

QALA LOCAL COUNCIL

Report and financial statements For the year ended 31 December 2013

Prepared by:

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QALA LOCAL COUNCIL

Annual report and financial statements for the year ended 31 December 2013

Section

Table of Contents

	<i>Page</i>
Statement of Local Council Members' and Executive Secretary's Responsibilities	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 21
Independent Auditors' Report	22 - 23

QALA LOCAL COUNCIL

Annual report and financial statements for the year ended 31 December 2013

Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same regulations it is duty of the Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on

2014 by:

Clint Camilleri
Mayor

Marcia Borg
Executive Secretary

QALA LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2013

		2013	2012
	Note	€	€
Income			
Funds received from central government	3	284,279	294,267
Law Enforcement income	4	1,422	-
General income	5	6,852	6,834
		<u>292,553</u>	<u>301,101</u>
Expenditure			
Personal emoluments	6	53,263	52,738
Operations and maintenance	7	54,508	68,286
Administration and other expenditure	8	143,580	129,052
		<u>251,351</u>	<u>250,076</u>
Operating income for the year		€ 41,202	€ 51,025
Finance income	9	267	267
Finance cost	10	(435)	(927)
Total comprehensive income for the year		<u>€ 41,034</u>	<u>€ 50,365</u>

QALA LOCAL COUNCIL

Statement of Financial Position at 31 December 2013

		31 Dec 2013	31 Dec 2012
Assets	Note	€	€
Non-current assets			
Property, plant and equipment	11	613,822	542,275
Current Assets			
Receivables	12	58,368	31,443
Cash and cash equivalents	13	279,925	255,512
		338,293	286,955
Total assets		€ 952,115	€ 829,230
Reserves and liabilities			
Reserves			
Retained funds		529,122	488,088
Non Current liabilities			
Deferred Income	14	251,507	184,656
Long term borrowings	15	-	2,348
		251,507	187,004
Current liabilities			
Payables and accruals	16	171,486	154,138
		171,486	154,138
Total Reserves and Liabilities		€ 952,115	€ 829,230

*These Financial Statements were approved by the Local Council on
on its behalf by:*

2014 and signed

Clint Camilleri
Mayor

Ms. Marcia Borg
Executive Secretary

QALA LOCAL COUNCIL

Statement of changes in equity for the year ended 31 December 2013

	Retained funds
	€
Balance at 01 January 2012	437,723
Total comprehensive Income for the year	<u>50,365</u>
Balance at 31 December 2012	€ <u>488,088</u>
Balance at 01 January 2013	488,088
Total comprehensive Income for the year	<u>41,034</u>
Balance at 31 December 2013	€ <u>529,122</u>

QALA LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2013

		2013	2012
	Note	€	€
<i>Cash flows from operating activities</i>			
Total comprehensive income for the year		41,034	50,365
<i>Adjustment for:</i>			
Depreciation		55,502	61,924
Amortisation of funds		(15,955)	(28,626)
Interest receivable		(267)	(267)
Interest payable		89	116
<i>Operating surplus before working capital movements</i>		80,403	83,512
(Increase) in receivables		(26,925)	(3,171)
Increase/(decrease) in payables		9,706	(34,846)
<i>Net cash flows from operating activities</i>		63,184	45,495
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(127,049)	(124,087)
Grants received		90,448	63,039
Interest received		267	267
<i>Net cash flows from investing activities</i>		(36,334)	(60,781)
<i>Cash flows from financing activities</i>			
Repayment of bank loan		(2,348)	(13,026)
Interest paid		(89)	(116)
<i>Net cash flows from financing activities</i>		(2,437)	(13,142)
Net increase/(decrease) in cash and cash equivalents		24,413	(28,428)
Cash and cash equivalents at the beginning of the year		255,512	283,940
Cash and cash equivalents at the end of the year	13	€ 279,925	€ 255,512

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

1. General Information

Qala Local Council is the local authority of Qala setup in accordance with the Local Councils Act. The office of the Local Council is situated at :

'Civil Centre' Bishop Buttigieg Street, Qala.

The Qala Local Council forms part of the Gozo Regional Committee.

2. Accounting policies and reporting procedures

The financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for the Local Government in terms of section 67 of the Local Councils Act, (CAP 363). The Financial Statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

Standards, amendments and interpretations to existing standards

Annual Improvements:2013 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have any impact on the council's financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendment to IAS 1 Presentation of Financial Statements require entities to group together items within other comprehensive income that may be reclassified to the profit and loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. This standard defines fair value, sets out in a single IFRS a framework for measuring

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

fair value and requires disclosure about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. The standard is applicable for annual periods beginning on or after 1 January 2013.

The IASB issued 'Annual Improvements 2009-2011 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2009-2011 cycle. Five standards are primarily affected by the amendments, with consequential amendments to numerous others. The amendments are effective for annual periods beginning on or after 1 January 2013.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council. These include the following:

Amendments to IAS 32 Financial Instruments: Presentation - These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendments to IAS 36 Impairment of Assets - This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 9 Financial Instruments (not yet endorsed by the EU) - This standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This standard addresses the classification and measurement of certain financial assets and financial liabilities.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement and that they will have no material impact on the financial statements in the period of initial application.

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

b. Local Enforcement Systems

The Local Council forms part of the Gozo Regional Committee. During the year, the amount disclosed in the financial statements under Local Enforcement System income represents the administrative fee of 10% that is now chargeable to the Regional Committee for contraventions paid at the Council.

c. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

Property, Plant and Equipment (cont.)

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban Improvements	10
Special programmes	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	replacement basis
Playground equipment	100
Road and Traffic signs	replacement basis
Street mirrors	replacement basis
Street lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

d. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20.

They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

e. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of

**Notes to the financial statement
for the year ended 31 December 2013**
Comprehensive Income.

f. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

g. Payables

Accounts are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Liabilities for trade and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council.

h. Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro (€) which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated in Euro at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated in Euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

i. Profit and Losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for, even if they become apparent between the said date and the date on which the Financial Statements are approved.

j. Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

k. Related parties

Related parties are those persons or bodies having relationship with the Council as defined in IAS 24.

Related parties to the Local Council comprise the Department for Local Government, the Regional Committee and other Government entities.

The related party that exercises a significant control is the Department for Local Government. Those that exercise no control are the Regional Committee and other Government entities such as Water Service

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

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l. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

m. Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- the the Council's maintains a positive working capital ratio

To achieve the above, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

n. Borrowings

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Borrowing costs are recognised as an expense in the period in which they are incurred.

o. Financial Instruments

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the council are classified into loans and

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented with 'finance income' or 'finance costs', except for impairment of receivables which is presented in 'administration and other expenditure'

Loans and receivables are non-derivating financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that aren't considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest related charges are included within 'finance costs'.

3. a. Funds received from Central Government

	2013	2012
	€	€
In terms of Section 55 of the Local Councils Act (CAP 363)	252,649	255,968

b. Other Government Funds received

Other Government Funds	31,630	38,299
	<hr/>	<hr/>
Total funds received from central government	€ 284,279	€ 294,267
	<hr/>	<hr/>

4. Local Enforcement Income

	2013	2012
	€	€
Income from Regional Committees	€ 1,422	€ -
	<hr/>	<hr/>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

5. General Income

	2013	2012
	€	€
Income from tender documents	3,515	320
Income from Permits	3,174	3,945
Contributions and donations	163	2,569
	<u>€ 6,852</u>	<u>€ 6,834</u>

6. Personal emoluments

	2013	2012
	€	€
Mayor's honoraria	6,797	5,318
Executive Secretary Salary and allowance	26,642	25,255
Employees' Salaries	10,211	12,508
Social Security Contributions	3,182	3,257
Allowances for Councilors and Mayor	6,431	6,400
	<u>€ 53,263</u>	<u>€ 52,738</u>

7. Operations and maintenance

	2013	2012
	€	€
Signs	1,766	1,416
Walkways	3,091	1,039
Road and street pavements (patching work)	5,455	2,302
Refuse collection	19,729	18,029
Bulky refuse collection	(3,282)	17,196
Road and street cleaning	13,909	11,352
Cleaning and maintenance of Public Conveniences	971	3,131
Cleaning and maintenance of parks and gardens	1,745	2,697
Waste Disposal fees	11,124	11,124
	<u>€ 54,508</u>	<u>€ 68,286</u>

During the year, the service provider for bulky refuse collection credited the Local Council for over charges in previous years resulting in the negative balance in the expense account of Euro 3,282.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

8. Administration and other expenses

	2013	2012
	€	€
Utilities	4,586	5,382
Sundry material & supplies	15,407	15,494
Rent	3,992	3,887
National /International memberships	825	367
Office services	3,282	2,525
Transport	693	1,147
Travel	9	-
Advertising	500	37
Information services	4,056	2,065
Other contractual services	19,861	7,727
Professional services	1,905	6,392
Sundry expenses	-	30
Community services and events	32,962	22,075
Depreciation	55,502	61,924
	<u>€ 143,580</u>	<u>€ 129,052</u>

9. Investment income

	2013	2012
	€	€
Bank interest received	<u>267</u>	<u>267</u>

10. Finance cost

	2013	2012
	€	€
Bank charges	89	116
Loan interest	346	811
	<u>€ 435</u>	<u>€ 927</u>

QALA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2013

11 a. Property, Plant and Equipment

	Trees & Plants	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction programmes	Asset under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 01 January 2013	2,264	20,745	5,040	12,014	7,645	11,537	40,760	622,123	43,411	1,278,369
Reallocation	-	-	-	-	-	-	-	43,411	(43,411)	-
Additions	-	1,427	7,569	2,337	-	-	-	60,792	54,924	127,049
At 31 December 2013	2,264	22,172	12,609	14,351	7,645	11,537	40,760	665,534	54,924	1,405,418
<u>Grants and other reimbursements</u>										
At 01 January 2013	-	-	-	-	-	-	-	117,841	81,862	199,703
Additions	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	117,841	81,862	199,703
<u>Depreciation</u>										
At 01 January 2013	-	11,200	2,317	11,200	6,170	11,537	27,381	272,860	193,726	536,391
Released on disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	727	1,775	653	269	-	1,278	26,258	24,542	55,502
At 31 December 2013	-	11,927	4,092	11,853	6,439	11,537	28,659	299,118	218,268	591,893
<u>Net book value</u>										
At 31 December 2013	€ 2,264	10,245	8,517	2,498	1,206	-	12,101	248,575	54,924	613,822
At 31 December 2012	€ 2,264	9,545	2,723	814	1,475	-	13,379	231,422	43,411	542,275

QALA LOCAL COUNCIL

Notes to the financial statements for the year ended 31 December 2013

11 a. Property, Plant and Equipment

	Trees & Plants	Office Furn. & fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction	Special programmes	Assets under Construction	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 01 January 2012	2,264	19,695	5,040	12,014	6,715	11,537	40,760	622,123	434,134	-	1,154,282
Additions	-	1,050	-	-	930	-	-	-	78,696	43,411	124,087
At 31 December 2012	2,264	20,745	5,040	12,014	7,645	11,537	40,760	622,123	512,830	43,411	1,278,369
<u>Grants and other reimbursements</u>											
At 01 January 2012	-	-	-	-	-	-	-	117,841	81,862	-	199,703
Additions	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	117,841	81,862	-	199,703
<u>Depreciation</u>											
At 01 January 2012	-	10,494	1,709	10,966	6,027	11,537	25,968	248,414	159,352	-	474,467
Charge for the year	-	706	608	234	143	-	1,413	24,446	34,374	-	61,924
At 31 December 2012	-	11,200	2,317	11,200	6,170	11,537	27,381	272,860	193,726	-	536,391
<u>Net book value</u>											
At 31 December 2012	€ 2,264	9,545	2,723	814	1,475	-	13,379	231,422	237,242	43,411	542,275
At 31 December 2011	€ 2,264	9,201	3,331	1,048	688	-	14,792	255,868	192,920	-	480,112

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

12. Receivables

	2013	2012
	€	€
Accounts receivable	3,492	390
Prepayments and accrued income	53,726	31,053
Deferred expenditure	1,150	-
	<u>€ 58,368</u>	<u>€ 31,443</u>

Receivables are analysed as follows:

Within credit limit	35,840	25,293
Exceeded credit period but not impaired	22,528	6,150
	<u>€ 58,368</u>	<u>€ 31,443</u>

13. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

	2013	2012
	€	€
Ordinary funds	271,698	215,516
Measure 313 and 312 funds	8,224	36,147
Cash in hand	3	3,849
	<u>€ 279,925</u>	<u>€ 255,512</u>

14. Deferred income

	2013	2012
	€	€
Balance brought forward	199,280	164,867
Increase during the year	90,448	63,039
	<u>289,728</u>	<u>227,906</u>
Released during the year	15,955	28,626
	<u>€ 273,773</u>	<u>€ 199,280</u>
<i>(i) Current deferred income</i>	<u>€ 22,266</u>	<u>€ 14,624</u>
<i>(ii) Non current deferred income:</i>		
Deferred between 1 and 2 years	22,608	15,825
Deferred between 2 and 5 years	55,107	38,967
Deferred in 5 years or more	173,792	129,864
	<u>€ 251,507</u>	<u>€ 184,656</u>

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

15. Long Term Borrowings

	2013	2012
	€	€
Bank loan	-	2,348

Long Term Borrowings consist of a loan of €93,175 borrowed by the Council with the approval of the Minister responsible for Local Government on the 21 July 2006. The amount is to be repaid by monthly instalments of €1,153 by the end of March 2014. Interest is currently being charged at 3.47% per annum being 1.125% over the base rate.

The bank holds a first general hypothec for the loan amount over all the Council's assets present and future, a first special hypothec and special privilege over the new Civic Centre being constructed in Bishop M. Buttigieg Street, Qala, Gozo, and a pledge on a suitable fire insurance policy covering the premises of the Civic Centre for its replacement value. The loan is to be fully repaid to the bank by March 2014.

	2013	2012
	€	€
Borrowings due to 1 to 2 years	-	2,348
	€ -	€ 2,348

16. Payables and accruals

	2013	2012
	€	€
Accounts payable	88,383	71,822
Accruals	58,143	53,856
Deferred income (current portion)	22,266	14,624
Loan repayable within one year	2,694	13,836
	€ 171,486	€ 154,138

17. Capital Commitments

(i) Details of capital commitments are as follows:

Approved but not yet contracted for (ii)	59,522	170,585
Contracted for but not provided in Financial Statements (iii)	60,647	10,000

(ii) Approved but not yet contracted for:

Folklore Museum	-	31,980
Belveder (funded by Rural Developments Fund - EU)	-	84,215
Heritage trail	59,522	33,800
Resurfacing various roads	-	20,590
	€ 59,522	€ 170,585

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

17. Capital Commitments (continued)

(iii) Contracted for but not provided in Financial Statements:

	2013 €	2012 €
Fortizza	10,000	10,000
Folklore museum	13,094	-
Park project at Grunju	31,156	-
Rubble walls	6,397	-
	<u>€ 60,647</u>	<u>€ 10,000</u>

18. Contingent liabilities

- i) The Council has a bank guarantee of €4,659 in favour of MEPA. This will be released once the capital project is completed.
- ii) The Local Council is contesting an amount of Euro 6,161 being claimed by a supplier for refuse collection. Such amount has not been accounted for.
- iii) An amount of Euro 532 being claimed by a supplier is being contested since the Local Council is claiming that no authorisation was given for such works.
- iv) A contractor is claiming Euro 1,000 for project management services provided to the Local Council through a direct order given to him by the previous mayor which the Council is not accepting.

19. Financial instruments

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

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 €
<i>Class of financial assets - carrying amounts</i>		
Trade and other receivables	58,368	31,443
Cash and Cash Equivalents	279,925	255,512
	<u>€ 338,293</u>	<u>€ 286,955</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.

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

19. Financial instruments (cont.)

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 note 12 for further information on impairments 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.

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 manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis.

	2013	2012
	€	€
Payables	146,526	125,678

Other risks

The Council's interest rate risk arises from long term borrowings. 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.

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 Councils	Significant control
Gozo Regional Committee	Joint Control
Central Regional Committee	No Control
Regional Committees	No Control

QALA LOCAL COUNCIL

Notes to the financial statement for the year ended 31 December 2013

Related party transactions (cont.)

<i>Name of Entity</i>	<i>Nature of relationship</i>
Water Services Corporation	No Control
Enemalta Corporation	No Control
Wasteserv Malta Limited	No Control
Malta Environment and Planning Authority	No Control
Department of Lands	No Control
Director General - Works Division	No Control
Police General Headquarters	No Control
Office of the Prime Minister	No Control
Office of the Commissioner for Data Protection	No Control
Association of Local Councils' Secretaries	No Control
Ministry for Resources and Rural Affairs	No Control

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

	2013	2012
Income		
Annual financial allocation	€ 252,649	€ 255,968

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 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.

Key management compensation

Transactions with key management personnel are disclosed in note 6.

21. Fair value estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.