

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**13. Receivables**

	2015	2014
	€	€
Accounts receivable	1,881	5,466
Prepayments and accrued income	45,472	143,939
	<u>47,353</u>	<u>149,405</u>

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	45,682	147,905
Exceeded credit period but not impaired	1,671	1,500
Impaired and provided for	-	-
Provision for doubtful debts	-	-
	<u>47,353</u>	<u>149,405</u>

Included in the accounts receivable are amounts due from related parties amounting to €1,831 (2014 : €1,260). These amounts are unsecured, interest free and repayable on demand.

14. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2015	2014
	€	€
Cash at Bank	183,880	296,538
Cash in Hand	317	317
	<u>184,197</u>	<u>296,855</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**15. Payables**

	2015	2014
	€	€
Payables	111,518	233,335
Other payables	7,312	170
Deferred Income	84,434	44,040
Accruals	49,842	34,256
	<u>253,106</u>	<u>311,801</u>

Included in the accounts payable are amounts due to related parties amounting to €5,507 (2014 : €3,398). These amounts are unsecured, interest free and repayable on demand.

16. Deferred Income

	2015	2014
	€	€
Government grants		
At 1 January	793,761	416,961
Increase in year	181,399	440,636
	<u>975,160</u>	<u>857,597</u>
Released in year	(80,373)	(63,836)
At 31 December	<u>894,787</u>	<u>793,761</u>
 Current Deferred Income	 <u>84,434</u>	 <u>44,040</u>
 Non-Current Deferred Income	 <u>810,353</u>	 <u>749,721</u>
 Deferred Government Grants		
Deferred between one and two years	62,306	42,372
Deferred between two and five years	191,511	98,884
Deferred in five years or more	556,536	608,465
	<u>810,353</u>	<u>749,721</u>
 Deferred after five years or more	 <u>556,536</u>	 <u>608,465</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**17. Capital Commitments**

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	-	282,895
- Contracted for but not provided in the financial statements	12,363	-
(i) Approved but not yet contracted for:		
Pjazza tal-Munxar	-	64,546
Ticketing system at Mithna	-	13,970
Upgrading of Triq Zghawri Nature Walk	-	204,379
	-	282,895
(i) Contracted for but not provided in the Financial Statements:		
Decorative luminaries	-	-
Special Programmes - PPP	-	-
Pavements - Pathways - Xlendi	12,363	-
	12,363	-

18. Ultimate controlling party

The ultimate controlling party of the local council 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.

19. Financial Risk Management

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.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**19. Financial Risk Management (cont.)****Summary of financial assets and liabilities by category:**

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	47,353	149,405
Cash and Cash Equivalents	184,197	296,855
	<u>231,550</u>	<u>446,260</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	253,106	311,801
	<u>253,106</u>	<u>311,801</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 184,197. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of Euro 69,631 (2014: €178,499) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Other risks

Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**20. Related party transactions**

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 13 and 15. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity	2015 Total activity	%	Related party activity	2014 Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	304,277			305,877		
Transactions with regions	5,568			888		
	<u>309,845</u>	<u>322,770</u>	<u>96</u>	<u>306,765</u>	<u>318,255</u>	<u>96</u>
<i>Expenditure</i>						
Transactions with government entities	11,669			12,335		
Key personnel remuneration	42,502			41,288		
	<u>54,171</u>	<u>333,265</u>	<u>16</u>	<u>53,623</u>	<u>295,799</u>	<u>18</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

21. Fair values estimation

At 31 December 2015 and at 31 December 2014, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

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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 24, which comprise the statement of financial position as at 31st December 2015, 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.