

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)****12 Operations and Maintenance**

Operations and maintenance includes, inter alia:

	2013	2012
	€	€

Repairs and Upkeep:

Road and Street Pavements (patching works)	7,762	9,480
Street signs and road markings	8,181	2,247
Public property	1,492	652
Council premises	1,456	66
Xlendi maintenance and upkeep	7,085	3,275
Restoration work - underground mill	165,142	-
Other	189	816
<b>Total</b>	<b>191,307</b>	<b>16,536</b>

**Contractual Services:**

	2013	2012
	€	€
Refuse Collection	19,657	18,978
Bulky Refuse Collection	548	751
Road and Street Cleaning	10,509	10,688
Cleaning and Maintenance of Public Conveniences	7,048	6,729
Tipping fees	9,032	7,529
Cleaning and maintenance of verges	2,193	410
Cleaning and maintenance council premises	1,211	1,160
Street Lighting	4,744	5,207
Insurance	1,813	1,829
Local Enforcement System expenses	848	940
Other contractual services	172	236
	<b>57,775</b>	<b>54,457</b>

Total Operations and Maintenance Expenses	<b>249,082</b>	<b>70,993</b>
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**13 Administration and other expenditure**

	2013	2012
	€	€
Utilities	8,398	7,458
Materials and supplies	986	345
Rent	3,649	2,999
Office repair and upkeep	845	1,096
Office services	2,604	2,821
Transport	476	580
Information services	129	332
Professional services	7,077	7,932
Penalty	-	200
Community services and events	18,463	13,879
Depreciation	47,134	32,637
	<b>89,761</b>	<b>70,279</b>



**Notes to the Financial Statements for the year ended 31 December 2013 (cont)****14 Capital Commitments**

	2013 €	2012 €
i) Details of Capital commitments are as follows:		
Approved and contracted for (ii)	479,755	465,651
Approved but not yet contracted for (iii)	59,400	395,942
	<u>539,155</u>	<u>861,593</u>
ii) These could be analysed as follows:		
Approved and contracted for:		
Pjazza tal-Munxar	76,508	98,107
Special Programmes - PPP	300,190	-
Online streaming	2,242	-
Pedestrian guard rails and Street furniture Xlendi Bay	100,815	-
Conservation works on underground flour mill	-	258,885
Public access pathways	-	108,659
	<u>479,755</u>	<u>465,651</u>
iii) Approved but not yet contracted for:		
Special Programmes – PPP	29,400	290,892
Public access pathways	30,000	-
Pedestrian guard rails and Street furniture Xlendi Bay	-	105,050
	<u>59,400</u>	<u>395,942</u>

**15 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
Regional committees	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2013 €	2012 €
Significant control:		
Revenue		
Annual financial allocation	<u>209,616</u>	<u>212,183</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.



Notes to the Financial Statements for the year ended 31 December 2013 – continued**16. 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.

**16.1 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:

	2013	2012
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	58,179	55,491
Cash and Cash Equivalents	262,997	328,266
	<u>321,176</u>	<u>383,757</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.

**16.2 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.

	2013	2012
	€	€
Payables	174,730	163,695
	<u>174,730</u>	<u>163,695</u>



**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

**16.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council 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.

**16.4 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:

	2013 €	2012 €
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	58,179	55,491
Cash and Cash Equivalents	262,997	328,266
	<u>321,176</u>	<u>383,757</u>
 <b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	174,730	163,695
	<u>174,730</u>	<u>163,695</u>

**16.5 Capital risk management**

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

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

**17 Fair value estimation**

At 31 December 2013 and 31 December 2012, 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.





**Spiteri Bailey & Co.**

Accountancy Audit Advisory

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## **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 2013, 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.

### **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 2013 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  
Conrad Borg FCCA FIA DipIFR CPA (Partner) for and on behalf of  
Spiteri Bailey & Co.**

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10 / 4 / 14