

Newkija Local Council

Annual Report  
and

1 January – 31 December 2013

Prepared by  
JCA Limited

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2013**

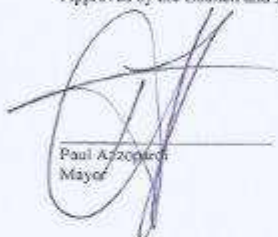
<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8
Independent auditors' report	21

**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 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 the 28 April 2014 by:



Paul Azzopich  
Mayor



Sue Ellen Anguila  
Executive Secretary

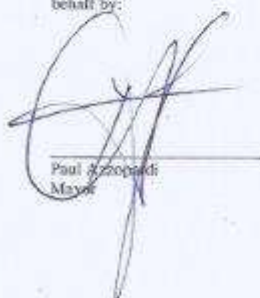
## STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	31 December 2013 €	31 December 2012 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	869,743	649,848
		<u>869,743</u>	<u>649,848</u>
<b>Current Assets</b>			
Receivables	4	139,345	191,093
Cash and Cash Equivalents	5	220,789	238,766
		<u>360,134</u>	<u>529,859</u>
<b>Total Assets</b>		<u>1,229,877</u>	<u>1,179,707</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		511,854	555,715
<b>Non-current Liabilities</b>			
Deferred income	6	236,057	253,034
Non-current payables	7	122,868	125,280
<b>Current Liabilities</b>			
Payables	7	359,098	245,678
<b>Total reserves and liabilities</b>		<u>1,229,877</u>	<u>1,179,707</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 28 April 2014 and signed on its behalf by:



Paul D'Zopardo  
Mayor



Sue Ellen Bugeja  
Executive Secretary

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 €	2012 €
<b>REVENUE</b>			
Funds received from central government	8	368,502	358,265
Funds raised under Local Enforcement System	9	1,285	1,883
General Income	11	8,407	6,317
		<u>378,194</u>	<u>366,465</u>
<b>EXPENDITURE</b>			
Personal emoluments	12	(69,451)	(69,665)
Operations and maintenance	13	(154,986)	(128,265)
Administration and other expenditure	14	(198,431)	(149,431)
		<u>(422,868)</u>	<u>(347,361)</u>
Operating (loss)/surplus for the year		(44,674)	19,604
Investment income	10	813	849
Total Comprehensive (Loss)/Income for the year		<u>(43,861)</u>	<u>20,453</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 2013

	Retained Funds 2013 €	Retained Funds 2012 €
At 1 January	555,715	535,262
Total Comprehensive (Loss)/Income for the year	(43,861)	20,453
At 31 December	<u>511,854</u>	<u>555,715</u>

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

**STATEMENT OF CASH FLOWS**  
 Year ended 31 December 2013

	Note	2013 €	2012 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive (Loss)/Income for the year		(43,861)	20,453
Adjustments for:			
Depreciation		62,693	53,966
Investment Income		(813)	(849)
Deferred income released		(30,846)	(15,387)
Operating (Loss)/Profit before Working Capital Changes		(12,827)	58,183
Decrease/(Increase) in Receivables		51,748	(5,754)
Increase in Payables		90,283	150,541
Net Cash generated from operating Activities		129,204	202,970
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(282,588)	(168,030)
Investment Income		813	849
New grants received		15,437	32,648
Cash Flow used in Investing Activities		(266,338)	(134,533)
Net (decrease)/increase in Cash and Cash Equivalents		(137,134)	68,437
Cash and Cash Equivalents at the Beginning of Year		336,706	268,269
Cash and Cash Equivalents at the End of Year	5	199,572	336,706

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 2013

**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:** 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 amendments 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 fair value and requires disclosures 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.

Notes to the Financial Statements for the period ended 31 December 2013 – continued

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.

**Amendment 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.

**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 30<sup>th</sup> September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2013 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is 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	2.5
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

## Xewkija Local Council

### Notes to the Financial Statements for the period ended 31 December 2013 – continued

	%
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 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.

#### 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.

#### 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.

Notes to the Financial Statements for the year ended 31 December 2013 (cont)

**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.

**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

Notes to the Financial Statements for the year ended 31 December 2013 – continued

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'.

**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 2013 (cont.)

3a. Property, Plant and Equipment

	Property	Office Furniture / fittings	Computer Equipment	Office & other Equipment	Urban Improvements	New Street Signs	Construction	Assets under construction	Total
<b>Cost</b>									
At 1 January 2013	85,539	21,490	4,884	22,465	409,481	32,527	676,931	-	1,253,317
Additions this year	-	116	-	1,823	1,776	-	193,066	85,807	282,588
Reclassification	-	-	-	-	-	-	-	-	-
At 31 December 2013	85,539	21,606	4,884	24,288	411,257	32,527	869,997	85,807	1,535,905
<b>Grants and other reimbursements</b>									
At 1 January 2013	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
Additions this year	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	(3,115)	-	(209,795)	-	(212,910)
<b>Accumulated Depreciation</b>									
At 1 January 2013	(8,865)	(12,048)	(4,884)	(6,411)	(262,580)	(32,527)	(63,244)	-	(390,559)
Charge for the year	(763)	(690)	-	(3,094)	(13,738)	-	(44,408)	-	(62,693)
At 31 December 2013	(9,628)	(12,738)	(4,884)	(9,505)	(276,318)	(32,527)	(107,652)	-	(453,252)
<b>Net book value</b>									
At 31 December 2013	75,911	8,868	-	14,783	134,939	-	552,550	85,807	869,743

## Notes to the Financial Statements for the year ended 31 December 2013 (cont.)

## 3b Property, Plant and Equipment

	Property	Office Furniture / fittings	Computer Equipment	Office & other Equipment	Urban Improvements	New Street Signs	Construction	Assets under construction	Total
	€	€	€	€	€	€	€	€	€
Cost									
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)	-	(390,539)
Net book value									
At 31 December 2012	76,674	9,442	-	16,054	143,786	-	403,892	-	649,848

# Xewkija Local Council

## Notes to the Financial Statements for the year ended 31 December 2013 (cont)

4 Receivables	2013	2012
	€	€
Accounts receivable	3,709	11,394
Prepayments and accrued income	135,636	179,699
	<u>139,345</u>	<u>191,093</u>

	2013	2012
	€	€
Receivables		
Within the current period	15,291	40,991
Exceeded credit period but not yet impaired	2,892	7,900
Government grants under the PPP scheme	121,162	142,202
	<u>139,345</u>	<u>191,093</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:

	2013	2012
	€	€
Bank Balances:		
Ordinary funds	220,679	338,457
Cash in hand	110	309
Overdrawn balances	<u>(21,217)</u>	<u>(2,060)</u>
	199,572	336,706
Transfer to payables	21,217	2,060
Cash at bank and in hand	<u>220,789</u>	<u>338,766</u>

6 Deferred Income	2013	2012
	€	€
Between 1 and 2 years	22,307	25,063
Between 2 and 5 years	36,780	60,947
Over 5 years	156,970	167,024
	<u>236,057</u>	<u>253,034</u>

	2013	2012
	€	€
Opening balance	275,211	257,950
Increase in grants	15,437	32,648
Release of grants	30,846	15,387
Closing balance	259,802	275,211
Less Current portion	23,745	22,177
Non-current portion	<u>236,057</u>	<u>253,034</u>

Xewkija Local Council

Notes to the Financial Statements for the year ended 31 December 2013 (cont)

<b>7 Payables</b>	<b>2013</b>	<b>2012</b>
	€	€
Accounts Payable	203,211	328,028
Accruals	233,793	18,693
Deferred income within 1 year	23,745	22,177
Overdrawn bank balances	21,217	2,060
	<u>481,966</u>	<u>370,958</u>
Less non-current payables	<u>122,868</u>	<u>125,280</u>
	<u>359,098</u>	<u>245,678</u>
 <b>Non-current payables</b>	 <b>2013</b>	 <b>2012</b>
	€	€
Between 1 and 2 years	30,126	31,320
Between 2 and 5 years	50,962	46,980
Over 5 years	41,780	46,980
	<u>122,868</u>	<u>125,280</u>
 <b>8 Funds received from Central Government</b>	 <b>2013</b>	 <b>2012</b>
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	214,064	319,037
Other Government Income	54,438	39,728
	<u>268,502</u>	<u>358,765</u>
 <b>9 Income raised from Local Enforcement System</b>	 <b>2013</b>	 <b>2012</b>
	€	€
Income from Regional administration fee	1,217	1,883
Income from Local Enforcement System	68	-
	<u>1,285</u>	<u>1,883</u>
 <b>10 Investment income</b>	 <b>2013</b>	 <b>2012</b>
	€	€
Bank Interest Receivable	813	849
	<u>813</u>	<u>849</u>
 <b>11 General Income</b>	 <b>2013</b>	 <b>2012</b>
	€	€
Income from permits	1,758	1,145
Income from tender documents	862	768
Contributions and donations	5,787	2,404
	<u>8,407</u>	<u>6,317</u>

## Notes to the Financial Statements for the year ended 31 December 2013 (cont)

## 12 Personal Emoluments

	2013	2012
Personal emoluments include, inter alia:	€	€
Mayor's honoraria	6,453	5,536
Mayor's and Councillors' Allowances	6,380	5,800
Executive Secretary salary and allowances	28,445	23,949
Employees' Salaries	23,442	30,006
Social Security Contributions	4,731	4,374
	<u>69,451</u>	<u>69,665</u>

## 13 Operations and Maintenance

	2013	2012
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (pitching works)	20,191	23,531
Public property	18,897	15,967
Street signs and markings	5,851	2,036
Council property	2,110	1,152
Total	<u>47,049</u>	<u>42,686</u>

## Contractual Services:

Refuse Collection (including bins on wheels)	29,756	27,263
Bulky Refuse Collection (incl open skips)	6,017	5,033
Road and Street Cleaning (mechanical and manual)	13,459	11,439
Cleaning and Maintenance of Public Conveniences	15,054	5,981
Maintenance parks and gardens and verges	3,237	2,857
Tipping fees	32,722	21,064
Street Lighting	7,192	11,942
	<u>107,937</u>	<u>85,579</u>
Total Operations and Maintenance Expenses	<u>154,986</u>	<u>128,265</u>

## 14 Administration and other expenditure

	2013	2012
	€	€
Utilities	13,163	9,806
Other repairs and upkeep	4,581	4,464
National and International Memberships	751	200
Rent	3,583	720
Office Services	5,341	7,007
Transport	4,766	597
Information services	3,688	2,194
Other contractual services	2,488	4,457
Professional Services	35,933	17,018
Community and Hospitality	61,444	47,913
Training	-	290
Penalties	-	798
Depreciation	62,693	53,966
	<u>198,431</u>	<u>149,431</u>

## Xewkija Local Council

### Notes to the Financial Statements for the year ended 31 December 2013 (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:

	2013	2012
	€	€
Significant control:		
Revenue:		
Annual financial allocation	314,064	319,037

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. 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 from which the Council received €238 from the amount due. This amount has been accounted for in the accounts of 2010. The remaining balance of €5,777 is still due. This amount excludes interest and other fees being claimed which amount to approximately €1,500.

#### 17. Capital Commitments

Details of Capital commitments are as follows:	2013	2012
	€	€
Contracted for but not provided for	37,600	100,082
Approved but not contracted for	97,810	165,054
	<u>135,410</u>	<u>265,136</u>
Contracted for but not provided for:		
Public Convenience	37,600	100,082
Approved but not contracted for:		
Eco Gozo	53,985	-
Measure 313	43,825	-
Rubble walls	-	31,329
PPP scheme	-	153,725
	<u>97,810</u>	<u>165,054</u>

## Notes to the Financial Statements for the year ended 31 December 2013 (cont)

## 18. 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.

## 18.1 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:

	2013	2012
	€	€
Class of financial assets - carrying amounts		
Trade and other receivables	139,345	191,093
Cash and Cash Equivalents	220,789	338,766
	<u>360,134</u>	<u>529,859</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 of 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.

## 18.2 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.

	2013	2012
	€	€
Payables	367,967	245,678
	<u>367,967</u>	<u>245,678</u>

## Xewkija Local Council

### Notes to the Financial Statements for the year ended 31 December 2013 (cont)

#### 18.3 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.

#### 18.4 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:

	2013 €	2012 €
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	139,345	191,093
Cash and Cash Equivalents	220,789	338,766
	<u>360,134</u>	<u>529,859</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	367,967	245,678
	<u>367,967</u>	<u>245,678</u>

#### 18.5 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.

#### 19 Fair value estimation

At 31 December 2013 and 31 December 2012, 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.

#### 20 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.



**Spiteri Bailey & Co.**

Accountancy Audit Advisory

## 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 31<sup>st</sup> December 2013, 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.

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### 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 2013 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.

Page 21

Partners: William Spiteri Bailey FCA, ACA, CMA, CPA Registered Auditor  
Karen Spiteri Bailey BA, MA, MPhil, ACA, AMAT, CPA Registered Auditor  
Gerald Borg FCA, ACA, CMA, CPA Registered Auditor

**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.

*SB / CB / JCM*