

**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
	€	€
<b>Current Assets</b>		
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>
<b>Current Liabilities</b>		
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.

**RSM Malta**

Cobalt House, Level 2  
Notabile Road,  
Mriehel BKR 3000, Malta.

T +356 2278 7000

F +356 2149 3318

[www.rsm.com.mt](http://www.rsm.com.mt)

**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 31<sup>st</sup> 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.



**RSM Malta**

Cobalt House, Level 2  
Notabile Road,  
Mriehel BKR 3000, Malta.

T +356 2278 7000  
F +356 2149 3318

[www.rsm.com.mt](http://www.rsm.com.mt)

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2015 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.

**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.

**Emphasis of Matter**

Without qualifying our audit opinion, we would like to bring your attention to the fact that as at 31<sup>st</sup> December 2015, the current liabilities of the Local Council exceeded its current assets by Euro 21,556 indicating possible liquidity problems.

**Other Matter**

The financial statements of the Local Council Munxar for the year ended 31 December 2014 were audited by Spiteri Bailey & Co. who expressed an unqualified opinion on those financial statements on 22 April 2015. As from 1 January 2016, Spiteri Bailey & Co. merged its practice with the incoming auditors, RSM Malta.

A handwritten signature in blue ink, appearing to read 'Conrad Borg'.

This copy of the audit report has been signed by  
Conrad Borg (Partner)  
for and on behalf of

RSM Malta  
Certified Public Accountants

26/04/16