

Valletta Local Council  
Report & Financial Statements  
31 December 2011

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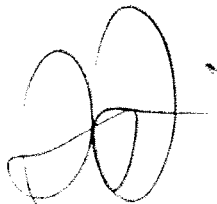
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## Statement of Local Council Members' and Executive Secretary's Responsibilities

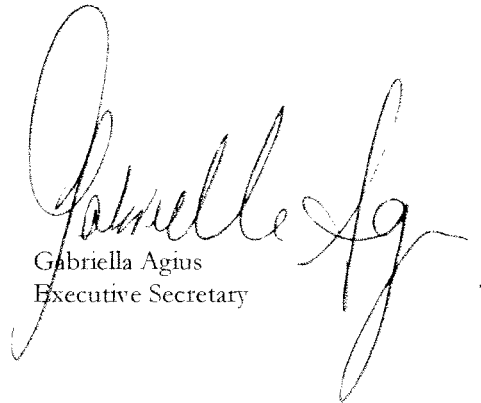
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it 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 Council (Financial) Regulations, and the Local Council (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 Council (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.

This statement was approved by the council on 30 April 2012 and signed on its behalf by:



Dr. Alexei Dingli  
Mayor



Gabriella Agius  
Executive Secretary

# Report of the Local Government auditor to the Auditor General

2014-15  
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## Report of the Local Government auditor to the Auditor General



## LOCAL COUNCIL VALLETTA

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

We have audited the accompanying financial statements of LOCAL COUNCIL VALLETTA, which comprise the statement of financial position on page 5 as of 31<sup>st</sup> December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### ***Council's Responsibility for the Financial Statements***

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, 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 judgment, 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 entity's 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, 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.

The Council did not provide us with a fixed asset register in relation to fixed assets acquired by it. Due to this reason, we could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balance of fixed assets recorded in the financial statements, having a net book value of € 886,632, as well as on the completeness of the depreciation charged thereupon.

As at 31<sup>st</sup> December 2011, the Council has recognised LES amount due from other Local Councils for €11,930. The information and evidence provided by the Council with respect to these receivables was not sufficient for us to determine whether the recognition of these receivables was correctly accounted for in the financial statements in line with the requirements of International Financial Reporting Standards.

Throughout our testing of the trade payables of the Council, which amount to €362,934, we encountered a significant number of misstatements arising out of the lack of proper accounting and recording of payables, including accruals. In this respect, we could not obtain reasonable assurance that all the trade payables being recorded in the financial statements are not materially misstated.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack certain disclosure requirements arising from IFRS 7: Financial Instruments Disclosure.

As of 31 December 2011, the Council's statement of financial position shows a net current liability position of €51,197, when the Council should maintain a positive working capital balance as is required by the Local Councils Procedures. The financial statements in their entirety further suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation received by Central Government; on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions would not allow the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

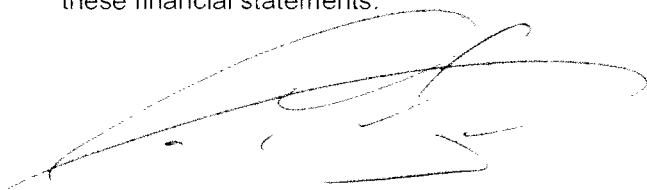
### ***Opinion***

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of Local Council Valletta as at 31<sup>st</sup> December, 2011, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards

### ***Opinion on Other Legal and Regulatory Requirements***

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by  
Neville Cutajar (Partner) on its behalf

**3a**

Certified Public Accountants  
The Penthouse, Level 3  
Palazzo Ca' Brugnara  
Valley Road  
Birkirkara BKR9024  
Malta

**Date: 30<sup>th</sup> April 2012**

## Statement of comprehensive income

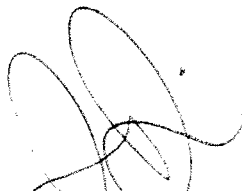
	Notes	2011 €	2010 €
<b>Revenue</b>			
Funds received from Central Government	3	699,000	727,980
Income raised under Local Enforcement System	4	380,654	355,977
General income	6	126,644	110,695
		<u>1,206,298</u>	<u>1,194,652</u>
<b>Expenditure</b>			
Personnel emoluments	7	(110,021)	(106,841)
Operations and maintenance	8	(618,514)	(678,570)
Administration and other expenditure	9	(453,589)	(324,625)
		<u>(1,182,124)</u>	<u>(1,110,036)</u>
<b>Operating profit for the year</b>		<b>24,174</b>	<b>84,616</b>
Finance income	5	680	798
		<u>24,854</u>	<u>85,414</u>
Asset impairment losses		-	(7,245)
<b>Profit for the year</b>		<b>24,854</b>	<b>78,169</b>



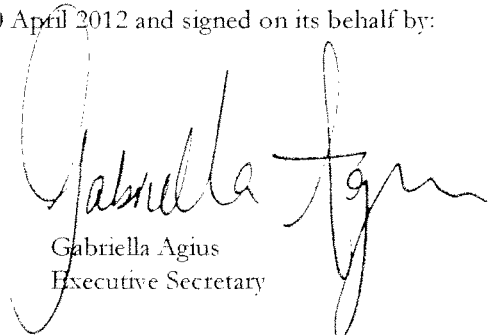
## Statement of financial position

	Notes	2011 €	2010 €
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	886,632	590,811
Intangible assets	10	268	402
		<u>886,900</u>	<u>591,213</u>
<b>Current assets</b>			
Inventories	12	-	1,281
Receivables	13	542,307	290,898
Cash and cash equivalents	14	148,633	360,158
		<u>690,940</u>	<u>652,337</u>
<b>Total assets</b>		<u>1,577,840</u>	<u>1,243,550</u>
<b>Reserves</b>			
Retained earnings		<u>835,703</u>	<u>810,849</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	<u>742,137</u>	<u>432,701</u>
<b>Total reserves and liabilities</b>		<u>1,577,840</u>	<u>1,243,550</u>

These financial statements were approved by the council on 30 April 2012 and signed on its behalf by:



Dr. Alexiei Dingli  
Mayor



Gabriella Agius  
Executive Secretary

## Statement of changes in equity

	Retained funds €
<b>At 1 January 2010</b>	732,680
Profit for the year	78,169
<b>At 31 December 2010</b>	<u><b>810,849</b></u>
<b>At 1 January 2011</b>	810,849
Profit for the year	24,854
<b>At 31 December 2011</b>	<u><b>835,703</b></u>

## Statement of cash flows

	2011 €	2010 €
<b>Cash flow from operating activities</b>		
<b>Profit for the year</b>	24,854	78,169
Depreciation	52,271	56,343
Amortisation	134	134
Asset impairment losses	-	7,245
Assets not yet capitalised written off	-	2,631
Movement in provision for doubtful debts	64,552	19,593
Amount released to Statement of Comprehensive Income	252,678	10,413
Interest receivable	(680)	(798)
<b>Operating profit before working capital changes</b>	<b>393,809</b>	<b>173,730</b>
Decrease in inventories	1,281	500
Increase in receivables	(315,961)	(37,954)
Increase in other payables	56,758	32,169
<b>Cash (used in)/generated from operating activities</b>	<b>(257,922)</b>	<b>(5,285)</b>
<b>Cash flows from investing activities</b>		
Interest received	680	798
Purchase of property, plant and equipment	(348,092)	(122,579)
<b>Cash used in investing activities</b>	<b>(347,412)</b>	<b>(121,781)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(211,525)</b>	<b>46,664</b>
Cash and equivalents at beginning of year	360,158	313,494
<b>Cash and equivalents at end of year</b>	<b>148,633</b>	<b>360,158</b>

# Notes to the financial statements

## 1 General information

Valletta Local Council is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the council is situated at 31, South Street, Valletta. These financial statements were approved for issue by the council members on 30 April 2012. The council's financial statements are presented in euro which is the functional currency of the council.

## 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.

### Accounting convention

These financial statements are prepared under the historical cost convention. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in tiers of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of International Financial Reporting Standards.

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).

### 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.

### **Intangible fixed assets**

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 20% per annum.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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	-
Trees	-
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 signs	replacement basis
Street mirrors	replacement basis
Street lights	100
Traffic signs	replacement basis

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.

### **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 costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

### **Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### **Revenue**

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.

### **LES income**

LES income is accounted for in the statement of comprehensive income as it accrues.

### **Government grants**

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred Government grants and are credited to the statement of comprehensive income over the expected lives of the related assets.

### **Surpluses 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 losses 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.

### **Cash and equivalents**

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank.

### **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 a 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'.

### Significant judgements, estimates and assumptions

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).

## 3 Funds received from Central Government

	2011 €	2010 €
In terms of section 55 of the Local Councils Act	664,863	649,392
Other Government income	34,137	78,588
	<u>699,000</u>	<u>727,980</u>

## 4 Local enforcement income

	2011 €	2010 €
Contraventions and other fines	347,525	334,822
Sentenced cases - accrued income	33,129	21,155
	<u>380,654</u>	<u>355,977</u>

## 5 Investment income

	2011	2010
	€	€
Bank interest	680	798
	<u>680</u>	<u>798</u>

## 6 General income

	2011	2010
	€	€
Sponsorships	-	350
CVA income	9,810	26,870
Tender documents/Info. charges	675	1,300
Donations	-	3,761
Contributions	(16,313)	31,786
Refund of expenses	1,260	-
Archway project income	-	(9,381)
Hero project	-	2,172
Grant released	58,167	-
M Learn conference project	8,614	-
Youth Democracy project	-	22,280
Income from permits	61,166	29,057
Other income	3,265	2,500
	<u>126,644</u>	<u>110,695</u>

## 7 Personnel emoluments

	2011	2010
	€	€
Mayor's allowance	11,146	14,747
Councillors' allowance	7,200	7,200
Executive secretary salary and allowances	32,545	28,544
Employees' salaries	53,862	52,013
Social security contributions	5,268	4,337
	<u>110,021</u>	<u>106,841</u>



## 8 Operations and maintenance

	2011 €	2010 €
<b>Repairs and upkeep:</b>		
Road/street pavements	12,974	29,135
Signs	18,662	3,045
Road markings	10,846	4,751
Office furniture and equipment	1,910	2,550
Plant and equipment	30	40
Sundry repairs	1,195	344
Council property	1,076	884
	<u>46,693</u>	<u>40,749</u>
<b>Contractual Services:</b>		
Refuse collection	92,731	100,004
Bulky refuse collection	13,420	15,336
Tipping fees	42,390	41,447
Road and street cleaning	147,311	152,067
Cleaning - public conveniences	23,837	26,923
Cleaning - council premises	2,107	2,052
Cleaning and maintenance - parks & gardens	50,346	33,458
Local Enforcement expenses	199,679	266,534
	<u>571,821</u>	<u>637,821</u>
	<u><b>618,514</b></u>	<u><b>678,570</b></u>

## 9 Administration and other expenditure

	2011	2010
	€	€
Utilities	27,535	27,311
Other repairs and upkeep	1,876	2,044
Rent	3,576	3,576
Membership fees	275	-
Participation fees – International meeting	900	-
Participation fees – National meeting	-	180
Hero project	5,009	15,524
M Learn Conference project	7,495	-
Youth democracy project	8,119	29,994
Surch project	860	-
Works at Housing Authority blocks	58,157	-
EU Youth project	9,181	-
Office services	26,843	12,929
Transport	7,038	11,455
Travel	21,631	18,300
Information services	28,488	32,630
Insurance coverage	971	743
Bank charges	1,223	78
Professional services	31,554	41,802
Conference expenses	661	-
Visits – foreign delegations	12,289	840
Other hospitality costs	2,981	491
Annual general meeting	-	349
Social events	9,387	3,653
Cultural events	53,467	40,834
Community services	6,624	5,822
Leasing of equipment	201	-
Sundry expenses	1,644	-
Increase in provision for bad debts	64,552	19,593
Amounts written off (note)	2,423	-
Penalties	6,224	-
Depreciation	52,271	56,343
Amortisation	134	134
	<b>453,589</b>	<b>324,625</b>

Note:

	2011	2010
	€	€
Accrued income for 'Special Needs Scheme 2010'	2,322	-
Income for Hero project not to be received	3,320	-
Funds for public convenience not to be received	(4,500)	-
Inventory written off	1,281	-
	<b>2,423</b>	<b>-</b>

## 10 Intangible fixed asset

	Computer software €
<b>Cost</b>	
At 1 January 2010	5,162
Disposals	<u>(2,564)</u>
At 31 December 2010 and 31 December 2011	<u>2,598</u>
<b>Amortisation</b>	
At 1 January 2010	4,454
Released on disposals	<u>(2,392)</u>
Charge for year	134
At 31 December 2010	<u>2,196</u>
At 1 January 2011	2,196
Charge for year	<u>134</u>
At 31 December 2011	<u>2,330</u>
<b>Net book values</b>	
At 31 December 2010	<u>402</u>
At 31 December 2011	<u>268</u>

**11 Property, plant and equipment**

	Property	Assets	New	Urban	Plant,	Office	Special	Total
	€	under	street	improvements	machinery	furniture	programmes	€
	€	construction	signs	€	& equipment	& fittings	€	€
		€	€					
<b>Cost</b>								
At 1 January 2011	-	48,985	8,900	847,719	34,332	35,846	194,601	1,170,383
Additions	-	322,690	-	21,164	2,641	1,598	-	348,093
At 31 December 2011	-	<b>371,675</b>	<b>8,900</b>	<b>868,883</b>	<b>36,973</b>	<b>37,444</b>	<b>194,601</b>	<b>1,518,476</b>
<b>Depreciation</b>								
At 1 January 2011	-	-	8,900	344,085	18,119	13,868	194,601	579,573
Charge for the year	-	-	-	49,322	1,288	1,661	-	52,271
At 31 December 2011	-	-	<b>8,900</b>	<b>393,407</b>	<b>19,407</b>	<b>15,529</b>	<b>194,601</b>	<b>631,844</b>
<b>Net book values</b>								
At 31 December 2011	-	<b>371,675</b>	-	<b>475,476</b>	<b>17,566</b>	<b>21,915</b>	-	<b>886,632</b>

**11 Property, plant and equipment**

	Property	Assets	New	Urban	Plant,	Office	Special	Total
	€	under	Street	Improvements	machinery	Furniture	Programmes	€
		construction	Signs		& equipment	& fittings		€
		€	€	€	€	€	€	€
<b>Cost</b>								
At 1 January 2010	-	5,577	8,724	775,907	41,514	52,846	194,601	1,079,169
Additions	-	46,039	176	71,812	2,428	2,123	-	122,579
Disposals	-	(2,631)	-	-	(9,610)	(19,123)	-	(31,364)
At 31 December 2010	-	<b>48,985</b>	<b>8,900</b>	<b>847,719</b>	<b>34,332</b>	<b>35,846</b>	<b>194,601</b>	<b>1,170,383</b>
<b>Depreciation</b>								
At 1 January 2010	-	-	8,724	292,758	24,122	24,685	194,601	544,890
Released on disposals	-	-	-	-	(8,939)	(12,721)	-	(21,660)
Charge for the year	-	-	176	51,327	2,936	1,904	-	56,343
At 31 December 2010	-	-	<b>8,900</b>	<b>344,085</b>	<b>18,119</b>	<b>13,868</b>	<b>194,601</b>	<b>579,573</b>
<b>Net book values</b>								
At 31 December 2010	-	<b>48,985</b>	-	<b>503,634</b>	<b>16,213</b>	<b>21,978</b>	-	<b>590,811</b>

## 12 Inventories

	2011	2010
	€	€
Stationery and office supplies	-	1,281

## 13 Receivables

	2011	2010
	€	€
Receivables	-	10,126
LES Debtors	135,611	149,762
Other receivables	41,634	37,710
Accrued income	359,922	92,363
<b>Financial assets</b>	<b>537,167</b>	<b>289,961</b>
Prepayments	5,140	937
	<b>542,307</b>	<b>290,898</b>

The carrying value of short-term receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

Included in receivables are debtors with a carrying amount of € nil (2010: € 10,126) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2011	2010
	€	€
More than one year	-	10,126

The movement in the provision for doubtful debts is as follows:

	2011	2010
	€	€
Balance at 1 January	316,466	296,873
Increase in provision for LES debtors	59,210	19,593
Increase in provision for general receivables	5,342	-
<b>Balance at 31 December</b>	<b>381,018</b>	<b>316,466</b>

## 14 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2011	2010
	€	€
Bank balances	148,540	358,765
Cash in hand	93	1,393
	<b>148,633</b>	<b>360,158</b>

The council did not have any restrictions on its cash balances at year end.

## 15 Payables

	2011	2010
	€	€
Payables	362,934	299,647
Other creditors	37,722	56,296
Accruals	58,390	46,345
<b>Financial liabilities</b>	<b>459,046</b>	<b>402,288</b>
Deferred income	283,091	30,413
	<b>742,137</b>	<b>432,701</b>

The movement in deferred income is as follows:

	2011	2010
	€	€
Balance at 1 January	30,413	20,000
Received during the year	310,845	10,413
Released to income	(58,167)	-
<b>At 31 December</b>	<b>283,091</b>	<b>30,413</b>

Short-term financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

## 16 Capital commitments

	2011	2010
	€	€
Details of capital commitments at the reporting date are as follows:		
Approved but not yet contracted for	54,000	163,881
(i) Approved but not yet contracted for:		
Motor vehicle	9,000	18,000
Road resurfacing	20,000	68,000
Urban improvements	25,000	69,881
Computer equipment	-	8,000
	<b>54,000</b>	<b>163,881</b>

## 17 Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Joint Committee (Local Enforcement)	Joint Control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control

Director General - Works Division  
Wasteserv Malta Limited

No control  
No control

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

	2011	2010
	€	€
Annual financial allocation	<u>664,863</u>	<u>649,392</u>

The ultimate controlling party 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.

Transactions with key management personnel are disclosed in note 7.

## 18 Risk management objectives and policies

The council is exposed 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 flows by minimising the exposure to financial risks.

The most significant financial risks to which the council is exposed are described below. See also note 18.3 for a summary of the council's financial assets and liabilities by category.

### 18.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	Notes	2011	2010
		€	€
Classes of financial assets – carrying amounts			
Trade and other receivables	13	537,167	289,961
Cash and cash equivalents	14	148,633	360,158
		<u>685,800</u>	<u>650,119</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 only with 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 note 13 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.



## 18.2 Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables (see note 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the council's obligations when they become due.

The council manages 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 risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, as well as the council's committed borrowing facilities that it can access to meet liquidity needs.

At 31 December 2011 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2011	Current	Non-current	
	within 1 year €	1 to 5 years €	later than 5 years €
Payables	362,934	-	-
Other creditors	37,722	-	-
Accruals	58,390	-	-

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

31 December 2010	Current	Non-current	
	within 1 year €	1 to 5 years €	later than 5 years €
Payables	299,647	-	-
Other creditors	56,296	-	-
Accruals	46,345	-	-

## 18.3 Summary of 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 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	537,167	289,961
Cash and cash equivalents	148,633	360,158
	<b>685,800</b>	<b>650,119</b>
<b>Current liabilities</b>		
Financial liabilities measured at amortised cost:		
Payables	362,934	299,647
Other creditors	37,722	56,296
Accruals	58,390	46,345
	<b>459,046</b>	<b>402,288</b>