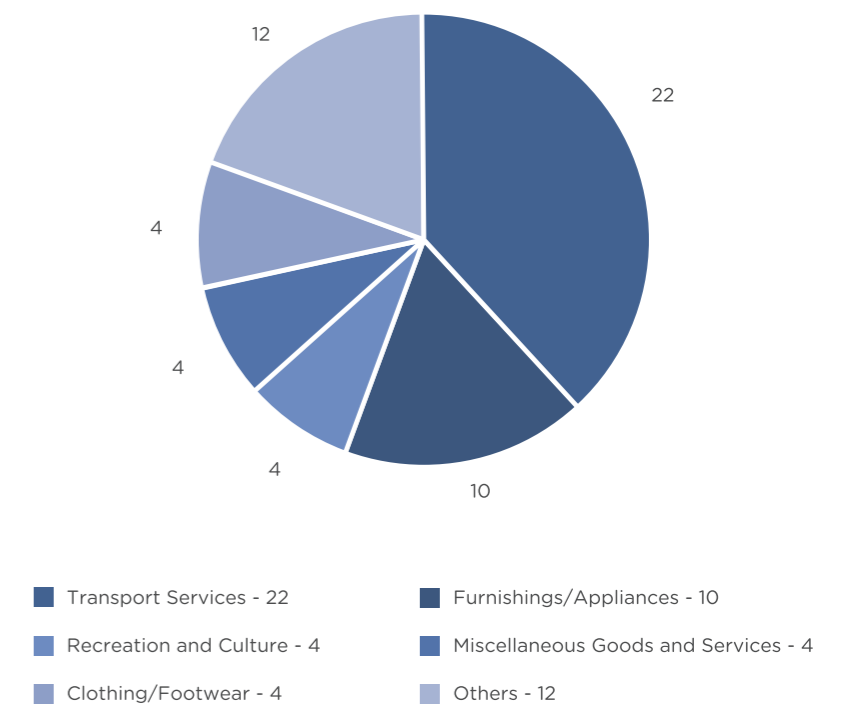
EU-wide co-operation

The European Consumer Centre (ECC) Malta is part of a European network aimed at increasing consumer confidence in the European Single Market. The function of these offices, also found in Norway and Iceland, is to provide information to consumers on cross-border purchases and to assist them with any complaints they may have on businesses in other member states.

In 2018, the EU Commission changed the IT tool, which meant that 2019 was the first full year in which complaints were recorded under this new operating system. ECC Malta dealt with 653 contacts, comprising of 420 questions previously recorded as information requests and simple complaints, and 233 complaints received from Maltese consumers against a business based in the EU or by EU consumers against a business based in Malta.

Of the 233 complaints received, 106 were resolved with an amicable settlement - 56 complaints involving Maltese consumers against businesses based in another EU member state and 50 complaints involving European consumers against Maltese-based traders. For the cases where mediation failed, the consumers were advised on the different options available for redress, including opening a claim through the European Small Claims Procedure or an Alternative Dispute Resolution Body.

Figure 4: Cases by Sector - Maltese consumers against EU-based traders



The complaints raised by Maltese consumers against European-based traders related mostly to transport services, including air travel, car rental and car purchases, followed by complaints related to furnishings and household equipment, and services related to restaurants, hotels and accommodation.

On the other hand, transport services, particularly car rental, recreation and culture services, which include games of chance, and hotel and accommodation services, featured as the top three categories of complaints raised by European consumers against Maltese-based traders.

The below two tables illustrate the cases by country for both Maltese and EU consumers.

Figure 5: Cases by sector – European consumers against Maltese-based traders

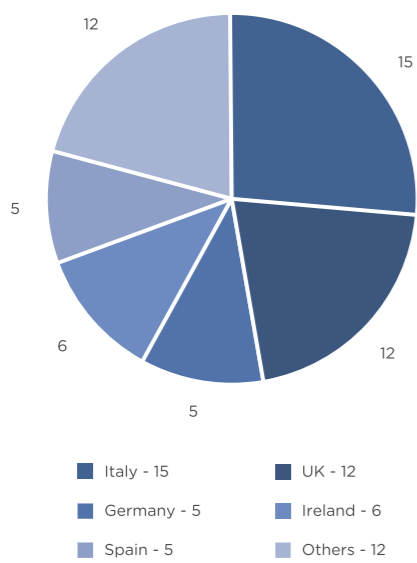
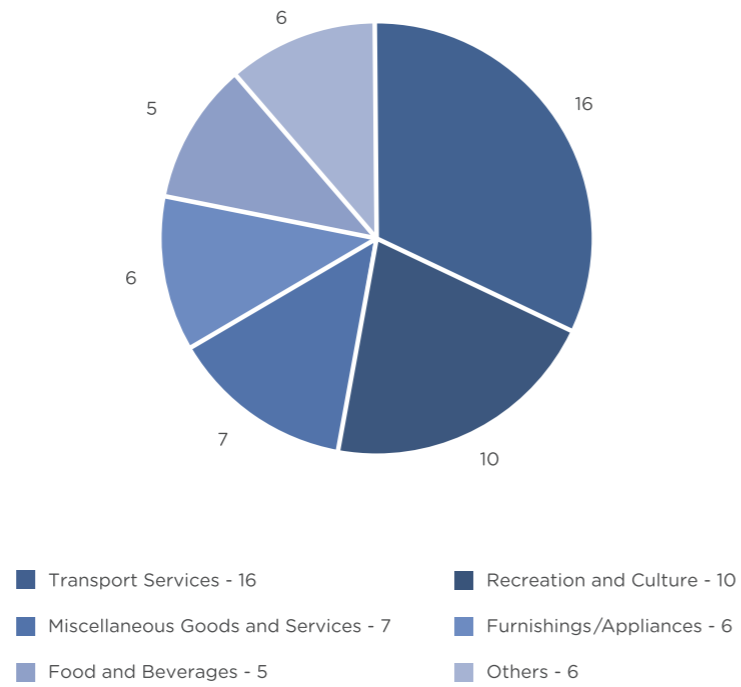


Figure 6: Cases by country - Maltese consumers against EU-based traders

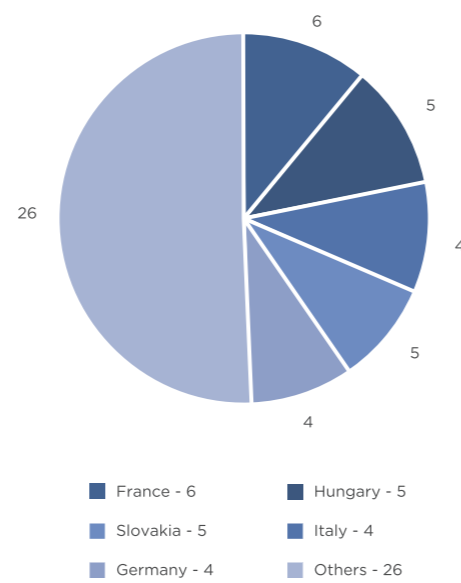


Figure 7: Cases by country – European consumers against Maltese-based traders

One of the network’s main objectives is to provide information and increase awareness on European consumer legislation and policies. For this reason, the centre has concentrated on increasing its visibility with consumers. In 2019, the centre maintained the vast majority of activities in its work plan, mainly in TV and radio programmes and newspaper articles, and achieved an increase of 20% on social media by posting more frequently and participating in all the ECCs’ social media campaigns.



ECC Malta has published three editions of its online newspaper, *ECC Malta News*, which have been shared mainly through social media and sent to all EU information points to be distributed to their contacts. The ECC website was also updated before the introduction of the Single Digital Gateway to be in conformity with this new Regulation.

The centre promoted the network with various audiences. An information session on the ECC's role and how it can help consumers in cross-border complaints was held in December in Qormi. ECC Malta took part in the fair organised by MEUSAC for Europe Day on 9 May with a stand, distributing information material and answered consumer queries from the public.

ECC Malta continued taking an active part in promoting the Alternative Dispute Resolution and the Online Dispute Resolution Platform. The centre gave information about this topic in the various activities, including through presentations and information material produced by the centre.

Consumer Claims Tribunal

In 2019, 188 claims were filed at the Consumer Claims Tribunal (CCT), and 124 cases were carried over from the previous year.

The CCT resolved **146 cases; 114 cases were concluded in favour of the consumer; and 32 cases were decided in favour of the trader.**

There were 56 cancelled cases, 19 dismissed *sine die* and five cases dismissed outright.

In reaching its aims of working within the network and promoting the centre's objectives, ECC Malta participated in all the meetings and joint activities organised within the network: the Case-Handlers Workshop in Warsaw, Poland, in April; the annual Communication Workshop organised in Copenhagen, Denmark, in May; and the ECC Net Co-operation Day in Helsinki, Finland, in September.

The centre maintained its commitment to give its feedback to surveys and queries launched by other centres, the European Commission and other stakeholders in consumer protection.

The time to close a case was reduced and the success rate improved from an average of 34% in 2018 to 45% in 2019. This was reflected in the highly positive consumer satisfaction survey outcome of how ECC Malta handled their complaints.

Technical Regulations Division



The MCCA through the Technical Regulations Division (TRD), is vested with the legal remit to implement and enforce safety legislation associated with products that are placed on the market in the Maltese Islands.

The TRD's main focus in 2019 was to engage with stakeholders in the priority areas related to fluorinated gases (F-gases), the checking of pesticide application equipment, lifts, mutual recognition and the planning for the enhanced market surveillance of motor vehicles and their components that is being introduced in 2020.

Regulation

Lifts

From a regulatory perspective, extensive work was carried out to streamline the legislation dealing with the registration and inspection of lifts.

This involved an in-depth analysis of the internal system and the legal framework, research of best practices used in other EU member states, a stocktake of the practices in the local sector, and consultation with the entities involved. This allowed for the drafting of a revised legal text and the drawing up of an implementation plan with a target implementation by end 2020.

Sustainable Use of Pesticides – National Action Plan

2019 saw the launch of the reviewed National Action Plan for the Sustainable Use of Pesticides, covering 2019-2023. As part of this plan, training courses were organised to support an increase in the number of MCCAА-recognised trainers to 17, thereby enhancing the ongoing availability of training courses for professional users and distributors.

Twelve advisors were also recognised by the MCCAА to further improve the provision of advisory services supporting the sustainable use of pesticides in Malta. Two awareness-raising sessions were also organised to support the plan's promotion and implementation. Discussion meetings with stakeholders are ongoing to support the progressive needs of all stakeholders and the plan's implementation.

Testing and certification of plant protection product application equipment

Checks on pesticide application equipment (PAEs) are a main objective of the 2019-2023 National Action Plan for the Sustainable Use of Pesticides. The inspection system is a requisite to ensure that the equipment used for the application of plant protection products (PPPs) is functioning correctly in a reliable manner, guaranteeing that PPPs are accurately dosed and distributed during their application. A training session was organised for inspectors to support the implementation of the inspection system for PAEs.

2019 saw the ongoing implementation of the inspection system, in parallel with awareness-raising sessions to further engage and support stakeholders in the area. Discussion meetings with stakeholders remain ongoing to support their progressive needs and the implementation of the inspection system.

A fourth inspectorate was set up within MCCAА in 2019 on pesticides and biocides, consolidating regulation and testing into a one-stop shop.

The authorisation unit was strengthened and delivers assessments for the rest of Europe, where Malta has a lead position for the Mediterranean region.

A memorandum of understanding was signed with the Ministry of Agriculture to conduct testing on pesticide pumps at two centres, one at Għammieri and the other in Victoria, Gozo. People at these centres were trained to conduct the tests and a quality system was devised.

Pesticide authorisations

Following the creation of a dedicated unit to evaluate and authorise pesticides, the Regulatory Affairs Directorate (RAD) has seen an increase in the number of dossier applications received for Malta to act as a zRMS (zonal Rapporteur Member State), as illustrated in the table below. This increase can be attributed to the efficiency and professionalism with which these applications are processed and has been made possible following a call for external experts to assist in the evaluation process.

Table 5: Pesticides authorisations – requests received (2016–2019)

Year	Requests Received
2016	23
2017	26
2018	32
2019	55

Ozone depleting substances – F-gases

In the area of F-gases, a series of meetings with stakeholders was held as part of an information campaign aimed at assisting the sector to get to know the regulations. The sessions also served to obtain information on the industry's challenges. One of the main issues that emerged was the lack of availability of training courses leading to a licence for operators dealing with F-gases.

This was followed up with meetings held with MCAST and JobsPlus, with the result being that the number and frequency of courses available increased.

In addition, seminars were organised to communicate more information on the annual quota for F-gas importation, the use of F-gases and the correct disposal of these gases.

Quality Products

As the competent authority for the Quality Products Regulation, the initial evaluation for the protection of the term 'Ġbejna' was finalised. A public consultation process followed in which all stakeholders were given the opportunity to express their views on the conditions proposed for the use of the term. By the end of 2019, the relevant stakeholders, the applicant and interested manufacturer had agreed to meet to move forward with regard to the application.

European Food Safety Authority (EFSA)

In its role as the EFSA Focal Point (FP), the Directorate assisted in the exchange of scientific information between EFSA and national authorities represented in the Food Safety Commission, stakeholders, the University of Malta and other research institutes. This was performed via dissemination of information to relevant networks and through the EFSA FP webpage.

The FP provided support by liaising with national data providers and scientific network members to exchange information. The FP also organised events to promote EFSA's scientific visibility and reach out to potential Article 36 organisations.

Organisations are considered as Article 36 competent organisations if they:

- are active in fields within EFSA's mission;
- fulfil a set of eligibility criteria, ensuring for example independence and scientific expertise; and
- are designated by a Member State for inclusion in the List of Competent Organisations.

The following organisations were designated under the EFSA Article 36 List of Competent Organisations:

- Malta Competition & Consumer Affairs Authority (MCCAA); and
- Ministry for Agriculture, Fisheries and Animal Rights (MAFA).

Mutual recognition

Regulation (EC) No. 2019/515 was published in 2019 and will enter into force in 2020. This legislation amends and improves on the current Mutual Recognition legislation. The RAD has devised an implementation plan for the new regulation, which includes the improvement of the MCCAA's website to facilitate finding product information. It will also provide a link to all other entities that are impacted by the new regulation.

An extensive consultation with the impacted entities, and most particularly with the Ministry for the Economy, Investment and Small Business, was carried out to ensure effective implementation in line with the Single Digital Gateway legislation.

Market Surveillance (MSD)

Operations in 2019 targeted a wide range of products. A total of 307 inspections were carried out, involving 736 products. Other operations undertaken in 2019 included co-operation with Customs on 155 cases, providing technical assistance on product safety legislation.

Table 6: Market Surveillance –
Custom Cases; Inspections; Products inspected (2018–2019)

Year	2018	2019
Custom cases	140	155
Inspections	396	307
Products inspected	1,313	736

Table 7: Market Surveillance – 2019 operations

1	Number of Outlets Inspected	Toys Inspections	9
		Lift Inspections	100
		Appliances & Machinery	12
		Other Inspections	186
		Total Inspections	307
2	Number of Products Inspected	Toys Inspected	42
		Lifts Inspected	91
		Appliances & Machinery	91
		Other Products	512
		Total Products Inspected	736
3	Number of Products Tested	Electrical Equipment	5
		Slime Toys	6
		Childcare Articles	1
		Climbing Equipment	9
		Power Tools	11
		Refrigerators	3
		Personal transporter	3
		Soft filled toys	18
		Batteries	7
		Total Products Tested	63
4	RAPEX notifications followed by the MSD	1,952	
5	RAPEX reactions to notifications from other Member States	20	
6	RAPEX alert notifications carried out	223	
7	Reactions to other notifications	75	
8	Communications with economic operators and consumers	426	
9	Products Investigated at the border (Customs request for help)	155	
10	Meetings held at office (importers, consumers, other authorities, stakeholders in general)	51	
11	Reactions to complaints	130	

Table 8: Market Surveillance – 2019 Projects and Findings

Project Reference	Findings
Concerted Action - EEPLIANT2	EEPLIANT2 was concluded in 2019. Professional refrigerators were tested, and the results had not been provided by the end of the year. Enforcement action against household refrigerators was taken.
Concerted Action - Power Tools 3 - Impact Drills	From the tests conducted on the 11 samples, four products were found to be compliant and the rest were non-compliant in terms of administration, apart from one that had a low risk non-compliance with the switch hold on the device. Economic operators were informed accordingly to mitigate the resulting non-compliances.
CASP - Personal Transport Equipment	The three sampled products were sent for tests in an accredited laboratory. Test results were pending at the end of 2019.
CASP - Soft filled Toys	The 18 sampled products were sent for testing in an accredited laboratory. Test results were pending at the end of 2019.
Concerted Action - Baby Carriers	Following the test conducted for the Joint Action, a manufacturer contested the test result and we agreed to conduct a second test, which also failed in the same area (supporting strap). As a result, the manufacturer is reviewing the product to reinforce the weak area.
CASP - Chargers	The five sampled products were sent for testing in an accredited laboratory. Test results were pending at the end of 2019.
CASP - Batteries	The seven sampled products were sent for testing in an accredited laboratory. Test results were pending at the end of 2019.
CASP - Slime toys	The six sampled products were sent for testing in an accredited laboratory. Test results were pending at the end of 2019.

Joint Actions

The MSD was active in the European-wide Co-ordinated Activities on the Safety of Products (CASP) Project and Prosafe Concerted Efforts.

The MSD took part in various Joint Actions that were organised by PROSAFE & DG JUST. Joint actions organised by PROSAFE fall under the EEPLIANT2 and Concerted Action headings while actions under DG JUST fall under the CASP heading. Through these activities, various consumer products were tested to determine their compliance with safety legislation.

The products tested included: professional refrigerators (non-domestic), impact drills, personal transport equipment, soft filled toys, baby carriers, battery chargers, mobile phone batteries and slime toys. The following table illustrates the findings of these activities:

The MSD also participated in European-wide Administrative Co-operation Groups (ADCOs), including Lifts, Machinery, LVD (Low Voltage Directive), RED (Radio Equipment Directive), energy labelling, Eco design, PPE (Personal Protective Equipment), ROHS (Restriction of Hazardous Substances), RCD (Recreational Craft Directive), MED (Marine Equipment Directive), construction products, and automotive and pressure equipment.

Rapid Public Alerts

As the RAPEX point of contact for Malta (Rapid Exchange of Information System, the EU's rapid alert system for dangerous consumer products), 23 new notifications of dangerous products found on the local market were issued. The products varied from vehicles to toys, and electrical and gas appliances to F-gas non-refillable canisters.

Apart from these notifications, 1,952 notifications published by other member states were followed up by the MSD. A further 75 notifications/recall campaigns instigated by other sources, such as the European Commission's Information and Communication System on Market Surveillance (ICSMS), manufacturers and other consumer safety networks outside the EU, were also followed up.

Around 130 complaints/communications were received in 2019.

In some 80% of these cases a response was given within the hour. All complaints received are investigated but the follow-up of these investigations depends on the product type involved, the severity of the case and the facts established. Importers, manufacturers and consumers were further supported by 426 instances of communication between them and the MSD.

Table 9: Market Surveillance - Rapid Public Alerts (2018-2019)

	2018	2019
RAPEX follow-ups to other member states MS	1,032	1,952
RAPEX reactions by Malta MS	28	20
RAPEX notifications by Malta MS	22	23
Follow-up to recalls from other sources (media, manufacturers)	135	75
Complaints received from consumers	63	130
Communications with economic operators	439	426

Fluorinated gases Regulation

In support of the effective implementation of the F-gases Regulation, the MSD developed a market surveillance plan. Activity is ongoing both at the level of local economic operators and also in close collaboration with Customs in respect of imported gas quantities.

Lifts

Enforcement action with lift installers and the revamp of the legislation were the main focus of the year. A provisional order was given to installers of unregistered lifts and this has led to a number of them regularising their position. Enforcement action in this area will be stepped up.

Marine Equipment

Inspections in 10 outlets catering for the boating/shipping industry were conducted. Equipment found is mainly intended for recreational craft rather than commercial vessels since most products for commercial vessels are ordered *ad hoc* to suit the specific needs of the vessel.

Construction Products

During the first quarter of 2019, the MSD started to monitor products that fall under Area Code 2, notably residential doors and windows. More than 35 operators in Malta were identified. Several meetings were held between the directorate and these economic operators to notify them of their responsibilities under the applicable Regulation.

The MSD collected and assessed the Declaration of Performance for these products. Additional information on the requirements of CE marking and the Declaration of Performance, issued by the EU Commission, was also disseminated by the MSD to the economic operators. Market Surveillance of Area Code 2 will be ongoing in 2020.

In the third quarter of 2019, the monitoring focused on products that fall under Area Code 10, notably fire/smoke alarms and detectors. More than 25 economic operators were identified in Malta. Requests for the Declaration of Performance and CE certificates were made via e-mail, followed by documentary checks associated with these products.

Online Market Surveillance

Energy label and product fiche
The MSD conducted 77 online inspections, in accordance with Regulation (EU) No. 518/2014 on labelling of energy-related products on the internet. Online inspections were carried out on a number of products, including dishwashers, refrigerating appliances, air-conditioners, televisions and tumble dryers.

In this exercise, 28 retail outlets were inspected and checked for compliance against 11 EU regulations. Results show that 77% of the products inspected online do not have the energy label or product fiche available.

The MSD started to contact the respective five economic operators to rectify the non-conformities and bring the products in line with this Regulation.

Motor Vehicles

During 2019, the MSD attended a number of meetings of the Forum for Exchange of Information on Enforcement of EU Legislation on Approval & Market Surveillance of Motor Vehicles related to the Regulation (EU) 2018/858.

During the last quarter of 2019, the MSD met Transport Malta to discuss Malta's obligations to meet the requirements of this Regulation. In addition, the MSD aims to increase the number of inspections related to automotive parts and tyres in 2020.

Personal Protective Equipment (PPE)

Throughout 2019, the MSD participated in the Prosafe PPE JA2016 to implement Regulation 2016/425. This joint action consisted of surveillance activities, including PPE testing, on climbing equipment. This joint action with other European member states, financed through Commission grants, was completed by the last quarter of the year.

Products sampled were: 1 rope, 2 harnesses, 1 fall arresting system, 3 connectors and 2 harnesses. There were 3 non-compliances; a rope was found non-compliant and withdrawn from the market, and harnesses were found to have administrative non-compliances that were rectified.

Pesticide Use

In 2019, over 200 samples of food commodities were taken from the market and tested for pesticide residues.

These commodities included: various baby foods, apples, strawberries, peaches, wine, lettuce, cabbage, tomatoes, spinach, oat grain, barley grain, swine fat, cow's milk, grapes, melons, potatoes, oranges, pears, beans and rice.

The collection and testing of samples were conducted in line with the requirements of the Multi-Annual National Plan for Residue Monitoring in and on produce of plant and animal origin.

Standards and Metrology Institute



The Standards and Metrology Institute (SMI) provides standardisation, metrology and laboratory services. Its functions range from the development and publication of technical standards to calibration services, legal metrology, laboratory testing and certification of organisations according to European and international standards.

Development of standards

A number of support functions underpinning the development and adoption of services are undertaken. These include a standards reference library, a helpdesk, free participation in local technical committees, access to participation in European and international technical committees and training courses.

2019 saw Malta adopt the United Nations Economic Commission for Europe Declaration for Gender Responsive Standards and Standards Development. This commitment will result in greater input from women and local NGOs in the drawing up of standards to ensure that standards are gender neutral. The declaration aims to provide a practical framework for standards bodies seeking to make the standards they develop, and the standards development process they follow, gender responsive.

Standards adopted

Through its technical committees, the SMI participated actively in 2019 in the main European standardisation organisations, which adopted a number of European/international standards, as shown in Table 10 below:

Table 10: The number of European standards adopted as national standards in 2019

European standardisation bodies	Number of European standards adopted
CEN – European Committee for standardisation; CENELEC – European Committee for Electrotechnical Standardisation	1,840
ETSI – European Telecommunications Standards Institute	81

Malta contributed particularly in the development of standards in sectors that have a direct impact at a national level. These included: lifts, cultural heritage, sustainability of construction works, ICT for learning, education and training, beauty salons, e-Competences, e-Invoicing, e-Procurement, online gambling, blockchain technology and Eurocodes.

Standards on Online gambling

Substantial work has gone into the development of a European standard under CEN TC 456 on online gambling. The MCCA and the MGA worked in synergy providing substantial input in the drawing up of a draft standard that is planned to be published for public consultation and finalised during 2020.

The first standard in this field will identify common core data for reporting purposes to the regulatory authorities in the Member States, focusing especially on information relevant to establish compliance. It will aim at improving efficiency of reporting and supervision, as well as at enabling online gambling data exchange and the comparison of such data throughout Europe.

Standards on Lifts

The MCCA hosts a national technical committee to follow standardisation work carried out at a European level by CEN TC 10. The scope of this committee is the establishment of safety rules for the construction and installation of lifts, service lifts, escalators and passenger conveyors.

The national committee is made up of members of the lifts industry and other stakeholders, who continuously provide feedback on new and revised standards in this sector. In 2019, a member of the committee attended the CEN TC 10 plenary meeting since a review of the standardisation works on lifts is being carried out.

Cultural heritage standards

Similarly, the MCCA hosts a national technical committee that follows standardisation works carried out by CEN TC 346 on cultural heritage. 2019 proved to be an intensive year for the committee, which had to provide continuous feedback on a considerable number of draft standards that were being published in this sector. The input of the expert members was instrumental in ensuring that the proposed standards are published to reflect best practices.

Draft on playground standards

There are going to be big changes in the approach to public children’s playgrounds, with a greater focus on the children – their mentality and behaviour – and making the playgrounds more play oriented. The draft update to the standards first issued in 2010 is being finalised and should be issued in the first quarter of 2020.

The SMI is also currently leading the development of four other national standards, which it intends to publish in 2020. These standards are being developed following a request from stakeholders and in conjunction with representatives from industry, government, the academic sector and other stakeholders to ensure a high level of acceptance of standards among the interested parties.

Two other local standards are also in the works, one on noise measurement techniques and on the classification of construction waste to promote separation on site when buildings are demolished. Table 11 below lists the national standards that are under review and/or under development.

Table 11: National standards under review and/or under development

Draft Standard
MSA 200:2009 – Maltese Data and Information Requirements on Information and Communication Technology
SM 1400:2013 – Motor Vehicle Repairs – Repairers’ management system – Requirements
MSA 3500:2010 – Public playgrounds – Requirements for public playground safety and their management
National Annexes to: SM EN 228:2012+A1:2017 ‘Automotive fuels – Unleaded petrol – Requirements and test methods’ SM EN 590:2013+A1:2017 ‘Automotive fuels – Diesel – Requirements and test methods’ SM EN 14214:2012+A2:2019 ‘Liquid petroleum products – Fatty acid methyl esters (FAME) for use in diesel engines and heating applications – Requirements and test methods’
SM 9000 ‘Methods for Noise Measurement’

Certification

Certification to international standards supports local industry by enabling operators to win tenders even internationally and for small companies to punch much above their weight. The Authority continues to support and encourage the attainment of certification in areas like quality systems, environmental systems and management systems.

In 2019, the MCCAА certified the Government's Primary Health Care system for its quality management systems after a rigorous audit conducted over some six to seven weeks in the health centres and community clinics (known as *il-Bereġ*) spread across the island. This was a first in the health sector in Malta.

Another first in MCCAА certification activities is the launch of a new certification service on Information Security. MCCAА certified its first client to ISO27001 that provides requirements for an Information Security Management System. This was part of the strategic objectives set by the Authority.

Table 12 lists the various certification and inspection services that were made available during 2019.

Table 12: Certification and Inspection Services offered in 2019

Certification and Inspection Services offered	Total number of certified clients	New Clients in 2019
SM EN ISO9001:2015 – Quality Management Systems	91	5
SM EN ISO14001:2015 – Environmental Management Systems	18	2
SM EN ISO45001 – Occupational Health and Safety Management Systems	2	0
EC Regulation 834 of 2007 – Organic production and labelling of organic products	66	11
MSA EN 14804:2005 – Language study tour providers	2	0
MSA 1400:2006 – Motor Vehicle Repair Garage Management Systems	424	9
SM EN 16636:2015 – Pest Management Services – Requirements and competences	4	1
MSA 3500:2010 – Public Playgrounds – Requirements for Public Playground Safety and their Management	6	6
SM 3600:2014 – Indoor Play Facilities – Safety – Requirements for Indoor Play Facilities and their Management	1	1
EU ECOLABEL – Tourist Accommodation Services	6	0

Support to SMEs

In 2019, SMI provided assistance to SMEs to improve their competitiveness through standardisation activities. Table 13 below quantifies this support:

Table 13: Activities supporting SMEs in 2019

SME supporting activities	Number of SMEs that benefited in 2019
Use of Standards library facilities	109
Training services provided to individuals	50
Certification audits carried out	620
Free participation in technical committees	137 experts and representatives of SME associations

Accurate measurement

Measurement activities are essential to practically all the technical activities that are carried out in Malta.

In the area of scientific metrology, national standards are maintained, linked to international standards, to ensure the highest level of accuracy. This involves periodically comparing each standard in Malta with its international counterpart and then creating working standards locally to be made available to any user of any measurement service.

In the area of mass, accurate working standards in the range that goes from 1 milligram to 1 tonne are available. For non-automatic weighting instruments – balances – working standards in the range of 1 milligram to 60 tonnes can be provided. This extends to other areas of metrology, including temperature, length, volume, electrical quantities, pressure and humidity, temperature, and time & frequency.

Applied metrology

Calibration services are an essential part of the upkeep of any measurement device or instrument. Calibration services ensure the accuracy of the test/measurement equipment. These services support the local business community and are delivered either directly to users or through accredited commercial calibration laboratories.

Plans are in place and being implemented to update the aging technical infrastructure and continue to upgrade the Metrology personnel's level of competence.

Some 500 calibrations were carried out in 2019 (see Figure 8 below).

Figure 8: Calibration activity in 2019

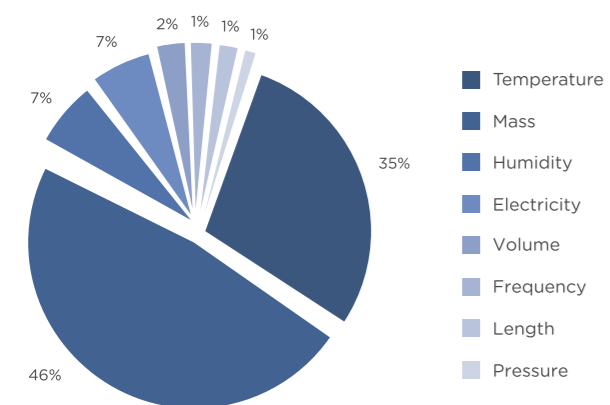
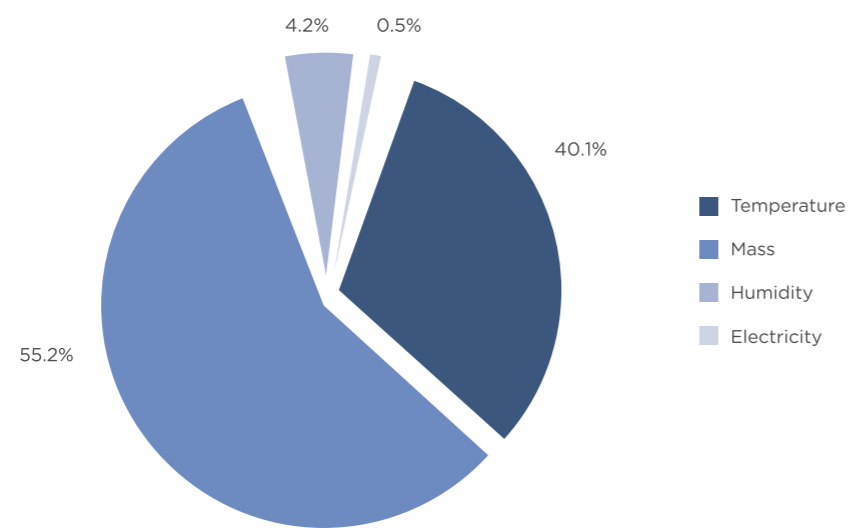


Figure 8b: Calibration Activity in 2018

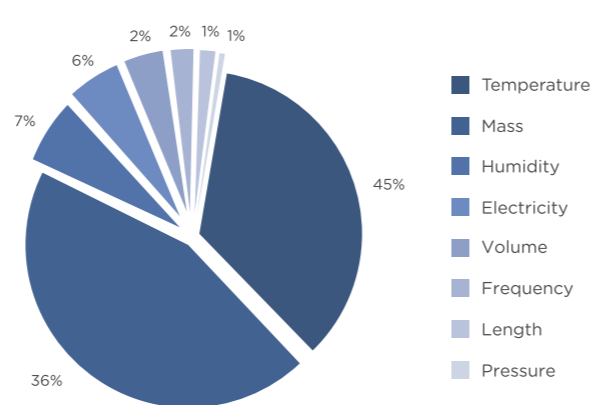


Figure 8c: Calibration Activity in 2017

Accreditation of calibration services has been confirmed by NAB-Malta for the calibration of Non-Automatic Weighing Instruments (NAWIs). During 2019 accreditation was extended to the calibration of mass standards.

The current scope of accreditation covers a considerable number of weighing systems, ranging from micro-analytical balances to weighbridges, and weights of nominal value from 1 mg to 1,000 kg. These efforts aim to support local public and private laboratories to provide accredited test results and maintain the credibility in their services.

Legal metrology

The function of legal metrology involves regulating measuring instruments related mainly to public safety, public health, consumer protection and environment protection.

It also regulates the sale of goods by weight or measure, as well as measurement standards and measurement processes.

These regulations emanate from four EU directives that have been transposed into local regulations, mainly:

- non-automatic weighing instruments;
- measuring instruments, which covers 10 categories, each category containing sub-categories;
- pre-packaged goods and pack sizes; and
- the SI unit of measurement.

The second directive covers only instruments that are placed on the market and put into use for the first time.

Monitoring of the metrological requirements is being complied with through a risk-based enforcement programme. This programme focuses on areas that are potentially the most detrimental to consumers and society, including:

- assessing whether the design of a new measuring instrument meets legal requirements (type approval) and verifying it against either European standards or the manufacturer's own approved quality management system;
- re-verifying measuring instruments that may have been repaired, altered or adjusted to ensure that they are still accurate and in compliance with regulations before they can be used for trade again; and
- checking that measures used for trade are accurate through on-site inspections of measuring instruments.

Throughout 2019, 646 inspections were performed on NAWIs, fuel dispensers, LPG bottling plants and speed cameras (see Figure 9). This includes the periodical checking of weighbridges and industrial weighing instruments for compliance with SOLAS (Safety of Life at Sea)/Transport Malta requirements.

Figure 9: Inspection activity in 2019

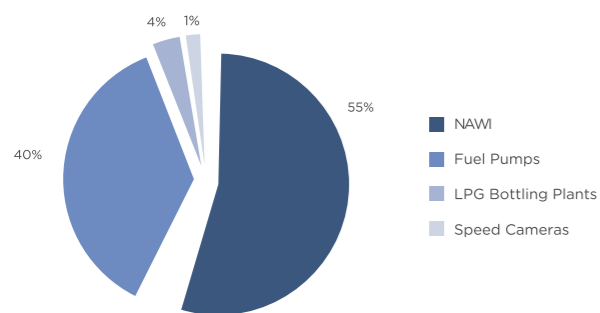
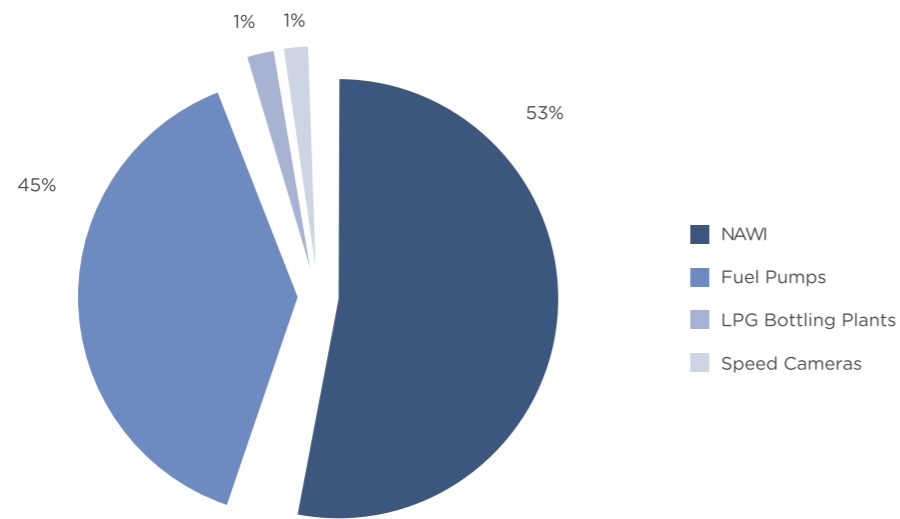


Figure 9b: Inspection Activity in 2018

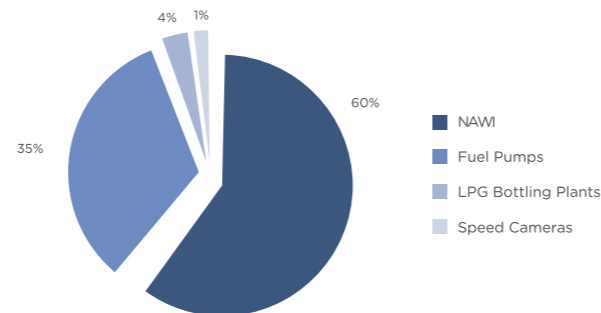


Figure 9c: Inspection Activity in 2017

Laboratory testing

Testing is one of the pillars of a national quality infrastructure. This requires having the right equipment, people and processes to meet clients' needs. Testing facilities are available mainly for public entities in the areas of Chemistry and Engineering, Medical Gases and Road Construction Products.

Chemistry and Engineering

In the area of chemistry and engineering, Laboratory Services conducted tests for public entities on the quality of products varying from clothing to metals and materials.

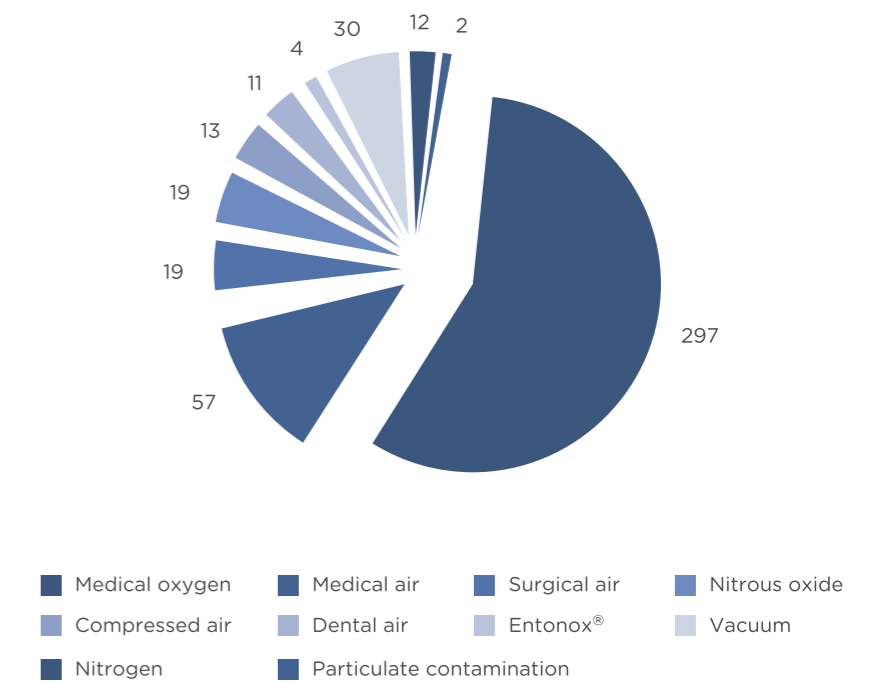
Medical gases

The fulcrum of the laboratory's work in this area revolves around the testing of medical gases supplied to all government hospitals in Malta and Gozo, St Vincent de Paul Home and local health centres and polyclinics.

In 2019, scientists from Laboratory Services tested an all-time high of 464 medical gas outlet points. A record total of **3,737 tests** were conducted on gas outlet points (see Figure 10).

Tested medical gases included medical oxygen, medical air, surgical air, dental air, compressed air, nitrous oxide, Entonox® and nitrogen. This is an **increase of nearly 32%** on the number of tests conducted when compared to 2018.

Figure 10: Tests conducted on medical gas outlets in 2019



Bari collaboration

The Laboratory was instrumental in establishing collaboration between the MCCAA and the University of Bari on how to carry out inspections on pesticide sprayers. During 2019 two exchange visits between both parties took place with a view to sharing best practices.

Energy Performance Certificates

In 2019, 394 random checks were carried out on Energy Performance Certificates (EPCs) in line with the Energy Performance of Building Regulations (EPBR) of 2012 (LN376/2012). A total of 394 EPCs were checked in 2019.

Construction material testing

Forty-one accredited construction material tests were provided. In 2019 due to the large number of national road construction projects that were being carried out, the Laboratory registered a record number of tests on construction material. The key projects were the largest number of tests were undertaken were:

Marsa junction project
Rebuilding of Buqana Road, Mtarfa
Santa Lucija Underpass
Ġorġ Borg Olivier Road in Rabat



Road construction specification

British consultants were brought in by Infrastructure Malta to develop the specification for the Series 900 road construction material. They conducted tests on asphalt mixes at the MCCA A laboratory with CMT technicians so that the specifications for the IM Series 900, suitable for road works conducted in Malta and Gozo, could emerge.

Apart from Infrastructure Malta, the Laboratory also offered its services to the Ministry for Gozo on the roads in Gozo, Enemalta, for its project to replace cables across the country, and the Water Services Corporation for its national project to replace water pipes.

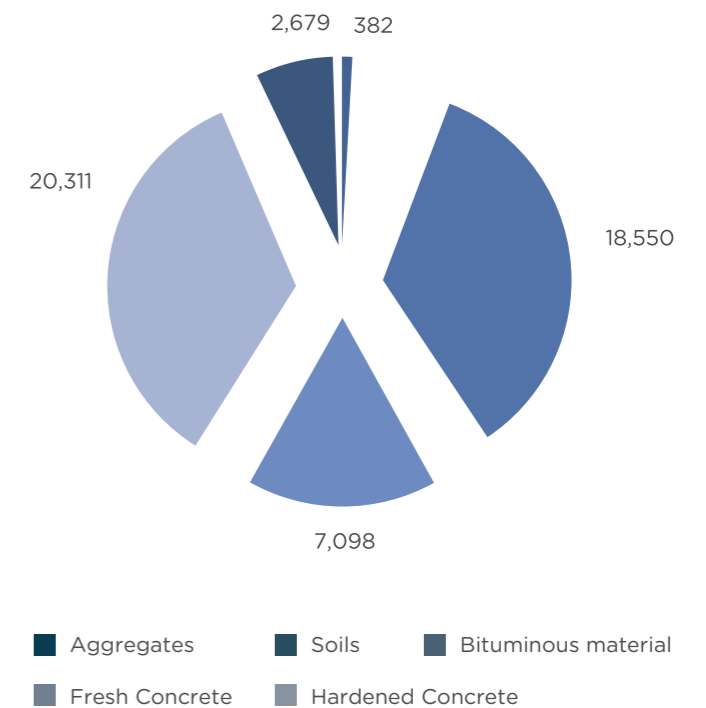


Tests were also carried out for Malta Industrial Parks to test construction material used during road construction works and the Grand Harbour Regeneration Corporation to test construction material used during the renovation of housing blocks in Valletta.

In 2019 the CMT Division conducted more than 47,000 tests on work sites and at the Mosta laboratory. More than **27,400 tests** were carried out on fresh and hard concrete, **90% tests more tests than in 2018**, more than **18,500 tests** were conducted on bituminous mixtures, **85% more tests than in 2018**, and **over 650 tests** were performed on aggregates, **60% more tests when compared with 2018** (see Figure 11 below). In total, this was nearly double the number of tests carried out in 2018.

In addition, more than **250 km of road lanes** were tested for their road markings and for depressions in the pavement surface. This was **50 km more road lanes than in 2018**.

Figure 11: Tests conducted by the Construction Material Testing Division in 2019



Human Resources



2019 proved to be another active year as the Authority sought to effectively implement its expansion plans to fulfil its regulatory obligations. There were various initiatives aimed at the continuous improvement of employee competence, through investment in individual and collective Continuous Professional Development (CPD).

Enhancements in the employees' work environment continued, providing motivation and strengthening the Authority's reputation as an employer of choice. Through the introduction of a performance evaluation system, there is a better focus on areas of improvement, supporting and guiding employees to perform at their optimal level.

Talent development

A comprehensive organisation-wide training needs analysis (TNA) was undertaken for the first time. Further work is envisaged in 2020 to determine skills gaps to enable opportunities for training to be offered to each individual employee to close identified gaps.

Employee induction training was strengthened with a comprehensive presentation put together, which was then shared with all the employees of the organisation.

Employees benefited from the following training in 2019:

Table 14: Training in 2019

General Awareness Training	158 hours
Specialisation Training Abroad	576 hours
Local Specialisation Training	3,080 hours

These included a whole range of both individual and collective training sessions. For instance, during 2019, a number of sessions were held for employees who contribute to the inspections carried out by the Authority within the varying areas of its remit. The Inspectorate Training Programme sessions were held to address the needs of inspectorates within various entities to ensure that inspectors are equipped to lead and deliver more coherent and consistent inspections.

The Authority collaborated with the Institute for Public Services to provide development opportunities for its employees. Through effective participation in the European Social Fund Project – Towards a More Professional Workforce in the Public Administration (ESF), employees benefited by attending a number of international conferences, training courses and professional sponsorships in 2019. To date, the Authority invested €37,635 in its employees as a result of this collaboration in ESF funding.

The MCCAA embarked on a number of other collaborations for awareness raising initiatives targeting a healthy working environment. These included blood donation awareness, sexual harassment and equal opportunities, and the Employee Support Programme, which provides a wide range of free and confidential support services to public service employees designed to assist them in managing their work and life difficulties that, if left unattended, could adversely affect their work performance and quality of life.

The Authority also formed a partnership with the University of Malta to hold training benefiting students, employees and the public alike. Different sessions were organised for the various target groups focusing on Artificial Intelligence and how the fourth industrial revolution is impacting consumers in their day-to-day transactions.

In support of MCCAA's commitment to be an employer of choice, a Training Live Streaming System was introduced. By investing in this infrastructure, the Authority secured the technical requirements to stream training sessions in real time to employees without the need to organise multiple sessions or book large venues.

The system also allows the Authority to record the session for the benefit of those employees who cannot attend the live session and enables them to receive their in-house training at a later stage.

The MCCAA Advanced Fellowship Programme continued in 2019. The programme's key objectives are to:

- assist participants to pursue further levels of academic research;
- reduce skills mismatches, particularly in the relevant sectors covered by the Authority;
- contribute to the consolidation of expertise on emerging and challenging topics relevant to innovation in the MCCAA's remit;
- increase the capacity and level of research, innovation and development activity in Malta; and
- support the Framework for Education Strategy for Malta 2014-2024.

The programme's priority areas are the:

- promotion and enhancement of competition;
- safeguarding of consumers' interests and enhancement of their welfare;
- voluntary standards and standardisation related services;
- national metrology strategy;
- transposition and adoption of technical regulations within the MCCAA's remit; and
- other areas that may be prioritised, based on the entity's needs.

Another first was the launch of the MCCAA Internship Programme, in July 2019. The key objectives and priority areas of this programme are similar to those of the Advanced Fellowship Programme, with the exception of the first and primary objective, to:

- provide a learning and supportive environment for candidates to gain work exposure.

The selected candidates in the MCCAA Internship Programme are assigned a mentor to enable them to better adapt to working environments related to their studies.



Employment

The Authority continued to strengthen its professional and technical expertise by strengthening its complement in these areas. As at the end of 2019, the MCCA A had a staff complement of 158:

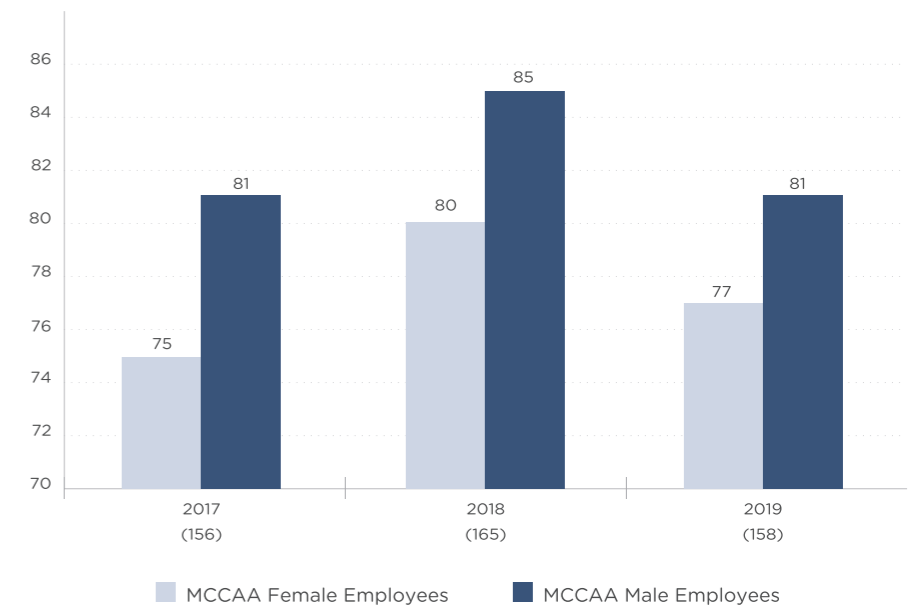
Table 15: Employment Positions (2017-2019)

Position	2017	2018	2019
Managerial	22	27	25
Professional and Technical	66	72	74
Administrative Support	68	66	59

Gender balance

The Authority remains true to its commitment to be an equal opportunity employer, through its consistent efforts to achieve a holistic gender balance across all tiers of the organisation's hierarchy. The chart below illustrates the results of the efforts towards promoting gender equality in the workforce:

Table 12: Employees by Gender (2017-2019)



HR Information System

Further benefits continued to be reaped from the investment in previous years in the Authority's HR Information System (HRIS). This software tool has facilitated administrative processes, moving away from the traditional paper-based environment.

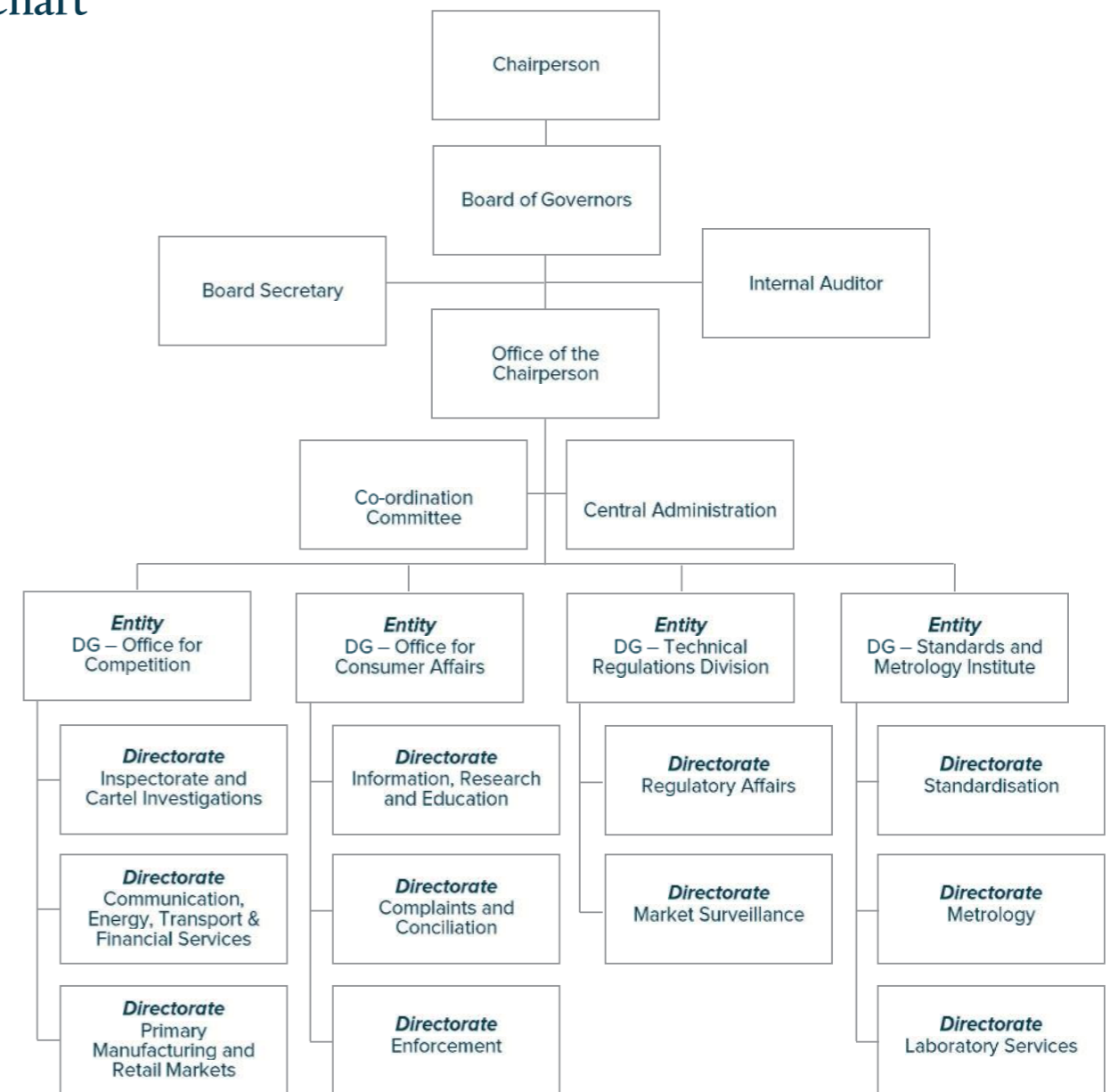
There were further upgrades to the system in 2019, including the use of biometric devices for timing clocks. Through this system employees can now access their time and attendance records remotely, viewing not only their timings but also their leave balance. A number of reports are generated automatically.

Gozo office

The opening of the office in Xewkija, Gozo, in May, is an opportunity for Gozitan employees to reach out to stakeholders in the sister island, and is also intended to be family-oriented since it minimises these employees' need to travel to the office unnecessarily.

There is a hot-desking policy, enabling the four full-timers to access the office systems from the Gozo office. It is envisaged that more employees will be using this office in 2020.

Organisation Chart



International Participation & Collaboration



The MCCAA participates in various EU and international bodies and groups to keep itself abreast with European and international issues and trends that may affect the interests of Maltese consumers and economic operators.

International Participation & Collaboration

- European Competition Network;
- EU Directors General;
- Competition Committee within the Organisation for Economic Co-operation and Development (OECD);
- Consumer Protection and Information Working Group (CONSOM) - to discuss the proposals under the New Deal for Consumer Package;
- Consumer Policy Network (CPN);
- Consumer Protection Co-operation (CPC) Network Committee;
- E-Enforcement Group;
- E-Enforcement Academy;
- Consumer Protection Co-operation System Key Users' Group;
- Consumer Protection Co-operation Priorities Working Group;
- National Enforcement Body meetings for Passenger Rights;
- PROSAFE (Product Safety Forum of Europe) Forum;
- CASP Projects (Co-ordinated Activities for the safety of Products);
- EEPLIANT3 project - a number of joint actions with other European member states involving the document investigation, sampling and testing of white goods with energy labels;
- Motor Vehicle Forum;
- European-wide ADCOs, namely Lifts, Machinery, Recreational Craft, LVD (Low Voltage Directive), RED (Radio Equipment Directive), energy labelling, Eco design, PPE (Personal Protective Equipment), ROHS (Restriction of Hazardous Substances), construction products, Automotive, ATEX, pressure equipment and others;
- European Chemicals Agency (ECHA);
- European Food Safety Authority (EFSA);
- Compliance Enforcement Group (CEO);
- Vigilance Expert Group;
- Consumer Safety Network (CSN);
- Internal Market for Products - Market Surveillance Group (IMP_MSG);
- European Standardisation Organisations (the European Committee for Standardisation, the European Committee for Electrotechnical Standardisation, and the European Telecommunications Standards Institute);
- International Standards Bodies (International Organisations for Standardisation and the International Electrotechnical Commission); and
- European and International Legal Metrology fora:
 - International Bureau of Weights and Measures (BIPM)
 - Western European Legal Metrology Co-operation (WELMEC).
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Major Events in 2019



22 & 23 January
Prosafe General Assembly



15 March
World Consumer Rights Day Conference



Malta's National Action Plan for the Sustainable Use of Pesticides

2019 - 2023

MCCAA

www.mcaa.org.mt

MALTA COMPETITION AND
CONSUMER AFFAIRS AUTHORITY

25 February
Pesticides-National Action Plan Conference



8 May
Medicines Price Reduction
Press Conference



10 May
Gozo Office Official Opening



14 May
Signing of the United Nations
Economic Commission for Europe Declaration for Gender
Responsive Standards and Standards Development



1 November
Strategic training collaboration
between the MCAA and the
University of Malta



12 June
Servizz bi Tbissima Launch



21 November
Servizz bi Tbissima Awards Ceremony

Corporate Achievements



At a corporate level, the MCCAA undertook several initiatives, including establishing its strategic objectives for the next five years, investing in business continuity, realigning the Authority's portfolio of services and, in close co-operation with the Inspections Co-ordination Office in the Office of the Prime Minister, improving business inspections. There were notable gains in the area of quality and standards, with the social media presence continuing to grow.

MCCAA strategic objectives 2019-2023

The MCCA is currently implementing an overarching strategy plan with a five-year horizon. The plan has four themes:

- awareness, trust and satisfaction;
- compliance and enforcement;
- market performance; and
- sustainability, people and innovation.

The first theme aims to empower consumers and economic operators by improving their awareness and knowledge about their rights and obligations, improving the systems through which interested parties can inform the Authority about their concerns, and improve the efficiency, consistency, transparency and accountability in the handling of the interested parties' requests.

The second theme aims to enhance the extent of compliance with the legislation, or part thereof, falling under the MCCA's direct responsibility. Compliance and enforcement are to be further improved from the consumers' and economic operators' perspective through the established statutory and regulatory requirements falling within the MCCA's remit.

The third theme aims to improve the performance of key consumer goods and services markets, enhancing the following essential components that contribute towards their performance: comparability, trust, expectations, choice, overall detriment, complaints and switching of tariffs/providers.

The fourth theme aims to improve organisational sustainability, people development, infrastructure and innovation to meet the challenges of the ever-changing regulatory and business environment.

Customer feedback

New business models are constantly emerging; supply chains are becoming increasingly complex; consumer products are becoming functionally richer; and cutting-edge technologies are infiltrating different sectors of the market at an unpredictable rate. In a market characterised by change, maintaining the right balance between fulfilling the role of a key regulator in Malta through the delivery of high-quality services and transforming the internal systems to achieve operational excellence for what lies ahead is critical.

The adoption of a forward-looking approach by the MCCA is essential to continue improving Malta's quality infrastructure. The Authority, being a leading regulator, has an important role in the enhancement of the consumers' wellbeing and the well-functioning of markets.

Recognising that the future belongs to those who prepare for it today, the MCCA is continually seeking to identify, understand and satisfy the requirements of Maltese citizens and businesses through well-studied measures and initiatives.

The voice of consumers and economic operators is pivotal for an organisation like the MCCA. It serves as one of the main elements underpinning the effectiveness of the continual improvement process led by the Authority. In 2019, two scientific surveys were commissioned by the MCCA to measure customers' level of satisfaction and to provide another opportunity to consumers and economic operators to identify focus areas for a better equipped Authority.

Today, almost 360,000 of the Maltese population are aware of the MCCA, which is approximately 4% more than in 2017. This increase brought with it a slight increase of 3% in the number of injustices reported by consumers over the same period of time. Nevertheless, the MCCA managed to sustain a positive satisfaction rating of 80%.

Results show that almost all consumers, who have reported an injustice to the MCCA, find it easy to communicate with us. On a scale of 1-10, both consumers and economic operators rated the ease of communication at 9, which is higher than that reported in 2017.

In 2019, the Authority also measured the level of trust in it by consumers and traders. The MCCA enjoys a strong trust rating from both groups. Nine of every ten persons, who are aware of the MCCA, said their level of trust in the Authority is more than 90%.

While welcoming these results with great satisfaction, the MCCA recognises that the satisfaction rating and trust shown by consumers and economic operators raises their level of expectations. The Authority commits to continue driving a continual improvement approach to be able to meet customer requirements consistently. Targeted actions will continue to be identified and implemented to enrich further the built-in quality practices for a more agile MCCA prepared for the world of tomorrow.

Investment in business continuity

During 2019, the Authority undertook an evaluation of its business operations to identify the business continuity requirements of its critical functions and information systems needed for disaster recovery. A risk assessment exercise was carried out on all MCCAAs operations and locations, through which the critical processes were identified and communicated with the respective offices.

The outcome of this project comprises of the development of a Business Continuity Plan, as well as the setting up of a Crisis Management Team to implement the Business Continuity Plan to ensure critical business functions continue to operate in the eventuality of a disruption of operations.

Portfolio realignment

The Authority is implementing a strategic approach to realign its portfolio of services in line with international and European best practice. The rationale adopted is based on core guiding principles which have been identified following extensive literature review and analysis of measures taken in other Member States.

These guiding principles are:

- the same group of stakeholders is to be regulated by the same entity with a view to efficiently deliver the desired outcome and create a one-stop approach for consumers and economic operators;
- entities are to be based around core expertise to enable a comprehensive approach which supports and enables innovation and emerging technologies;
- regulatory portfolios are to be in line with European and International best practice, taking into consideration the local context and requirements;
- the entity portfolio is in line with the legal framework and government policy; and
- sustainability of the operations to ensure quality service.

The first focus for the period under review was preparatory work for the transfer of medical devices from the MCCAAs to the Malta Medicines Authority. In preparation for the move, both Authorities worked in tandem to ensure that the required legal drafting was in place, a transitional period allowed, and extensive knowledge management took place. Training was provided to personnel of the Malta Medicines Authority and facilitation for access to the required IT system took place.

Secondly, during 2019, the regulation of marketing standards for olive oil was transferred from the Ministry responsible for agriculture to the MCCAAs to capitalise on the Authority's expertise in risk assessment, testing and reporting capabilities. The Authority set up a formal procedure and the necessary contacts with accredited laboratories. The Authority worked with experts from the University of Malta on a professional risk assessment to ensure that samples collected for testing are identified based on pre-established criteria. The required legal drafting was carried out and a public information campaign on marketing standards on olive oil was launched in tandem with information sessions for stakeholders.

The third area of focus was the necessary preparations for the transfer of the regulation of goldsmiths and silversmiths from the Ministry of Finance to the Authority.

Improving business inspections

During 2019, the MCCAAs strengthened its capacity to improve business inspections, in close co-operation with the Inspections Co-ordination Office, established in the Office of the Prime Minister by virtue of Chapter 595 of the Laws of Malta.

A common list of economic operators for every sector in which the MCCAAs will be the primary data collector for the relevant inspectorates in Malta was drawn up using big data principles. A comprehensive training programme for all employees involved in inspections across the Authority was completed.

The Authority is committed to continuous improvement of its inspectorate services and, during 2020, the MCCAAs will introduce other business sectors, in collaboration with the Inspections Co-ordination Office.

Continued investment in quality

The Authority continued to invest in strengthening the quality of its operations through development of employee competence, the strengthening of procedures related to impartiality and the provision of consistent services.

A key deliverable was the extension of ISO 9001:2015 certification to the activities of the OCA.

Through this certification, the ability to consistently provide services that meet the applicable requirements and to enhance customer satisfaction was strengthened. The certification was obtained from the British Standards Institution (BSI) in December 2019 following two audits spanning a total of five days and the certification was given without a single non-conformity, thanks to the commitment of management and staff.

In addition, the Quality Management System (QMS) linked to Metrology and Laboratory Services was transitioned to the requirements of the new EN ISO/IEC 17025:2017. Accreditation for a number of services was maintained:

Table 16a: Summary of the certification and accreditations of the MCCAAs

Certification	Area	Date of Issue/ Renewal
EN ISO 9001:2015	Administration, Office for Consumer Affairs, Standards and Metrology Institute, and Technical Regulations Division	12/12/2019
Accreditation	Service	Date of Issue/Renewal
EN ISO/IEC 17025:2017	Laboratory CMT ¹	19/07/2019
EN ISO/IEC 17025:2017	Metrology NAWI ² and Mass Standards	08/11/2019
EN ISO/IEC 17021-1:2015	Certification	21/11/2019

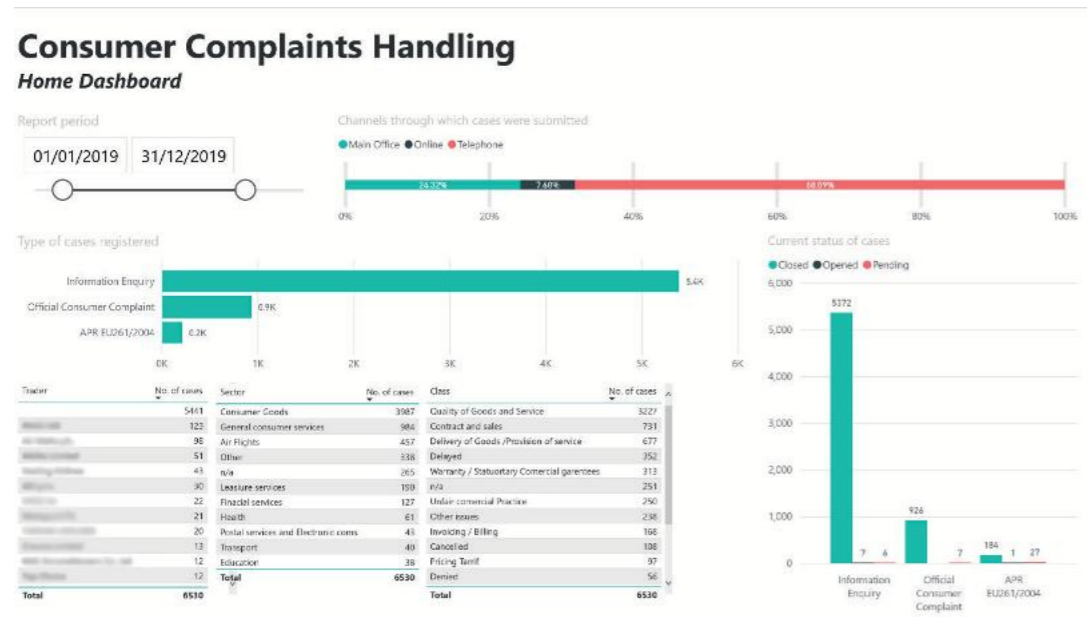
Table 16b: Quality recognitions

Service	Accreditation
Metrology NAWI	EN ISO/IEC 17025:2017
Laboratory CMT	EN ISO/IEC 17025:2017
Certification	EN ISO/IEC 17021-1:2015

1. Construction Material Testing
2. Non-automatic Weighing Instruments

Data-driven approach

The development of employee competence, the strengthening of procedures related to impartiality and the provision of consistent services were crucial for these achievements. The introduction of avant-garde business intelligent dashboards like that below provided the Authority with advanced and innovative tools to confirm the effectiveness of the QMS.



Thanks to this information, staff are being relieved of the data inputting, which can be handled by the IT set-up, and encouraged to analyse trends, look for solutions and opportunities for further improvement.

The MCCA provides a wide spectrum of services targeted at different stakeholders. The establishment of an effective QMS, its continual improvement and the adopted data-driven approach enabled the Authority to continue making a major and tangible daily contribution to the quality infrastructure in Malta.

Online accessibility to services

During 2019, the MCCA focused on the digitalisation of targeted systems to continue improving the Authority's availability and accessibility. The strengthening of targeted systems and the introduction of automated workflows made positive contributions towards service consistency, integrated traceability and enhanced efficiency, among others.

Lift registration

The Authority launched a new online system for the registration of new and existing lifts, enabling lift installers and condominium owners, respectively, to register their lifts without needing to call at the MCCA offices. The system, consisting of an online form integrated into the new, responsive MCCA website, can be accessed 24/7.

Payments may also be affected online through a secure payment gateway and applicants can track the status of their registration.

Among the benefits to the Authority are improved consistency of service, traceability of applications, automated collection and inputting of data, and automation of workflows to enhance consistency.

Purchase of standards

A new online system for the purchase of European and Maltese standards was also launched. European or Maltese standards can be requested by the public and economic operators through an online form, paid for using the secure online payment gateway, and received online.

The online searching of decrees delivered by the Consumer Claims Tribunal was improved and simplified.

Decrees may be searched by using different criteria, such that more accurate and faster results are now possible. The decrees are viewable online, and can be printed and downloaded.

Innovative PR initiatives

The Authority communicates both externally and internally through all the means at its disposal, primarily its website, media releases and its social media platforms. All official communications go via the website, with specific campaigns, highlighting the work of the four entities that make up the Authority, being picked up on social media.

An effort has been made to improve the quality and quantity of posts on social media, which in turn drove a greater following and a dramatic increase in incoming messages through these platforms. The Authority received 204 messages on Facebook in 2019 alone. The table below shows the number of followers of the MCCA's social media platforms.

Table 17: The number of followers of the MCCA's social media platforms (2017-2019)

Year	Facebook	Twitter	LinkedIn
2017	1,789	35	50
2018	2,604	89	103
2019	3,447 (+62%)	149	223

Twitter impressions, the total tally of all the times a Tweet has been seen, including not only the times it appears in a follower's timeline but also the times it has appeared in search or as a result of someone liking the Tweet, amounted to 137,000.

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Report of the board of Governors

Principal Activity

The Malta Competition and Consumer Affairs Authority (MCCAA) was established on 23 May 2011 with the coming into force of Chapter 510.

The law provides for the establishment of an Authority to promote, maintain and encourage competition, to safeguard the interests of consumers and enhance their welfare, to promote sound business practices, to adopt and co-ordinate standards in relation to products or services, to regulate such activities and to provide for such matters ancillary or incidental thereto or connected therewith.

The Board of Governors

The Board of Governors is the main governance body of the Authority. The Board is to be composed of not less than seven and not more than ten other members, to be appointed by the Minister. The following were the Board of Governors who served during the year under review and who were reappointed on 13 April 2020.

Ing. Helga Pizzuto – Chairperson
 Mr John Abela – Deputy Chairperson
 Ms Maryanne Micallef
 Prof. Joseph Falzon
 Prof. Anthony Serracino Inglott
 Mr Reginald Fava
 Ing. Mario Cassar
 Ms Sylvana Civelli
 Dr Maria Briffa
 Mr Benny Borg Bonello
 Dr Brigitte Sultana (resigned on 30 April 2019)
 Dr Yvette Tonna Borg (appointed on 13 April 2020)

The executive function of the Authority is vested in the Chairperson. The functions of the Authority are as follows:

- to promote and enhance competition;
- to safeguard consumers' interests and enhance their welfare
- to promote voluntary standards and provide standardization related services;
- to promote the national metrology strategy;
- to promote the smooth transposition and adoption of technical regulations; and
- to perform such other function that may be assigned to it under this or any other law or regulations.

Reporting Responsibilities of the Board of Governors

With reference to Article 11 (1) (e) and (f) of Chapter 510, the MCCAA's Board of Governors is responsible amongst other things to publish an annual report on the work of the Authority during the preceding year. This entails responsibility to ensure that, through the office of the Chairperson:

- (a) Proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities in terms of Article 55 (1) of the Act;
- (b) Adequate controls and procedures are in place for safeguarding the assets of the Authority, and prevention and detection of fraud and other irregularities.

In preparing the financial statements which give a true and fair view of the state of affairs as at the end of each financial year and of its surplus or deficit for that year, the Board of Governors, through the office of the Chairperson:

- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- follows International Financial Reporting Standards, as adopted by the EU;
- prepares the financial statements on the going concern basis unless this is considered inappropriate.

The Authority is required to present its audited financial statements and a copy of the report made by the auditor in those statements which financial statements will be incorporated in the Authority's annual report as required in terms of Article 58 of the MCCAA Act.

Financial Reporting Framework

The Board of Governors has resolved to prepare the financial statements of the Authority for the year ended 31 December 2019 prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta.

Business Review

The results for the year under review show a surplus of €578,288 (2018: €317,854).

Auditors

PKF Malta Limited have intimated their willingness to continue in office as auditors of the Authority.

By Order of the Board of Governors



Ing. Helga Pizzuto
Chairperson



Mr John Abela
Deputy Chairperson

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 €	2018 €
INCOME			
Government Subvention		5,700,000	5,460,000
Adjustment related to the increase in Collective Agreement		-	(112,638)
Grants		75,851	80,519
		5,775,851	5,427,881
Total government contributions		5,775,851	5,427,881
Administrative and other expenses		(6,594,987)	(6,065,185)
		(819,136)	(637,304)
(DEFICIT) ON OPERATIONS		(819,136)	(637,304)
Income from other activities	4	1,415,873	955,158
Finance costs		(18,410)	-
		1,397,463	317,854
SURPLUS FOR THE YEAR BEFORE TAXATION	5	578,327	317,854
Taxation	6	(39)	-
		578,288	317,854
SURPLUS FOR THE YEAR AFTER TAXATION		578,288	317,854

Statement of Financial Position

At 31 December 2019

	Notes	2019 €	2018 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	1,269,484	500,853
Current Assets			
Trade and other receivables	8	408,449	475,943
Cash at bank and in hand	9	3,165,856	2,220,539
		3,574,305	2,696,482
TOTAL ASSETS		4,843,789	3,197,335
EQUITY AND LIABILITIES			
Capital reserve		11,493	11,493
Retained Funds		1,517,078	938,790
TOTAL RESERVES		1,528,571	950,283
Non-Current Liabilities			
Lease liability	10	458,309	-
Deferred government grants	11	48,519	61,055
		506,828	61,055
Current Liabilities			
Lease liability	10	428,465	-
Trade and other payables	12	2,379,925	2,185,997
		2,808,390	2,185,997
TOTAL EQUITY AND LIABILITIES		4,843,789	3,197,335

The financial statements on pages 89 to 120 were approved by the Board of Governors on 5 May 2020 and signed on its behalf by:



Ing. Helga Pizzuto
Chairperson



Mr John Abela
Deputy Chairperson

Statement of Changes in Equity

For the year ended 31 December 2019

	Retained Funds €	Capital Reserve €	Total €
At 31 December 2017	620,936	11,493	632,429
FINANCIAL YEAR ENDED 31 DECEMBER 2018			
Surplus for the year	317,854	-	317,854
At 31 December 2018	938,790	11,493	950,283
FINANCIAL YEAR ENDED 31 DECEMBER 2019			
Surplus for the year	578,288	-	578,288
At 31 December 2019	1,517,078	11,493	1,528,571

Note:

The capital reserve represents an allocation of funds due to government in relation to a claim originating from Malta Government Grant on defective works carried out by third parties.

Statement of Cashflows

For the year ended 31 December 2019

	Notes	2019 €	2018 €
NET CASH GENERATED FROM OPERATING ACTIVITIES	13(a)	2,351,409	1,060,335
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment	13(b)	(1,415,650)	(97,871)
Proceeds from disposal of fixed assets	13(b)	9,558	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		945,317	962,464
Cash and cash equivalents at beginning of year	13(c)	2,220,539	1,258,075
Cash and cash equivalents at end of year	13(c)	3,165,856	2,220,539

Notes to the Financial Statements

1. General Information

The Malta Competition and Consumer Affairs Authority began to operate on 23 May 2011 as enacted in the Malta Competition and Consumer Affairs Authority Act. Section 3(6) of the said Act states that the Authority shall assume the persona previously vested in the Consumer and Competition Department, the Malta Standards Authority and the Malta National Laboratory Company Limited and, from the entry into force of this Act, shall assume responsibility for all assets, liabilities and obligations previously entered into by the said Department, Authority and Company or by other bodies on their behalf.

2. Basis of Preparation

2.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta. These financial statements are presented in Euro (€).

The preparation of the financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. However, in the opinion of the Board of Governors, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2.2 Functional and presentation currency

Items included in the financial statements of the Malta Competition and Consumers Affairs Authority are measured using the currency of the primary economic environment in which the Authority operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Authority's presentation currency which is also the functional currency.

2.3 Changes in accounting policies and disclosures

Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year

- IFRS 16 - Leases (effective for annual reporting periods beginning on or after 1 January 2019). This standard introduces a comprehensive model for the identification of lease arrangement and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 superseded the lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

The Authority has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4, as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Authority recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 1.75%.

- IFRIC 23 - Uncertainty over Income Tax Treatments (effective for annual reporting periods beginning on or after 1 January 2019)
- IFRS 9 (Amendments) - Prepayment Features with Negative Compensation (effective for annual reporting periods beginning on or after 1 January 2019)
- IAS 28 (Amendments) - Long-term interests in associates and joint ventures (effective for annual reporting periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual reporting periods beginning on or after 1 January 2019)
- IAS 19 (Amendments) - Plan Amendment, Curtailment or Settlement (effective for annual reporting periods beginning on or after 1 January 2019)

Standards, interpretations and amendments to published standards as endorsed by the EU that are not yet effective

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Authority has not early adopted, but plans to adopt upon their effective date. The Authority is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2020)
- IAS 1 and IAS 8 (Amendments) - Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020)

Standards, interpretations and amendments to published standards that are not yet endorsed by the EU

- IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021)
- IFRS 3 (Amendments) - Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020)
- IFRS 9, IAS 39 and IFRS 7 (Amendments) - Interest Rate Benchmark Reform (effective for annual reporting periods beginning on or after 1 January 2020)

The Authority is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

3. Principal Accounting Policies

3.1 Going Concern

Taking into account the financial position of the Authority as at year end and its future business plans, as well as the potential impact of the recent COVID-19 outbreak on the entity's business, the Board of Governors has considered that it is reasonable to assume that there are adequate resources to enable the Authority to continue its operations in the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis which assumes that the Authority will continue its operational activity for the foreseeable future.

3.2 Right-of-use asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Authority expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Authority has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3.3 Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate. Lease payments comprise of fixed payments less any lease

incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets over the estimated useful lives, using the straight line method, on the following bases:

	%
Improvements to premises	2
Computer equipment	33.3
Equipment, furniture and fittings	15
Air conditioning equipment	16.67
Metrology equipment	10-33.3
Motor vehicles	20

Improvements to premises held at Mizzi House, Blata l-Bajda, are depreciated over the term of the lease, being 2021.

Depreciation begins when the asset is available for use and continues until the asset is derecognised. Depreciation charge is recognised within 'administrative expenses' in the statement of comprehensive income. 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 financial reporting 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 Authority 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 year in which they are incurred. 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 financial reporting 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.

3.5 Impairment

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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.6 Surplus and deficits

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 deficits 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.

3.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the 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 substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

In the period presented, the Authority does not have any financial assets categorised as FVPTL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Authority's cash and cash equivalents and receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Authority's first identifying a credit loss event. Instead the Authority considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Authority's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Authority's financial liabilities include trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Authority designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in statement of income and expenditure are included within finance costs.

3.8 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

3.9 Foreign currency amounts

Assets and liabilities in foreign currencies are translated into Euro at the rate of exchange ruling at the statement of financial position date.

Transactions in foreign currency during the period are translated into Euro at the rate of exchange ruling on the date of the transaction.

All profits and losses on exchange are dealt with through the income and expenditure account.

3.10 Deferred Grants

Deferred grants availed of by the Authority are disclosed as per International Accounting Standard 20. These have been disclosed under financial liabilities and will be amortised over the useful life of the assets.

3.11 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to the investment in subsidiary to the extent that the Authority is able to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future.

Deferred tax assets for the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

3.12 Revenue and expenditure recognition

Government subvention

Government subvention represents the funds allocated by the Government after the annual Central Government budget is approved by Parliament. The funds are transferred directly to the Authority's designated bank accounts at the beginning of each quarter. The funds are allocated to the Ministry for Justice, Culture and Local Government, which are in turn transferred to the Authority. The Authority does not have control on the amount of this income stream or the timing of its actual transfer to the Authority's bank account. The income under this heading accounts for major income stream to the Authority and is primarily tied up to the specific expenditure headings on which the Authority is bound to allocate.

The income derived from the subvention from Government is recognised as it accrues.

Other income

Other income is recognised when the amount of revenue and the associated costs can be measured reliably. Other income represents income arising from various commercial activities carried out by the Authority which are accounted for as they arise, in line with the provision of services rendered, and the underlying contractual obligations. Interest income is accrued on a time basis, by referencing to the principal outstanding and the interest rate applicable.

EU projects and government grants

EU projects and government grants are recognised only when there is reasonable assurance that the Authority will comply with the conditions attached to the grant and that it will be received. Grants are accounted for on the Income Approach. They are accounted for on a systematic and rational basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate.

Administrative and finance expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

Finance costs are the interest charged on the outstanding lease liability at the end of the accounting period. These are recognised in the statement of comprehensive income in the period in which they are incurred.

3.13 Capital management policies and procedures

The Authority's capital consists of its net assets, including working capital, presented by its retained funds. The Authority's management objectives are to ensure that the Authority's ability to continue as a going concern is still valid and that the Authority maintains a positive working capital ratio. The Authority uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the public.

3.14 Significant judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Authority uses its judgement in determining whether an arrangement contains a lease, based on the substance of the agreement, and makes an assessment whether it is dependent on the use of a specific asset or assets, conveys a right to use the asset and transfers substantially all the risks and rewards incidental to ownership to/from the Authority.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Board of Governors, 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 descriptions as critical in terms of the requirements of IAS 1 (revised).

3.15 Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Authority and amounts can be estimated reliably.

Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4. Income from Other Activities

	2019 €	2018 €
Bank and other Interest	422	418
Calibration and Legal Metrology	57,623	69,081
Certification services	228,134	205,930
Decrease in provision for bad debts	-	11,483
EC Type approval certification – net income	13,425	10,325
EFSA agreement	17,500	28,333
Gain from disposal of fixed assets	1,328	-
General income	16,352	10,195
Net income from translations	28,070	24,428
Net income from plant protection services	457,281	158,855
Net income from biocidal evaluations	20,982	-
Regulatory fees	88,888	93,129
Sale of standards	47,031	25,615
Seminars	7,178	18,136
Testing services	427,839	294,838
Tribunal fees	3,820	4,392
	1,415,873	955,158

5. Surplus for the year

	2019	2018
	€	€
Is stated after charging:		
Board of Governors' remuneration	33,705	36,030
Depreciation of plant and equipment	173,255	148,325
Staff costs (note)	4,717,428	4,503,586
Audit fees	5,000	5,750
Note:		
Staff costs		
	2019	2018
	€	€
Wages and salaries	4,398,915	4,210,134
Social security costs	318,513	293,452
	4,717,428	4,503,586
Number of Employees		
Professional and technical	74	72
Managerial	25	27
Administrative	59	66
Total Employees	158	165
Full-time	150	157
Part-time	8	8
Average number of employees	158	165

6. Taxation

No taxation is provided for on statutory income in view of unabsorbed capital allowances and unabsorbed statutory losses brought forward from previous years. During the year, the Authority had unabsorbed capital allowances of €557,875 (2018: €1,504,728).

Deferred taxation is not reflected in the financial statements, since from a review of taxable income it is anticipated that the substantial tax losses and capital allowances will not be crystallized in the foreseeable future.

7. Property, Plant and Equipment

	Right of use Assets	Improvements to Premises	Computer Equipment	Equipment Furniture and Fittings	Metrology equipment	Air Conditioning Equipment	Motor Vehicles	Total
	€	€	€	€	€	€	€	€
Cost								
At 1 January 2019	-	338,302	445,388	840,721	2,459,023	21,384	260,855	4,365,673
Additions	1,289,012	31,646	21,409	25,924	31,353	-	16,306	1,415,650
Disposal	-	-	-	-	-	-	(54,695)	(54,695)
At 31 December 2019	1,289,012	369,948	466,797	866,645	2,490,376	21,384	222,466	5,726,628
Depreciation								
At 1 January 2019	-	85,001	385,456	817,124	2,342,607	21,384	213,248	3,864,820
Charge for the year	465,533	35,742	40,278	9,685	75,744	-	11,806	638,788
Released on disposal	-	-	-	-	-	-	(46,464)	(46,464)
At 31 December 2019	465,533	120,743	425,734	826,809	2,418,351	21,384	178,590	4,457,144
Net Book value								
At 31 December 2019	823,479	249,205	41,063	39,836	72,025	-	43,876	1,269,484
At 31 December 2019	-	253,301	59,932	23,597	116,416	-	47,607	500,853

7. Property, Plant and Equipment (Continued)

	Improvements to Premises	Computer Equipment	Equipment Furniture and Fittings	Metrology Equipment	Air conditioning Equipment	Motor Vehicles	Total
	€	€	€	€	€	€	€
Cost							
At 1 January 2018	319,012	384,378	829,645	2,452,883	21,384	260,855	4,268,157
Additions	19,290	61,010	11,076	6,140	-	-	97,516
At 31 December 2018	338,302	445,388	840,721	2,459,023	21,384	260,855	4,365,673
Depreciation							
At 1 January 2018	64,526	347,227	808,997	2,269,660	21,384	204,701	3,716,495
Charge for the year	20,475	38,229	8,127	72,947	-	8,547	148,325
At 31 December 2018	85,001	385,456	817,124	2,342,607	21,384	213,248	3,864,82
Net Book value							
At 31 December 2018	253,301	59,932	23,597	116,416	-	47,60	500,853
At 31 December 2017	254,486	37,151	20,648	183,223	-	56,154	551,662

8. Trade and Other Receivables

	2019	2018
	€	€
Trade debtors - Public entities (Note 1)	216,754	220,627
Trade debtors - Private entities (Note 1)	68,185	91,623
Accrued income	-	16,982
Vat recoverable	30,223	70,722
Prepayments	75,359	67,304
Other receivables	17,928	8,684
Financial Assets	408,449	475,943

The carrying value of short-term financial assets is considered a reasonable approximation of fair value.

Note 1 - Trade receivables are non-interest bearing and are generally on a 60-day term. At 31 December 2019, trade receivables of a nominal value of €372,660 (2018 - €389,681) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were an increase of €10,289 for 2019 and a decrease of €11,483 for 2018.

9. Cash at Bank and in Hand

	2019	2018
	€	€
Cash and cash equivalents are made up of the following balances:		
Cash in hand and at bank resulting from operations	665,996	1,176,169
Balances in relation to specific projects	2,472,060	1,016,570
Bank guarantees	27,800	27,800
	3,165,856	2,220,539

10. Lease Liability

	2019			2018
	€			€
Lease liability	886,774			-
Non-current	458,309			-
Current	428,465			-
	886,774			-
	Less than one year	One to two years	Two to five years	Total
	€	€	€	€
Maturity Analysis				
Lease Liability	428,465	453,812	4,497	886,774

11. Non-Current Liabilities

	European Union Grant	Metrology Laboratory Grants	ICT Operations Allocation	Transition Facility Grant	Refurbish Works Vote	ERDF Grant	Mater Dei Grant	Consumer Division Grant	Malta National Lab Grant	Total
	€	€	€	€	€	€	€	€	€	€
Grants Received										
At 1 January 2018	168,686	522,177	1,735	451,689	66,402	587,464	129,551	213,277	909,201	3,050,182
& 31 December 2018	168,686	512,625	1,735	438,219	15,219	520,095	129,551	213,277	909,201	2,908,608
Grant Utilization										
At 1 January 2019	-	4,776	-	13,470	1,332	56,273	-	-	-	75,851
Transferred to income	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	168,686	517,401	1,735	451,689	16,551	576,368	129,551	213,277	909,201	2,984,459
Balance										
At 31 December 2019	-	4,776	-	-	49,851	11,096	-	-	-	65,723
At 31 December 2018	-	9,552	-	13,470	51,183	67,369	-	-	-	141,574

11. Non-Current Liabilities (Continued)

	European Union Grant	Metrology Laboratory Grants	ICT Operations Allocation	Transition Facility Grant	Refurbish Works Vote	ERDF Grant	Mater Dei Grant	Consumer Division Grant	Malta National Lab Grant	Total
Grants Received										
At 1 January 2018	168,686	522,177	1,735	451,689	66,402	587,464	129,551	213,277	909,201	3,050,182
Grant Utilization										
At 1 January 2019	168,686	512,625	1,735	420,082	13,887	463,821	129,551	213,277	909,201	2,908,608
Transferred to income	-	4,776	-	18,137	1,332	56,274	-	-	-	80,519
At 31 December 2019	168,686	512,625	1,735	438,219	15,219	520,095	129,551	213,277	909,201	2,908,608
Balance										
At 31 December 2018	-	9,552	-	13,470	51,183	67,369	-	-	-	141,574
At 31 December 2017	-	14,328	-	31,607	52,515	123,643	-	-	-	222,093

	2019	2018
Deferred Government Grants	65,723	141,574
Less: Amounts to be transferred to income and expenditure account within one year (note 12)	(17,204)	(80,519)
	48,519	61,055

12. Current Liabilities

	2019	2018
	€	€
Current portion on deferred government grants (note 11)	17,204	80,519
Trade creditors	299,085	328,535
Deferred income (note)	1,187,043	1,126,352
Accruals and other creditors	876,593	650,591
Financial Current Liabilities	2,379,925	2,185,997

Note:

Deferred income represents income from plant protection services and biocidal evaluations which will crystallize during the coming years.

13. Notes to the Cash Flow Statement

(a) Cash generated from operations

	2019	2018
	€	€
Surplus for the year	578,288	317,854
Adjustment for:		
Depreciation	638,788	148,325
(Decrease) /increase in provision for doubtful debtors	10,289	(11,483)
Government Grants transferred to the statement of comprehensive income	(75,851)	(80,519)
Gain on disposal of fixed assets	(1,328)	-
(DEFICIT) BEFORE WORKING CAPITAL CHANGES	1,150,186	374,177
Decrease in debtors	57,206	516,641
Increase in creditors	1,144,017	169,517
Net cash generated from operations	2,351,409	1,060,335

(b) Plant and equipment

During the year, the Authority acquired plant and equipment with an aggregate cost of €126,638 and which were paid for in cash. The Authority has also recognized right of use assets amounting to €1,289,012 during the year under review. Proceeds from disposals during the year amounted to €9,558, resulting in a gain on disposal of fixed assets of €1,328.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with bank. A cash flow is an increase or decrease in amount of cash or cash equivalents resulting from a transaction.

	2019 €	2018 €
Cash at bank and in hand (note)	3,165,856	2,220,539

Note:

The cash in hand and at bank of €3,165,856 (2018: €2,220,539) represent year-end cash and cash equivalents which will be applied as follows:

	2019 €	2018 €
Cash at bank and in hand	3,165,856	2,220,539
Less: Bank Guarantee	(27,800)	(27,800)
Available fund for utilization	3,138,056	2,192,739
Less: Balances in relation to specific projects	(2,472,060)	(1,016,570)
Available for other operations	665,996	1,176,169

14. Risk Management Objectives and Policies

The Authority's risk management is co-ordinated by the Board of Governors and focuses on actively securing the Authority's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the Authority is exposed are described below.

(a) Credit risk

The Authority monitors credit risk closely and the policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an on-going basis. The necessary provisions and impairments are provided for and reviewed on an ongoing basis.

The Authority has no other significant concentration of credit risk. Amounts in the statement of financial position best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments as summarised below:

	2019 €	2018 €
Trade and other receivables	408,449	475,943
Cash at bank and in hand	3,165,856	2,220,539
	3,574,30	2,696,482

The Authority continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Authority's policy is to deal with only credit worthy counterparties.

The Authority considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

Neither of the Authority's financial assets are secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Liquidity risk

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of adequate funds to meet the Authority's obligations when they become due. It is the Authority's policy to ensure that resources are available at all times to enable the Authority to meet its liquidity risk obligations. Specific projects funding is kept for the purpose of the projects.

(c) Capital risk management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital.

The Authority's capital structure is monitored by the Board with appropriate reference to its financial obligations and commitments arising from operational requirements.

(d) Market Risk

Market risk includes interest and currency risk.

Interest risk

The Authority has no significant interest-bearing assets other than cash and cash equivalents (Note 9), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Authority to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. The Authority monitors all exposures on a real time basis and uses a variety of hedging techniques to bring all exposures within agreed limits.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

(e) Summary of the financial assets and liabilities by category

The carrying amounts of the Authority's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2019	2018
Current Assets	€	€
Trade and other receivables	404,449	475,943
Cash at bank and in hand	3,165,856	2,220,539
	3,574,305	2,696,482
Current Liabilities	2019	2018
	€	€
Trade and other payables	3,266,699	2,185,997

15. Contingent Liabilities

The Authority presently has court cases pending against it, for which no provision has been made in the financial statements since the outcome of such claims and damages is still unknown. Based on the information available to date, the Authority is not expecting any significant damages to be borne by the Authority and accordingly no provision is deemed necessary by the Board. The guarantees given in the course of business are as follows:

	2019	2018
	€	€
Guarantees given in the course of business	27,800	27,800

16. Fair Value Estimation

At 31 December 2019 and 31 December 2018, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

17. Events after the Statement of Financial Position Date

The Board of Governors has considered the potential impact of the recent COVID-19 outbreak on the entity's business. Taking into consideration the Authority's high recurring revenue base and its sufficiently strong capital position, the Board of Governors is confident that the Authority is well positioned and there will not be a significant impact on operational performance. Nonetheless, the Authority will continue to monitor the situation and adapt the approach as required. There were no other material events affecting the Authority which occurred after the reporting date.

18. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation for the purpose of fairer presentation.

	Amounts as previously reported	Effect of revised presentation	Subsequent revised presentation
	€	€	€
Accrued Income	25,666	(8,684)	16,982
Other receivable	-	8,684	8,684

Independent Auditor's Report

To the Board of Governors of Malta Competition and Consumer Affairs Authority.

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Malta Competition and Consumer Affairs Authority from pages 89-120, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of 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 give a true and fair view of the financial position of the Authority as at 31 December 2019, 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 and have been properly prepared in accordance with the requirements of the Malta Competition and Consumer Affairs Authority Act, 2011 of the Laws of Malta.

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 Authority 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 opinion.

Other information

The Board of Governors are responsible for the other information. The other information comprises the report of the Board of Governors. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance with our audit of the financial statements, our responsibility is to read the other information 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.

Board of Governors' Responsibility for the Financial Statements

The Board of Governors of the Malta Competition and Consumer Affairs Authority is responsible for ensuring that the Authority keeps proper accounting and other records in respect of its operations in order to enable it to prepare and fairly present its financial statements in accordance with International Financial Reporting Standards, as adopted by the EU.

Through the Executive Chairperson's office, the Authority is also responsible to ensure that adequate control procedures are in place to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors.
- Conclude on the appropriateness of the Board of Governors' 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 Authority'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 auditors' report. However, future events or conditions may cause the Authority 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 Governors 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, proper accounting records in respect of the operations of the Authority have been kept in terms of Article 55 (1) of the Malta Competition and Consumer Affairs Authority Act, 2011.



Mr. George M. Mangion
For and on behalf of PKF Malta Limited
Certified Public Accountants and Registered Auditors

5 May 2020

Schedule 1 - Detailed Income Statement

For the year ended 31 December 2019

	Pages	2019 €	2018 €
INCOME			
Government subvention		5,700,000	5,460,000
Adjustment related to the increase in Collective Agreement		-	(112,638)
Grants		75,851	80,519
Total Government Contributions	119	5,775,851	5,427,881
Other income		1,415,873	955,158
TOTAL INCOME	120	7,191,724	6,383,039
Administrative and other expenses		(6,594,987)	(6,065,185)
Finance costs		(18,410)	
SURPLUS FOR THE YEAR BEFORE TAXATION		578,327	317,854
Taxation		(39)	-
SURPLUS FOR THE YEAR		578,288	317,854

Schedule 2 - Detailed Income Statement Schedules

For the year ended 31 December 2019

	2019 €	2018 €
INCOME FROM OTHER ACTIVITIES		
Bank and other interest	422	418
Calibration and Legal Metrology	57,623	69,081
Certification services	228,134	205,930
Decrease in provision for bad debts	-	11,483
EC Type approval certification - net income	13,425	10,325
EFSA agreement	17,500	28,333
Gain from disposal of fixed assets	1,328	-
General income	16,352	10,195
Net income from translations	28,070	24,428
Net income from plant protection services	457,281	158,855
Net income from biocidal evaluations	20,982	-
Regulatory fees	88,888	93,129
Sale of standards	47,031	25,615
Seminars	7,178	18,136
Testing services	427,839	294,838
Tribunal fees	3,820	4,392
	1,415,873	955,158

