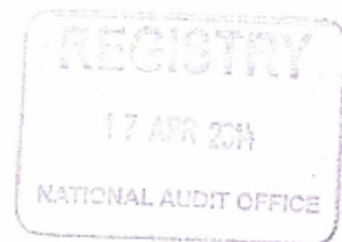


**Ghasri Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2013**

**Prepared by JCA Limited**



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

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## Financial Statements for the year ended 31 December 2013

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the 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 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 3rd April 2014 by:

  
\_\_\_\_\_  
Dr. Daniel Attard  
Mayor

  
\_\_\_\_\_  
Ruben Cassar  
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	344,191	357,574
		<u>344,191</u>	<u>357,574</u>
<b>Current Assets</b>			
Stock	4	1,099	585
Receivables	5	3,135	3,471
Cash and Cash Equivalents	6	4,963	13,214
		<u>9,197</u>	<u>17,270</u>
<b>Total Assets</b>		<u><u>353,388</u></u>	<u><u>374,844</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained Fund		318,361	362,588
<b>Liabilities</b>			
Payables	7	35,027	12,256
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>353,388</u></u>	<u><u>374,844</u></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 3rd April 2014 and signed on its behalf by:

  
 \_\_\_\_\_  
 Dr. Daniel Attard  
 Mayor

  
 \_\_\_\_\_  
 Ruben Cassar  
 Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2013

		2013 €	2012 €
<b>INCOME</b>			
Funds received from central government	Notes 8	159,299	160,346
General Income	9	<u>1,224</u>	<u>3,570</u>
		<u>160,523</u>	<u>163,916</u>
 <b>EXPENDITURE</b>			
Personal emoluments	10	(50,193)	(38,629)
Operations and maintenance	11	(102,555)	(65,599)
Administration and other expenditure	12	(52,111)	(52,160)
		<u>(204,859)</u>	<u>(156,388)</u>
Operating (Loss)/Income for the year		(44,336)	7,528
Investment income	13	109	468
Total Comprehensive (Loss)/Income for the year		<u><u>(44,227)</u></u>	<u><u>7,996</u></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	362,588	354,592
Total Comprehensive (Loss)/Income for the year	(44,227)	7,996
At 31 December	<u>318,361</u>	<u>362,588</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

	2013 €	2012 €
	Note	
<b>Cash Flows from Operating Activities</b>		
Total Comprehensive (Loss)/Income for the year	(44,227)	7,996
Adjustments for:		
Depreciation	24,810	20,168
Interest received	(109)	(468)
Operating (loss)/profit before Working Capital Changes	(19,526)	27,696
(Increase) in stock	(514)	(585)
Decrease/(Increase) in receivables	336	(2,639)
Increase/(Decrease) in payables	22,771	(3,788)
Net Cash inflow from operating Activities	3,067	20,684
<b>Cash flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	(11,427)	(79,602)
Interest received	109	468
Cash Flow used in Investing Activities	(11,318)	(79,134)
<b>Cash flows from financing activities</b>		
Net (decrease) in Cash and Cash Equivalents	(8,251)	(58,450)
Cash and Cash Equivalents at the Beginning of year	13,214	71,664
Cash and Cash Equivalents at the End of year	6 <u>4,963</u>	<u>13,214</u>

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**

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana Ghasri.

**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.

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.



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

**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**

Ghasri Local Council forms part of 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 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

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

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.

**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.

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

**I. 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.

**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.

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 2013 – 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).

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

**3a Property, Plant and Equipment**

	Property	Office Furniture /fittings	Plant & machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
<b>Cost</b>	€	€	€	€	€	€	€	€	€
At 1 January 2013	129,040	18,504	487	7,000	11,804	23,368	2,115	500,436	692,754
Additions	-	120	-	-	102	-	-	11,205	11,427
At 31 December 2013	129,040	18,624	487	7,000	11,906	23,368	2,115	511,641	704,181
<b>Grants</b>									
At 1 January 2013	-	-	-	-	-	-	-	(58,911)	(58,911)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	(58,911)	(58,911)
<b>Depreciation</b>									
At 1 January 2013	(16,533)	(10,684)	(449)	(6,745)	(9,469)	(15,165)	(2,115)	(215,109)	(276,269)
Charge for the year	(1,131)	(588)	(8)	(63)	(474)	(820)	-	(21,726)	(24,810)
At 31 December 2013	(17,664)	(11,272)	(457)	(6,808)	(9,943)	(15,985)	(2,115)	(236,835)	(301,079)
<b>Net Book Value</b>									
At 31 December 2013	111,376	7,352	30	192	1,963	7,383	-	215,895	344,191

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

**3b Property, Plant and Equipment**

	Property	Office Furniture /fittings	Plant & machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Total
<b>Cost</b>	€	€	€	€	€	€	€	€	€
At 1 January 2012	129,040	18,504	487	7,000	11,804	23,368	2,115	420,834	613,152
Additions	-	-	-	-	-	-	-	79,602	79,602
At 31 December 2012	129,040	18,504	487	7,000	11,804	23,368	2,115	500,436	692,754
<b>Grants</b>									
At 1 January 2012	-	-	-	-	-	-	-	(58,911)	(58,911)
Additions	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	(58,911)	(58,911)
<b>Depreciation</b>									
At 1 January 2012	(15,402)	(10,073)	(438)	(6,688)	(8,947)	(14,299)	(2,115)	(198,139)	(256,101)
Charge for the year	(1,131)	(611)	(11)	(57)	(522)	(866)	-	(16,970)	(20,168)
At 31 December 2012	(16,533)	(10,684)	(449)	(6,745)	(9,469)	(15,165)	(2,115)	(215,109)	(276,269)
<b>Net Book Value</b>									
At 31 December 2012	112,507	7,820	38	255	2,335	8,203	-	226,416	357,574

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

	2013	2012
	€	€
<b>4 Stock</b>		
Ghasri Sub-post office:		
Stock of stamps and cards	1,099	585
	<u>1,099</u>	<u>585</u>

	2013	2012
	€	€
<b>5 Receivables</b>		
Accounts receivable	3,069	2,933
Prepayments and accrued income	66	538
	<u>3,135</u>	<u>3,471</u>

**Receivables**

Within the credit period	166	2,721
Exceeded credit period but not yet impaired	2,969	750
	<u>3,135</u>	<u>3,471</u>

**6 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:

	2013	2012
	€	€
<b>Bank Balances:</b>		
Current Accounts	616	836
Savings Accounts	2,936	10,773
Current Account - Ghasri sub-post office	1,211	1,405
Cash in hand	200	200
Cash at bank and in hand	<u>4,963</u>	<u>13,214</u>

	2013	2012
	€	€
<b>7 Payables</b>		
Accounts payable	27,371	8,457
Accruals	7,656	3,799
	<u>35,027</u>	<u>12,256</u>

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

	2013	2012
	€	€
<b>8 Funds received from Central Government</b>		
In terms of section 55 of the Local Councils Act (CAP 363)	158,093	159,880
Other Government Income	1,206	466
	<u>159,299</u>	<u>160,346</u>

	2013	2012
	€	€
<b>9 General Income</b>		
Local enforcement income	157	195
Income from tender documents	377	581
Income from permits	293	319
Income from SPO services	313	60
Income from administration work	-	2,070
Income from environmental initiative	-	337
Contributions and donations	84	8
	<u>1,224</u>	<u>3,570</u>

	2013	2012
	€	€
<b>10 Personal Emoluments</b>		
Personal emoluments include, inter alia:		
Mayor's Allowance	6,703	4,579
Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	26,276	25,644
Employees' salary	7,939	-
Social Security Contributions	2,875	2,006
	<u>50,193</u>	<u>38,629</u>

	2013	2012
	€	€
<b>11 Operations and Maintenance</b>		
Operations and maintenance includes, inter alia:		

***Repairs and Upkeep:***

Road and Street Pavements (patching works)	58,369	25,395
Council Property	333	241
Public Property	3,113	5,970
Signs and markings	1,491	872
Other	126	138
Total	<u>63,432</u>	<u>32,616</u>



**Notes to the Financial Statements for the year ended 31 December 2013 – continued****11 Operations and Maintenance (cont.)**

<i>Contractual Services:</i>	2013	2012
	€	€
Refuse Collection	11,205	13,189
Bulky Refuse Collection	1,067	1,227
Road and Street Cleaning	11,351	11,355
Cleaning and Maintenance - Public Conveniences	2,585	2,656
Cleaning and Maintenance - verges	180	-
Cleaning services	520	364
Open skips	6,999	-
Street Lighting	3,384	2,686
Other	1,832	1,506
	<u>39,123</u>	<u>32,983</u>
Total Operations and Maintenance Expenses	<u>102,555</u>	<u>65,599</u>

**12 Administration and other expenditure**

	2013	2012
	€	€
Utilities	4,375	2,551
Materials and supplies	89	363
National and International Memberships	600	206
Office Services	1,079	1,030
Transport	997	1,301
Rent	396	396
Information services	1,155	753
Professional Services	7,025	13,381
Community services and events	11,585	12,011
Depreciation	24,810	20,168
	<u>52,111</u>	<u>52,160</u>

**13 Investment Income**

	2013	2012
	€	€
Bank Interest Receivable	<u>109</u>	<u>468</u>
	<u>109</u>	<u>468</u>

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

**14 Capital Commitments**

The Council's Capital commitments are as follows:

	2013	2012
Approved but not yet contracted for:	€	€
Construction	42,375	15,000
Improvements	1,000	3,500
Equipment	500	1,000
Special Programmes	10,000	25,000
	<u>53,875</u>	<u>44,500</u>
Approved and contracted for:	€	€
Construction:		
Reconstruction of Pavement in Lighthouse Street, L-Ghasri	<u>-</u>	<u>7,170</u>

**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
Malta Environment and Planning Authority	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	<u>158,093</u>	<u>159,880</u>

The ultimate controlling party of the local 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.

**16 Contingent Liability**

The Local Council has an appeal in front of the Appeals Tribunal whereby a contractor is contesting the adjudication of a tender given in the past years. The Local Council may be sued for damages equivalent to the profits that the contractor would have made if he had been awarded the contract. The damages cannot be quantified at this stage.

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

**17 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.

**17.1 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	3,135	3,471
Cash and Cash Equivalents	<u>4,963</u>	<u>13,214</u>
	<u>8,098</u>	<u>16,685</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.

**17.2 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	<u>35,027</u>	<u>12,256</u>
	<u>35,027</u>	<u>12,256</u>

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

**17.3 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.

**17.4 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	3,135	3,471
Cash and Cash Equivalents	4,963	13,214
	<u>8,098</u>	<u>16,685</u>
 <b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>35,027</u>	<u>12,256</u>
	<u>35,027</u>	<u>12,256</u>

**17.5 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.

**18 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.

## Financial Statements for the year ended 31 December 2013



**Spiteri Bailey & Co.**

Accountancy Audit Advisory

### LOCAL COUNCIL GHASRI

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

We have audited the accompanying financial statements of Local Council Ghasri 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.

Partners: **William Spiteri Bailey** F.I.A., M.I.M., C.S.A., C.P.A. Registered Auditor  
**Karen Spiteri Bailey** B.A. Hon. (Accty.), F.I.A., A.M.I.T., C.P.A. Registered Auditor  
**Conrad Borg** F.C.C.A., M.J.A., Dip.F.R., C.P.A. 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 FIA FCCA DipIFR CPA (Partner) for and on behalf of  
Spiteri Bailey & Co.  
Certified Public Accountants  
Members of PrimeGlobal  
Dun Karm Street,  
Birkirkara By-pass,  
Birkirkara,  
Malta.**

*03/06/14*