

Xewkija Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2012

**Prepared by
JCA Limited**



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**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2012**

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Xewkija Local Council

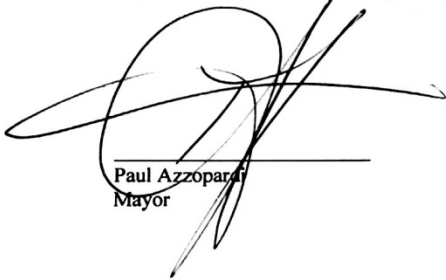
Financial Statements for the year ended 31 December 2012

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

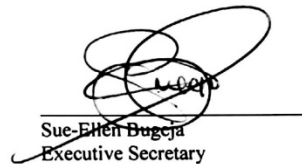
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the 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, and the Local Councils (Financial) Procedures 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 company 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 the 27 April 2013 by:



Paul Azzopardo
Mayor



Sue-Elfen Buggeja
Executive Secretary

Xewkija Local Council

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	31 December 2012 €	31 December 2011 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	649,848	535,784
		<u>649,848</u>	<u>535,784</u>
Current Assets			
Receivables	4	191,093	185,339
Cash and Cash Equivalents	5	338,766	286,821
		<u>529,859</u>	<u>472,160</u>
Total Assets		<u>1,179,707</u>	<u>1,007,944</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		555,715	535,262
Non-current Liabilities			
Deferred income	6	253,034	237,430
Non-current payables	7	125,280	-
Current Liabilities			
Payables	7	245,678	235,252
Total reserves and liabilities		<u>1,179,707</u>	<u>1,007,944</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 27 April 2013 and signed on its behalf by:



Paul Azzopardi
Mayor



Sue Ellen Bugeja
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Notes	2012 €	2011 €
REVENUE			
Funds received from central government	8	358,765	315,699
Funds raised under Local Enforcement System	9	1,883	201
General Income	11	6,317	7,259
		<u>366,965</u>	<u>323,159</u>
EXPENDITURE			
Personal emoluments	12	(69,665)	(56,722)
Operations and maintenance	13	(128,265)	(84,713)
Administration and other expenditure	14	(149,431)	(133,724)
		<u>(347,361)</u>	<u>(275,159)</u>
Operating profit for the year		19,604	48,000
Investment income	10	849	626
Total Comprehensive Income for the year		<u>20,453</u>	<u>48,626</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Retained Funds 2012 €	Retained Funds 2011 €
At 1 January	535,262	486,636
Total comprehensive income for the year	20,453	48,626
	<hr/>	<hr/>
At 31 December	555,715	535,262

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	Note	2012 €	2011 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		20,453	48,626
Adjustments for:			
Depreciation		53,966	38,398
Investment Income		(849)	(626)
Deferred income released		(15,387)	(1,663)
Operating Profit before Working Capital Changes		58,183	84,735
(Increase) in Receivables		(5,754)	(45,978)
Increase in Payables		150,541	157,518
Net Cash inflows from operating Activities		202,970	196,275
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(168,030)	(173,383)
Investment Income		849	626
New grants received		32,648	109,483
Cash Flow used in Investing Activities		(134,533)	(63,274)
Net Increase in Cash and Cash Equivalents		68,437	133,001
Cash and Cash Equivalents at the Beginning of Year		268,269	135,268
Cash and Cash Equivalents at the End of Year	5	336,706	268,269

The notes on pages 8 to 20 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2012

1. General Information

Xewkija Local Council is the local authority of Xewkija setup in accordance with the Local Councils Act. The office of the Local Council is situated at 2, Triq Torri Tingi, Xewkija XWK 2231.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Accounting convention

These 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 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.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2012 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.

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.

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.

Information on new standards, amendments and interpretations that are expected to be 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 a material impact on the council's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

Xewkija Local Council

Notes to the Financial Statements for the year ended 31 December 2012 – continued

c. Revenue recognition

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

d. Local Enforcement System

Xewkija Local Council formed part of Gozo Joint Committee until the 30th September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2012 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is now chargeable to the Gozo Regional Committee for contraventions paid at the Council.

e. 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:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	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 benefits associated with the item will flow to the company 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.

f. 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.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

g. 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 comprehensive income.

h. 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 amounts 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.

i. 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 present currency.

j. Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

k. Cash and Equivalents

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

l. Related parties

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

m. Payables

Accounts payable 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.

Amounts payable 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.

Notes to the Financial Statements for the year ended 31 December 2012 – continued

n. 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 transactions 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 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 within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative 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 are not 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'.

Notes to the Financial Statements for the year ended 31 December 2012 – continued

o. 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. Revisions 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 members, 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).

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

3a Property, Plant and Equipment

Cost	Property €	Office Furniture /fittings €	Computer Equipment €	Office & other Equipment €	Urban Improvements €	New Street Signs €	Construction €	Assets under construction €	Total €
At 1 January 2012	85,539	21,490	4,884	8,723	409,481	32,527	488,697	33,946	1,085,287
Additions this year	-	-	-	13,742	-	-	154,288	-	168,030
Reclassifications	-	-	-	-	-	-	33,946	(33,946)	-
At 31 December 2012	85,539	21,490	4,884	22,465	409,481	32,527	676,931	-	1,253,317
Grants and other reimbursements									
At 1 January 2012	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Additions this year	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Accumulated Depreciation									
At 1 January 2012	(8,094)	(11,310)	(4,884)	(4,907)	(246,797)	(32,527)	(28,074)	-	(336,593)
Charge for the year	(771)	(738)	-	(1,504)	(15,783)	-	(35,170)	-	(53,966)
At 31 December 2012	(8,865)	(12,048)	(4,884)	(6,411)	(262,580)	(32,527)	(63,244)	-	(390,559)
Net book value	76,674	9,442	-	16,054	143,786	-	403,892	-	649,848
At 31 December 2012									

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

3b Property, Plant and Equipment

Cost	Property €	Office Furniture /fittings €	Computer Equipment €	Office & Other Equipment €	Urban Improvements €	New Street Signs €	Construction €	Assets under construction €	Total €
At 1 January 2011	85,539	22,980	4,884	5,997	409,377	30,462	352,665	-	911,904
Additions this year	-	-	-	1,236	104	2,065	136,032	33,946	173,383
Reclassifications	-	(1,490)	-	1,490	-	-	-	-	-
At 31 December 2011	85,539	21,490	4,884	8,723	409,481	32,527	488,697	33,946	1,085,287
Grants and other reimbursements									
At 1 January 2011	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Additions this year	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Accumulated Depreciation									
At 1 January 2011	(7,310)	(10,761)	(4,736)	(4,514)	(229,407)	(30,462)	(11,005)	-	(298,195)
Charge for the year	(784)	(549)	(148)	(393)	(17,390)	(2,065)	(17,069)	-	(38,398)
At 31 December 2011	(8,094)	(11,310)	(4,884)	(4,907)	(246,797)	(32,527)	(28,074)	-	(336,593)
Net book value									
At 31 December 2011	77,445	10,180	-	3,816	159,569	-	250,828	33,946	535,784

Xewkija Local Council

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

	2012	2011
	€	€
4 Receivables		
Accounts receivable	11,394	7,900
Other receivables - Guarantees	-	12,150
Prepayments and accrued income	179,699	163,243
Deferred expenditure	-	2,046
	<u>191,093</u>	<u>185,339</u>

	2012	2011
	€	€
Receivables		
Within the current period	40,991	22,690
Exceeded credit period but not yet impaired	7,900	12,150
Government grants under the PPP scheme	<u>142,202</u>	<u>150,499</u>
	<u>191,093</u>	<u>185,339</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2012	2011
	€	€
Bank Balances:		
Ordinary funds	338,457	286,798
Cash in hand	309	23
Overdrawn balances	<u>(2,060)</u>	<u>(18,552)</u>
	336,706	268,269
Transfer to payables	<u>2,060</u>	<u>18,552</u>
Cash at bank and in hand	<u>338,766</u>	<u>286,821</u>

	2012	2011
	€	€
6 Deferred Income		
Between 1 and 2 years	25,063	24,456
Between 2 and 5 years	60,947	59,906
Over 5 years	<u>167,024</u>	<u>153,068</u>
	<u>253,034</u>	<u>237,430</u>

	2012	2011
	€	€
Opening balance	257,950	150,130
Increase in grants	32,648	109,483
Release of grants	<u>15,387</u>	<u>1,663</u>
Closing balance	275,211	257,950
Less Current portion	<u>22,177</u>	<u>20,520</u>
Non-current portion	<u>253,034</u>	<u>237,430</u>

Xewkija Local Council

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

7 Payables	2012	2011
	€	€
Accounts payable	328,028	8,834
Accruals	18,693	187,346
Deferred income within 1 year	22,177	20,520
Overdrawn bank balances	2,060	18,552
	<u>370,958</u>	<u>235,252</u>
Less non-current payables	<u>125,280</u>	<u>-</u>
	<u>245,678</u>	<u>235,252</u>
 Non-current payables	 2012	 2011
	€	€
Between 1 and 2 years	31,320	-
Between 2 and 5 years	46,980	-
Over 5 years	46,980	-
	<u>125,280</u>	<u>-</u>
 8 Funds received from Central Government	 2012	 2011
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	319,037	306,570
Other Government Income	39,728	9,129
	<u>358,765</u>	<u>315,699</u>
 9 Income raised from Local Enforcement System	 2012	 2011
	€	€
Income from Local Enforcement System	1,883	201
	<u>1,883</u>	<u>201</u>
 10 Investment income	 2012	 2011
	€	€
Bank Interest Receivable	849	626
	<u>849</u>	<u>626</u>
 11 General Income	 2012	 2011
	€	€
Income from permits	3,145	2,055
Income from tender documents	768	660
Contributions and donations	2,404	4,544
	<u>6,317</u>	<u>7,259</u>
 12 Personal Emoluments	 2012	 2011
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	5,536	5,053
Councillors' Allowance	5,800	5,700
Executive Secretary salary and allowances	23,949	20,941
Employees' Salaries	30,006	21,745
Social Security Contributions	4,374	3,283
	<u>69,665</u>	<u>56,722</u>

Xewkija Local Council

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

13 Operations and Maintenance

	2012	2011
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	23,531	5,647
Public property	15,967	8,310
Street signs and markings	2,036	2,197
Council property	1,152	309
Total	42,686	16,463

Contractual Services:

Refuse Collection (including bins on wheels)	27,263	26,761
Bulky Refuse Collection (incl open skips)	5,033	752
Road and Street Cleaning (mechanical and manual)	11,439	10,075
Cleaning and Maintenance of Public Conveniences	5,981	5,311
Maintenance parks and gardens and verges	2,857	-
Tipping fees	21,064	15,010
Street Lighting	11,942	10,341
	85,579	68,250

Total Operations and Maintenance Expenses	128,265	84,713
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14 Administration and other expenditure

	2012	2011
	€	€
Utilities	9,806	8,523
Other repairs and upkeep	4,465	1,330
National and International Memberships	200	3,415
Rent	720	256
Office Services	7,007	3,925
Travel	-	1,142
Transport	597	418
Information services	2,194	2,712
Other contractual services	4,457	3,135
Professional Services	17,018	15,824
Community and Hospitality	47,913	54,646
Training	290	-
Penalties	798	-
Depreciation	53,966	38,398
	149,431	133,724

Xewkija Local Council

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

15. Related Parties Disclosures

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:

	2012	2011
Significant control:	€	€
Revenue:		
Annual financial allocation	<u>319,037</u>	<u>306,570</u>

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.

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.

16. Contingencies

The council forms part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

17. Contingent gains

The credit regarding the debt due from Mr. Charles Cordina is still in force. The Local Council has obtained an executive title to retrieve this debt from Mr. Charles Cordina. A judicial sale by auction was made on request of the Local Council, however, other third party creditors concurred in this judicial sale and the Council received €238.11 from the amount due. This amount has been accounted for in the accounts of 2010. The remaining balance is still due.

The mayor still has to refund the Local Council an amount of €308.28 out of the amount of €2,559 additional honoraria taken in 2010. The amount of €1002.72 was paid during 2012; the remaining balance of €308.28 will be paid by 31 March 2013.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

18. Capital Commitments

Details of Capital commitments are as follows:

	2012	2011
	Euro	Euro
Approved but not yet contracted for	100,082	25,000
Contracted but not yet included in the financial statements	165,054	300,260
	<u>265,136</u>	<u>325,260</u>

These could be analysed as follows:

Approved but not yet contracted for <i>Contracted for</i>		
Public Convenience – St John Baptist Square	100,082	25,000
	<u>100,082</u>	<u>25,000</u>
Contracted but not yet entered in financial statements:		
Rubble walls	11,329	-
PPP scheme	153,725	300,260
	<u>165,054</u>	<u>300,260</u>

19 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.

19.1 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:

	2012	2011
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	191,093	185,339
Cash and Cash Equivalents	338,766	286,821
	<u>529,859</u>	<u>472,160</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.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

19.2 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.

	2012	2011
	€	€
Payables	370,958	235,252
	<u>370,958</u>	<u>235,252</u>

19.3 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:

	2012	2011
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	191,093	185,339
Cash and Cash Equivalents	<u>338,766</u>	<u>286,821</u>
	<u>529,859</u>	<u>472,160</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>370,958</u>	<u>235,252</u>
	<u>370,958</u>	<u>235,252</u>



Spiteri Bailey & Co.

Accountancy Audit Advisory

Spiteri Bailey & Co.

Triq Dun Karm, Birkirkara Bypass
Birkirkara BKR 9038, Malta

Tel: +356 21499250

Mob: +356 79499248

Fax: +356 21444815

advice@spiteribailey.com

www.spiteribailey.com

LOCAL COUNCIL XEWKIJA

Report of the Local Government Auditor to the Auditor General

We have audited the accompanying financial statements of Local Council Xewkija set out on pages 4 to 20, which comprise the statement of financial position as at 31st December 2012, 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 2012 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.
Certified Public Accountants
Members of PrimeGlobal
Dun Karm Street,
Birkirkara By-pass,
Birkirkara BKR 9038,
Malta.

27/04/13