

**Zebbug (Gozo) Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2012**

Prepared by JCA Ltd



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

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**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 23rd April 2013 by:

  
\_\_\_\_\_  
Nicky Saliba  
Mayor

  
\_\_\_\_\_  
Diane Tagliaferro  
Executive Secretary

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	31 December 2012 €	31 December 2011 €
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	995,969	762,108
		<u>995,969</u>	<u>762,108</u>
<b>Current Assets</b>			
Trade and other receivables	4	118,589	58,819
Cash and Cash Equivalents	5	75,405	202,398
		<u>193,994</u>	<u>261,217</u>
<b>Total Assets</b>		<u>1,189,963</u>	<u>1,023,325</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained Fund		839,891	793,893
<b>Non-current Liabilities</b>			
Deferred Income grants	6	202,814	97,665
<b>Liabilities</b>			
Trade and other payables	7	147,258	131,767
<b>TOTAL RESERVES AND LIABILITIES</b>		<u>1,189,963</u>	<u>1,023,325</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 23 April 2013 and signed on its behalf by:

  
Nicky Saliba  
Mayor

  
Diane Tagliaferro  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**  
Year ended 31 December 2012

	Notes	2012 €	2011 €
<b>REVENUE</b>			
Funds received from central government	8	441,259	454,101
General Income	9	7,197	7,171
		<u>448,456</u>	<u>461,272</u>
<b>EXPENDITURE</b>			
Personal emoluments	10	(68,502)	(74,340)
Operations and maintenance	11	(158,288)	(191,288)
Administration and other expenditure	12	(176,644)	(232,690)
		<u>(403,434)</u>	<u>(498,318)</u>
<b>Operating Income/(Loss) for the year</b>		45,022	(37,046)
Investment income	13	976	1,232
		<u>45,998</u>	<u>(35,814)</u>
<b>Total Comprehensive Income/(Loss) for the year</b>		<u>45,998</u>	<u>(35,814)</u>

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

Zebbug (Gozo) Local Council

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2012

	Retained Funds 2012 €	Retained Funds 2011 €
At 1 January	793,893	829,707
Total Comprehensive Income/(Loss) for the year	45,998	(35,814)
At 31 December	839,891	793,893

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 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Income/(Loss) for the year		45,998	(35,814)
Adjustments for:			
Depreciation		94,879	118,416
Investment income		(976)	(1,232)
Deferred Income amortised		(22,222)	(48,714)
Operating Profit before Working Capital Changes		117,679	32,656
(Increase) in receivables		(59,770)	(7,362)
(Decrease) in payables		(41,336)	(17,129)
Net Cash inflow from from operating Activities		16,573	8,165
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(328,740)	(118,510)
Movements in deferred income		184,198	87,373
Interest received		976	1,232
Cash Flow used in Investing Activities		(143,566)	(29,905)
Net (Decrease) in Cash and Cash Equivalents		(126,993)	(21,740)
Cash and Cash Equivalents at the Beginning of Year		202,398	224,138
Cash and Cash Equivalents at the End of year	5	75,405	202,398

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

## Zebbug (Gozo) Local Council

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

#### **1. General Information**

Zebbug (Gozo) Local Council is the local authority of Zebbug Gozo setup in accordance with the Local Councils Act. The office of the Local Council is situated at Church Street Zebbug, Gozo. The Zebbug Local Council forms part of the Gozo Regional Committee.

#### **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.



## Zebbug (Gozo) Local Council

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

#### **c. Revenue recognition**

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

#### **d. Local Enforcement System**

Zebbug (Gozo) 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 2012 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is now chargeable to the various Regional Committees 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.

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

**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.

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

**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.

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

**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 company.

**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.

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

**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).

Zebbug (Gozo) Local Council

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

3a Property, Plant and Equipment

	Office Furniture / fittings	Office/ Computer Equipment	Plant & Machinery	Urban Improvements	Asset under construction	New Street Signs	Construction/ Special Programmes	Total
	€	€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2012	25,768	22,590	5,620	169,661	23,397	58,919	1,271,304	1,577,259
Additions this year	344	-	-	9,633	61,995	-	256,768	328,740
Reclassifications this year	-	-	-	-	(23,397)	-	23,397	-
At 31 December 2012	26,112	22,590	5,620	179,294	61,995	58,919	1,551,469	1,905,999
<b>Grants and other reimbursements</b>								
At 1 January 2012	-	-	-	-	-	-	(84,498)	(84,498)
Additions this year	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	(84,498)	(84,498)
<b>Depreciation Provision</b>								
At 1 January 2012	(10,878)	(19,309)	(452)	(106,208)	-	(58,919)	(534,887)	(730,653)
Charge this year	(1,083)	(599)	(944)	(14,826)	-	-	(77,427)	(94,879)
At 31 December 2012	(11,961)	(19,908)	(1,396)	(121,034)	-	(58,919)	(612,314)	(825,532)
<b>Net Book Value</b>								
At 31 December 2012	14,151	2,682	4,224	58,260	61,995	-	854,657	995,969

Zebbug (Gozo) Local Council

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

3b Property, Plant and Equipment

	Office Furniture / fittings	Office/ Computer Equipment	Plant & Machinery	Urban Improvements	Asset under construction	New Street Signs	Construction/ Special Programmes	Total
Cost	€	€	€	€	€	€	€	€
At 1 January 2011	18,906	21,958	1,138	122,279	117,009	58,919	1,118,540	1,458,749
Additions this year	6,862	632	4,482	47,382	-	-	59,152	118,510
Reclassifications this year	-	-	-	-	(93,612)	-	93,612	-
At 31 December 2011	25,768	22,590	5,620	169,661	23,397	58,919	1,271,304	1,577,259
<b>Grants and other reimbursements</b>								
At 1 January 2011	-	-	-	-	-	-	(84,498)	(84,498)
Additions this year	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	(84,498)	(84,498)
<b>Depreciation Provision</b>								
At 1 January 2011	(10,448)	(18,645)	(209)	(52,963)	-	(58,919)	(471,053)	(612,237)
Charge this year	(430)	(664)	(243)	(53,245)	-	-	(63,834)	(118,416)
At 31 December 2011	(10,878)	(19,309)	(452)	(106,208)	-	(58,919)	(534,887)	(730,653)
<b>Net Book Value</b>								
At 31 December 2011	14,890	3,281	5,168	63,453	23,397	-	651,919	762,108



# Zebbug (Gozo) Local Council

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

<b>4 Receivables</b>	2012	2011
	€	€
Amounts receivable	9,414	18,697
Prepayments and accrued income	109,175	40,122
	<u>118,589</u>	<u>58,819</u>

### **Trade receivables**

Within the current period	99,617	40,122
Exceeded credit period but not yet impaired	18,972	18,697
	<u>118,589</u>	<u>58,819</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 flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2012	2011
Bank Balances:	€	€
Current Accounts	-	10,000
Savings Accounts	75,335	192,328
Cash in hand	70	70
Cash at bank and in hand	<u>75,405</u>	<u>202,398</u>

### **6 Deferred Income Grants**

	2012	2011
	€	€
Deferred Income 1 to 2 years	19,377	9,330
Deferred Income 2 to 5 years	47,714	22,977
Deferred Income over 5 years	135,723	65,358
	<u>202,814</u>	<u>97,665</u>

	2012	2011
	€	€
Opening Balance	118,028	79,369
Increase in grants	184,198	87,373
Release of grants	22,222	48,714
Closing balance	280,004	118,028
Less Current portion	77,190	20,363
Non-current portion	<u>202,814</u>	<u>97,665</u>

Zebbug (Gozo) Local Council

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

<b>7 Payables</b>	2012	2011
	€	€
Amounts payable	39,372	98,364
Accruals	30,696	13,040
Deferred income	77,190	20,363
	<u>147,258</u>	<u>131,767</u>
 <b>8 Funds received from Central Government</b>	 2012	 2011
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	409,571	395,920
Other Government income	31,688	58,181
	<u>441,259</u>	<u>454,101</u>
 <b>9 General Income</b>	 2012	 2011
	€	€
Income from tender documents	775	653
Income from permits	4,287	3,181
Income from Green MT	-	2,310
Income from regional committees	607	79
Contributions and donations	1,528	948
	<u>7,197</u>	<u>7,171</u>
 <b>10 Personal Emoluments</b>	 2012	 2011
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	6,473	6,364
Councillors' Allowance	6,000	6,400
Executive Secretary salary and allowances	26,755	25,811
Employees' Salaries	25,505	32,222
Social Security Contributions	3,769	3,543
	<u>68,502</u>	<u>74,340</u>



Zebbug (Gozo) Local Council

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

<b>11 Operations and Maintenance</b>	2012	2011
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and Street Pavements (patching works)	4,956	66,538
Street signs and markings	5,286	7,981
Public Property	4,728	8,180
Total	<u>14,970</u>	<u>82,699</u>
<b>Contractual Services:</b>		
Refuse Collection	31,911	28,594
Tipping fees	12,273	13,041
Bulky Refuse Collection	1,447	723
Road and Street Cleaning	1,795	1,432
Cleaning and Maintenance of Non-Urban Roads	35,084	2,993
Cleaning and Maintenance of Public Conveniences	9,535	8,989
Cleaning and Maintenance Parks and Gardens	5,930	7,209
Cleaning and Maintenance of soft areas	1,477	2,142
Cleaning and Maintenance of Beach and Coastal areas	9,164	8,249
Hire of skips	15,223	25,593
Street Lighting	19,479	9,624
	<u>143,318</u>	<u>108,589</u>
Total Operations and Maintenance Expenses	<u>158,288</u>	<u>191,288</u>
<b>12 Administration and other expenditure</b>	2012	2011
	€	€
Utilities	6,727	5,846
Other repairs and upkeep	1,291	1,246
Rent	4,987	5,316
National and International Memberships	650	139
Office Services	3,935	7,755
Transport and travel	1,202	5,314
Information services	1,840	5,646
Other contractual services	2,713	2,688
Professional Services	17,286	28,198
Community and Hospitality	4,595	2,832
Social events	18,793	31,147
Cultural events	14,301	15,311
Other expenses	479	619
Penalty	2,966	2,217
Depreciation	94,879	118,416
	<u>176,644</u>	<u>232,690</u>

## Zebbug (Gozo) Local Council

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

<b>13 Investment income</b>	2012	2011
	€	€
Bank Interest Receivable	976	1,232
	<u>976</u>	<u>1,232</u>

### 14 Capital Commitments

The following are the Capital Commitments at the end of financial years 2011 and 2012 respectively:

	2012	2011
	€	€
Capital expenditure contracted but not provided for in the financial statements	110,366	220,000
Capital expenditure approved but not yet contracted	-	43,500
Capital expenditure approved but not yet contracted		
Pavements	-	23,500
Resurfacing works	-	20,000
	<u>-</u>	<u>43,500</u>
Capital expenditure contracted		
Culverts and Resurfacing works	21,545	90,000
Paving works and Street Lighting	88,821	130,000
	<u>110,366</u>	<u>220,000</u>

### 15 Related Parties

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
Gozo and Malta 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>409,571</u>	<u>395,920</u>

## Zebbug (Gozo) Local Council

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

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 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.

##### **16.1 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	118,589	58,819
Cash and Cash Equivalents	75,405	202,398
	<u>193,994</u>	<u>261,217</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.

##### **16.2 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.

Zebbug (Gozo) Local Council

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

**16.2 Liquidity risk (cont.)**

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	<u>147,258</u>	<u>131,767</u>
	<u>147,258</u>	<u>131,767</u>

**16.3 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
	€	€
<b>Current Assets</b>		
Receivables:		
Trade and other receivables	118,589	58,819
Cash and Cash Equivalents	<u>75,405</u>	<u>202,398</u>
	<u>193,994</u>	<u>261,217</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>147,258</u>	<u>131,767</u>
	<u>147,258</u>	<u>131,767</u>

## **LOCAL COUNCIL ZEBBUG (GOZO)**

### **Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council Zebbug (Gozo) set out on pages 4 to 20, which comprise the statement of financial position as at 31<sup>st</sup> 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.

**Spiteri Bailey & Co.**  
Triq Dun Karm, Birkirkara Bypass  
Birkirkara BKR 9038, Malta

**Tel:** +356 21499250  
**Mob:** +356 79499248  
**Fax:** +356 21444815

[advice@spiteribailey.com](mailto:advice@spiteribailey.com)  
[www.spiteribailey.com](http://www.spiteribailey.com)

### **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.

**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.

23/04/13