

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**14. Contingencies**

The council forms part of a Local Enforcement Pooling System, profits or losses generated from this system cannot be quantified at year end and have been excluded from these financial statements.

There is a contingent liability for tipping fees that were charged to the Local Council but not entered in the accounts amounting to €1,502 for 2010 and €1,789.68 for 2011. These amounts were not entered following instructions from the Local Council's Association since the bills for this service exceeded the amount received by the Council from Central Government for this purpose.

The Council has a bank guarantee of €8,023 in favour of MEPA.

**15 Capital Commitments**

	2011 €	2010 €
i) Details of Capital commitments are as follows:		
Approved and contracted for (ii)	-	23,771
Approved but not yet contracted for (iii)	703,578	15,000
	<u>703,578</u>	<u>38,771</u>
ii) These could be analysed as follows:		
Approved and contracted for:		
Special Programmes	-	23,771
	<u>-</u>	<u>23,771</u>
iii) Approved but not yet contracted for:		
Special Programmes	-	15,000
Pedestrian zone Munxar church square	70,000	-
Terrace promenade Xlendi	70,000	-
Construction of kerbs, footpaths and paved areas	143,177	-
Conservation works - Xlendi Flour Mill	268,401	-
Supply and fix benches, lamp posts and litter bins	20,000	-
Pedestrian guard rails and Street furniture Xlendi Bay	132,000	-
	<u>703,578</u>	<u>15,000</u>

**16 Related Parties**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Gozo Joint Committee (Local Enforcement)	Joint control
Gozo regional committee	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control



**Notes to the Financial Statements for the year ended 31 December 2011 – continued**

**16 Related Parties (cont.)**

The following were the significant transactions carried out by the Council with related parties having:

Significant control:	2011	2010
Revenue	€	€
Annual financial allocation	<u>205,959</u>	<u>205,377</u>

The ultimate controlling party of the local is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

**17. Risk management objectives and policies**

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

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

**17.1 Credit risk**

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2011	2010
Class of financial assets – carrying amounts	€	€
Trade and other receivables	41,348	64,222
Cash and Cash Equivalents	<u>296,413</u>	<u>180,505</u>
	<u>337,761</u>	<u>244,727</u>

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

The council 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. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is 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.



**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**17.2 Liquidity risk**

The council'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 an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2011	2010
	€	€
Payables	54,666	33,880
	<u>54,666</u>	<u>33,880</u>

**17.3 Summary of the financial assets and liabilities by category**

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

	2011	2010
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	41,348	64,222
Cash and Cash Equivalents	296,413	180,505
	<u>337,761</u>	<u>244,727</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	54,666	33,880
	<u>54,666</u>	<u>33,880</u>



**Financial Statements for the year ended 31 December 2011**

**Independent Auditor's report**





**Spiteri Bailey & Co.**

Accountancy Audit Advisory

## **LOCAL COUNCIL MUNXAR**

### **Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council Munxar set out on pages 4 to 20, which comprise the statement of financial position as at 31<sup>st</sup> December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Spiteri Bailey & Co.**

Triq Dun Karm, Birkirkara Bypass  
Birkirkara BKR 9038, Malta

**Tel:** +356 21499250

**Mob:** +356 79499248

**Fax:** +356 21444815

[advice@spiteribailey.com](mailto:advice@spiteribailey.com)  
[www.spiteribailey.com](http://www.spiteribailey.com)

### **Council Responsibilities for the Financial Statements**

As described on page 3, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Local Government Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2010 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.





**Spiteri Bailey & Co.**  
Accountancy Audit Advisory

### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

This copy of the audit report has been signed by  
**William Spiteri Bailey FIA MIM CSA CPA (Partner)** for and on behalf of  
**Spiteri Bailey & Co.**  
Certified Public Accountants  
Members of IGAF Worldwide  
Dun Karm Street,  
Birkirkara By-pass,  
Birkirkara,  
Malta.

26/04/12