

Qala Local Council

**Annual Report
and
Financial Statements**

1 January – 31 December 2011

Prepared by JCA Limited

**ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011**

<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

Financial Statements for the year ended 31 December 2011

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 2012 by:

Clint Camilleri
Mayor

Marcia Borg
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 €	31 December 2010 €
Assets			
Non-Current Assets			
Property, plant and equipment	3	480,112	422,476
		<u>480,112</u>	<u>422,476</u>
Current Assets			
Trade and other receivables	4	28,272	23,114
Cash and Cash Equivalents	5	283,940	135,705
		<u>312,212</u>	<u>158,819</u>
Total Assets		<u><u>792,324</u></u>	<u><u>581,295</u></u>
RESERVES AND LIABILITIES			
Capital and reserves			
Retained Fund		437,723	411,408
Non-current liabilities			
Long term borrowings	6	15,374	27,955
Deferred Income grants	7	153,935	54,759
Liabilities			
Trade and other payables	8	185,292	87,173
TOTAL RESERVES AND LIABILITIES		<u><u>792,324</u></u>	<u><u>581,295</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
on its behalf by:

2012 and signed

Clint Camilleri
Mayor

Marcia Borg
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 €	2010 €
REVENUE			
Funds received from central government	9	273,110	248,479
Funds raised from Local Enforcement System	10	-	54
General Income	12	<u>5,588</u>	<u>20,825</u>
		<u>278,698</u>	<u>269,358</u>
EXPENDITURE			
Personal emoluments	13	(46,198)	(51,133)
Operations and maintenance	14	(71,572)	(68,557)
Administration and other expenditure	15	(133,469)	(141,402)
		<u>(251,239)</u>	<u>(261,092)</u>
Operating Surplus for the year		27,459	8,266
Investment income	11	266	265
Finance costs	16	(1,410)	(1,790)
Total comprehensive income for the year		<u>26,315</u>	<u>6,741</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 2011

	Retained Funds 2011 €	Retained Funds 2010 €
At 1 January	411,408	404,667
Total Comprehensive Income for the year	26,315	6,741
	<hr/>	<hr/>
At 31 December	437,723	411,408

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 €	2010 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		26,315	6,741
Adjustments for:			
Depreciation		43,483	44,192
Deferred income released		(3,858)	-
Investment Income		(266)	(265)
Interest paid		1,686	1,686
Operating Profit before Working Capital Changes		<u>67,360</u>	<u>52,354</u>
(Increase) in receivables		(5,158)	(8,449)
Increase/(Decrease) in payables		<u>87,187</u>	<u>(28,818)</u>
Net Cash inflow from from operating Activities		<u>149,389</u>	<u>15,087</u>
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment		(101,119)	(26,217)
New grants received		113,966	54,759
Interest paid		(1,686)	(1,686)
Interest received		266	265
Cash Flow used in Investing Activities		<u>11,427</u>	<u>27,121</u>
Cash flows from financing activities			
Repayment of loan		<u>(12,581)</u>	<u>(12,150)</u>
Net cash used for financing activities		(12,581)	(12,150)
Net Increase in Cash and Cash Equivalents		148,235	30,058
Cash and Cash Equivalents at the Beginning of year		135,705	105,647
Cash and Cash Equivalents at the End of year	5	<u>283,940</u>	<u>135,705</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 2011

1. General Information

Qala Local Council is the local authority of Qala setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civil Centre, Bishop Buttigieg Street, Qala. The Qala Local started to form part of the Gozo Regional Committee in September 2011.

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: 2010 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.

Notes to the Financial Statements for the year ended 31 December 2011 – continued

c. Revenue recognition

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

d. Local Enforcement System

Qala Local Council formed part of Gozo Joint Committee until the 30th September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2011 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses as well as the administrative fee of 10% that is now chargeable to the Gozo Regional Committee for contraventions paid at the Council.

e. Property, Plant and Equipment

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

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

Notes to the Financial Statements for the year ended 31 December 2011 (cont)

g. Impairment of Assets

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

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 Income and Expenditure.

i. Foreign Currencies

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

j. Surplus and deficits

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

k. Cash and Equivalents

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

l. Related parties

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

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

m. Payables

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

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

Notes to the Financial Statements for the year ended 31 December 2011 – continued

n. Financial Instruments

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial assets

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables upon initial recognition.

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

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

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

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

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

Notes to the Financial Statements for the year ended 31 December 2011 – continued

o. Critical accounting estimates and judgements

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

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

p. Borrowings

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

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements for the year ended 31 December 2011 - continued

3a Property, Plant and Equipment

Tangible Assets	Trees & Plants	Office Furniture /fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 1 January 2011	2,264	19,421	5,040	12,014	6,715	11,537	40,760	616,838	338,574	1,053,163
Additions this year	-	274	-	-	-	-	-	5,285	95,560	101,119
At 31 December 2011	2,264	19,695	5,040	12,014	6,715	11,537	40,760	622,123	434,134	1,154,282
Grants and other reimbursements										
At 1 January 2011	-	-	-	-	-	-	-	(117,841)	(81,862)	(199,703)
Received this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	-	(117,841)	(81,862)	(199,703)
Depreciation Provision										
At 1 January 2011	-	(9,736)	(965)	(10,665)	(5,873)	(11,537)	(24,406)	(221,667)	(146,135)	(430,984)
Charge for the year	-	(758)	(744)	(301)	(154)	-	(1,562)	(26,747)	(13,217)	(43,483)
At 31 December 2011	-	(10,494)	(1,709)	(10,966)	(6,027)	(11,537)	(25,968)	(248,414)	(159,352)	(474,467)
Net Book Value										
At 31 December 2011	2,264	9,201	3,331	1,048	688	-	14,792	255,868	192,920	480,112

Notes to the Financial Statements for the year ended 31 December 2011 - continued

3b Property, Plant and Equipment

Tangible Assets	Trees & Plants	Office Furniture /fittings	Plant & Machinery	Computer Equipment	Office Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€	€
At 1 January 2010	2,264	19,421	197	11,005	6,715	11,537	39,210	616,838	319,759	1,026,946
Additions this year	-	-	4,843	1,009	-	-	1,550	-	18,815	26,217
At 31 December 2010	2,264	19,421	5,040	12,014	6,715	11,537	40,760	616,838	338,574	1,053,163
Grants and other reimbursements										
At 1 January 2010	-	-	-	-	-	-	-	(117,841)	(81,862)	(199,703)
Received this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	-	(117,841)	(81,862)	(199,703)
Accumulated Depreciation										
At 1 January 2010	-	(8,979)	(191)	(9,568)	(5,685)	(11,537)	(22,705)	(192,233)	(135,894)	(386,792)
Charge for the year	-	(757)	(774)	(1,097)	(188)	-	(1,701)	(29,434)	(10,241)	(44,192)
At 31 December 2010	-	(9,736)	(965)	(10,665)	(5,873)	(11,537)	(24,406)	(221,667)	(146,135)	(430,984)
Net Book Value										
At 31 December 2010	2,264	9,685	4,075	1,349	842	-	16,354	277,330	110,577	422,476

Notes to the Financial Statements for the year ended 31 December 2011 – continued

	2011	2010
	€	€
4 Receivables		
Accounts receivable	2,310	-
Prepayments and Accrued Income	25,962	23,114
	<u>28,272</u>	<u>23,114</u>
Trade receivables		
Within the current period	28,272	23,114
Exceeded credit period but not yet impaired	-	-
	<u>28,272</u>	<u>23,114</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:

	2011	2010
	€	€
Bank Balances:		
Ordinary funds	234,000	120,514
Special needs funds	48,936	14,688
Cash in hand	1,004	503
Cash at bank and in hand	<u>283,940</u>	<u>135,705</u>

	2011	2010
	€	€
6 Long Term Borrowings		
APS Loan Account	15,374	27,955
	<u>15,374</u>	<u>27,955</u>

Long Term Borrowings consist of a loan of €93,175 (Lm40,000) borrowed by the Council with the approval of the Minister responsible for Local Government on the 21st July 2006. The amount is to be repaid by monthly instalments of Euro 1,153 by the end of March 2014. Interest is currently being charged at 3.47% per annum being 1.125% over the base rate.

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

	2011	2010
	€	€
Borrowings due 1 to 2 years	13,836	13,836
Borrowings due 2 to 5 years	1,538	14,119
Borrowing due over 5 years	-	-
	<u>15,374</u>	<u>27,955</u>

Notes to the Financial Statements for the year ended 31 December 2011 – continued

7 Deferred Income Grants	2011	2010
	€	€
Deferred Income 1 to 2 years	14,252	3,828
Deferred Income 2 to 5 years	36,333	14,971
Deferred Income over 5 years	103,350	35,960
	<u>153,935</u>	<u>54,759</u>
	2011	2010
	€	€
Opening balance	54,759	-
Increase in grants	113,966	54,759
Release of grants	3,858	-
Closing balance	<u>164,867</u>	<u>54,759</u>
Less Current portion	10,932	-
Non-current portion	<u>153,935</u>	<u>54,759</u>
8 Payables	2011	2010
	€	€
Loan payable within one year	13,836	13,836
Accounts payable	133,839	63,506
Accruals	25,202	9,104
Other payables	1,483	-
Deferred Income	10,932	727
	<u>185,292</u>	<u>87,173</u>
9 Funds received from Central Government	2011	2010
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	246,986	248,164
Other Government Income	26,124	315
	<u>273,110</u>	<u>248,479</u>
10 Income raised under Local Enforcement System	2011	2010
	€	€
Income from contraventions	-	54
	<u>-</u>	<u>54</u>
11 Investment income	2011	2010
	€	€
Bank Interest Receivable	266	265
	<u>266</u>	<u>265</u>
12 General Income	2011	2010
	€	€
Income from Reinstatement works – WSC	-	5,259
Income from permits	1,717	1,870
Income from cultural activities	-	12,996
Contributions and donations	2,926	-
Income from tender documents	945	700
	<u>5,588</u>	<u>20,825</u>

Notes to the Financial Statements for the year ended 31 December 2011 – continued

13 Personal Emoluments

	2011	2010
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	4,901	8,924
Councillors' Allowance	6,400	6,400
Executive Secretary's salary and allowances	25,011	22,211
Employees' salaries	7,329	11,150
Social security contributions	2,557	2,448
	<u>46,198</u>	<u>51,133</u>

14 Operations and Maintenance

Operations and maintenance includes, inter alia: €

Repairs and Upkeep:

Road and Street Pavements (patching works)	3,788	1,434
Walkways	2,196	1,077
Signs and markings	1,337	25
Total	<u>7,321</u>	<u>2,536</u>

Contractual Services:

Refuse Collection	20,101	22,177
Bulky Refuse Collection	9,969	11,416
Road and Street Cleaning	13,049	13,395
Cleaning and Maintenance of Public Conveniences	3,372	3,588
Cleaning and Maintenance of parks and gardens	3,386	2,243
Waste Disposal fees	14,374	13,202
	<u>64,251</u>	<u>66,021</u>

Total Operations and Maintenance Expenses	<u>71,572</u>	<u>68,557</u>
---	---------------	---------------

15 Administration and other expenditure

	2011	2010
	€	€
Utilities	4,457	8,596
Other repairs and upkeep	21,863	19,340
Rent	3,940	4,236
National/International memberships	357	1,272
Office services	876	3,144
Transport	349	2,111
Travel	2,184	-
Advertising	416	91
Information services	2,638	4,065
Other contractual services	8,523	7,830
Professional services	8,701	18,365
Sundry expenses	18	339
Community services and events	34,306	27,821
Penalty	1,358	-
Depreciation	43,483	44,192
	<u>133,469</u>	<u>141,402</u>

Notes to the Financial Statements for the year ended 31 December 2011 – continued

16 Finance Costs	2011	2010
	€	€
Bank Charges	155	104
Loan interest	1,255	1,686
	<u>1,410</u>	<u>1,790</u>

17 Capital Commitments

The capital commitments of the Local Council are the following:

	2011	2010
	€	€
Approved but not yet contracted:	84,000	191,000
Contracted for but not yet provided for in the financial statements:	<u>15,000</u>	<u>-</u>
	<u>99,000</u>	<u>191,000</u>
Approved but not yet contracted:		
Folklore Museum	20,000	29,000
Community Hall	-	24,000
Recreation Park	-	44,000
PV's at recreational Park	-	50,000
Resurfacing various roads	64,000	44,000
	<u>84,000</u>	<u>191,000</u>
Contracted for but not yet provided for in the financial statements:		
Fortizza	<u>15,000</u>	<u>-</u>
	<u>15,000</u>	<u>-</u>

18 Contingencies

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

This year the Local Enforcement Pooling System has been terminated and the system is now being run by the Regional Committees, whereby Councils bill the respective regional committee for the agreed administrative fee.

The Council issued a bank guarantee of €8,988 in favour of MEPA. This will be released once the capital project is completed.

19 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
Gozo Joint Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

Notes to the Financial Statements for the year ended 31 December 2011 – continued

19 Related Parties Disclosures (cont.)

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

	2011	2010
Significant control:	€	€
Revenue:		
Annual financial allocation	<u>246,986</u>	<u>248,164</u>

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

20 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.

20.1 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:

	2011	2010
Class of financial assets – carrying amounts	€	€
Trade and other receivables	28,272	23,114
Cash and Cash Equivalents	<u>283,940</u>	<u>135,705</u>
	<u>312,212</u>	<u>158,819</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the Financial Statements for the year ended 31 December 2011 (cont)

20.2 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.

	2011	2010
	€	€
Payables	<u>185,292</u>	<u>87,173</u>
	<u><u>185,292</u></u>	<u><u>87,173</u></u>

20.3 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:

	2011	2010
	€	€
Current Assets		
Loans and receivables:		
Trade and other receivables	28,272	23,114
Cash and Cash Equivalents	<u>283,940</u>	<u>135,705</u>
	<u>312,212</u>	<u>158,819</u>
Non-current Liabilities		
Financial liabilities measured at amortised costs:		
Borrowings	15,374	27,955
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	171,456	73,337
Borrowings	<u>13,836</u>	<u>13,836</u>
	<u><u>185,292</u></u>	<u><u>87,173</u></u>

Financial Statements for the year ended 31 December 2011

Independent Auditor's report