

Notes to the Financial Statements for the year ended 31 December 2014 - continued**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:

	2014 €	2013 €
Current Assets		
Loans and receivables:		
Trade and other receivables	149,405	58,179
Cash and Cash Equivalents	296,855	262,997
	<u>446,260</u>	<u>321,176</u>
 Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	311,801	174,730
	<u>311,801</u>	<u>174,730</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 2014 and 31 December 2013, 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.



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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 31st December 2014, 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 2014 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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22/04/2015

Il-Management Letter



Spiteri Bailey & Co.

Accountancy Audit Advisory

22/04/2015

Munxar Local Council

Profs. Guze Aquilina Street,
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Dear Mayor

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RE: MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

We have completed our audit of the financial statements of the Munxar Local Council for the year ended 31 December 2014. The purpose of this report is to summarise our principal findings arising from this work.

Our audit was primarily based on verifying balances in the financial statements to ensure that they are free from material error and comply with relevant legislation. Consequently, the matters raised in this report cannot be regarded as a comprehensive statement of all weaknesses that exist or all improvements that might be made. Our aim is to offer guidance to the Local Council such that it would be in a better position to improve its internal controls, enhance its book keeping function and consolidate its overall governance.

Our engagement obliges us to distribute copies of this report to (a) your Council; (b) the National Audit Office; and (c) the Local Councils' Department. Consequently this report may not be distributed used or quoted, in part or in full, except for the scope it is prepared, without our prior written consent.

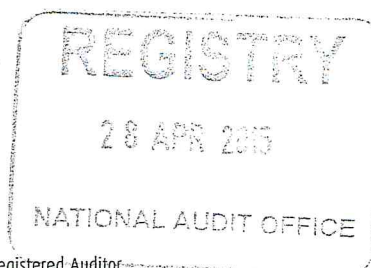
This report has been prepared on the basis of the limitations set out in the Responsibility Statement as presented on page 11 of this report.

During the course of our audit for the year ended 31 December, 2014, we examined the principal documents, systems and controls used by the Council, to help it ensure, as far as possible, the accuracy of these documents and to assess how much can one rely on these documents to safeguard the assets of the Council. We also examined, whether or not your Council abided by the procedures as they are provided for in the Local Councils Act, 1993, the Financial Procedures and various Legal Notices issued to your Council.

The objective of this letter is to bring to your attention those divergences in the system that were noticed during our audit work and suggest ways of how these can be remedied.

We would like to take this opportunity to thank the Executive Secretary and the clerk for their assistance during the course of our audit.

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



Partners: **William Spiteri Bailey** F.I.A., M.I.M., C.S.A., C.P.A. Registered Auditor
Karen Spiteri Bailey B.A. Hons. (Accty.), F.I.A., A.M.I.T., C.P.A. Registered Auditor
Conrad Borg F.C.C.A., M.I.A., DipIFR, C.P.A. Registered Auditor

Munxar Local Council

Management Report for the year ended 31 December 2014

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1.0 FOLLOW-UP TO LAST YEAR'S REPORT

1.1 Property, plant and equipment

During last year's audit, it was pointed out that an exercise should be carried out in order to write off the items of property, plant and equipment that are no longer in use. Although the Local Council stated in its comments on the management letter dated 2nd June 2014 that the Council intends to carry out an exercise to write off such assets, this was not carried out.

This year depreciation on assets started as from the date of completion. On the other hand, we again encountered an instance where costs relating to a particular project were still categorized as asset under construction even though such project was ready during 2014.

During last year's audit it was pointed out the importance that the Fixed Asset Register is kept continuously updated. No action was taken on this matter since in 2014 the Fixed Asset Register and the Nominal Activity were still not agreeing. Moreover, the property, plant and equipment found outside the Council's premises are still under insured.

1.2 Receivables

The concept of accruing for income relating to the year under review which has not yet been received was not addressed. However, prepayments were accounted for correctly in 2014.

No action was taken on the matter relating to the balance due from Water Services Corporation. Moreover, more invoices were issued during 2014 which Water Services Corporation is disregarding as they are not in accordance with the agreement there is with the Corporation.

1.3 Bank and Cash

Last year, it was pointed out that all cheques need to be approved before sent to the suppliers. However, similar occurrences were found during the current audit.

It was also pointed out that it is important that the Local Council continuously monitors the list of unpresented cheques in order to check for stale cheques. No such instances were observed during the current year.

1.4 Payables

During last year's audit, it was noted that the wrong accounting treatment was applied to the deferred income and the amortisation thereof, where government grants were concerned. Cases were also encountered where an amount payable and several accruals were not accounted for.

It was found out that the weaknesses with respect to deferred income and accrued expenses still existed during the year ended 31st December 2014.