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Our Ref: NAO 107/2015/13  
Your Ref:

20<sup>th</sup> March 2017

The Mayor and Executive Secretary  
Balzan Local Council  
Balzan

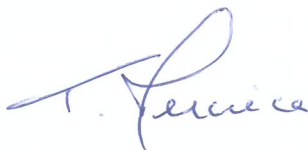
Dear Sir/Madam,

**MID-TERM AUDIT REPORT and FINANCIAL STATEMENTS  
FOR PERIOD ENDING 30 SEPTEMBER 2016**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Mid-Term Audit Report and Financial Statements together with the Management Letter for the financial period ending 30 September 2016.

After seeking the Council's approval, you are kindly requested to submit your response to the Director (Local Government), the Local Government Auditor, and to this Office as stipulated in Section P2.06 (d) of the same Procedures by not later than six weeks following receipt of this letter.

Yours sincerely,



**Tanya Mercieca**  
Asst. Auditor General

**Kunsill Lokali:  
Hal-Balzan**

22 MAR 2017

**RECEIVED**

Encls.



**Hal Balzan Local Council**

**Mid-Term Financial Report  
30th September 2016**



Prepared by: M<sup>ark</sup> Debono B.Accty (Hons.), AIA, AIMIS, CPA

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# Hal Balzan Local Council

## Financial Statements for the period ended 30th September 2016

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**Hal Balzan Local Council****Statement of Local Council Members' and Executive Secretary's Responsibilities**

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The Local Councils (Financial) Regulations require a mid-term audit to be carried out whenever there is a change in the Executive Secretary. The objective of this audit is to serve as an independent hand-over exercise whenever an Executive Secretary leaves the employment of a Local Council and another is appointed. This will take the same form as the financial year end audit up to the last day of employment of the outgoing Executive Secretary. The outgoing Executive Secretary is to prepare the financial statements covering the period 1 January to 30 September 2016 which is the last day of the employment of the outgoing Executive Secretary. The financial statements include the Local Council's Statement of Comprehensive Income for the period and of the Council's retained funds at the end of period.

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 period and its retained funds as at the period 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 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.



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Dr Ian Spiteri  
Mayor

Date: 09/03/17



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Ms Doriette Farrugia  
Executive Secretary



## Hal Balzan Local Council

Statement of comprehensive income  
for the period ended 30th September 2016

	Note	2016 (9 months) Eur	2015 (12 months) Eur
<b>Funds received from Central Government</b>	<b>3</b>	<b>212,555</b>	<b>282,920</b>
<b>EU Financing</b>	<b>3</b>	<b>23,039</b>	<b>34,131</b>
<b>Income raised under the Local Enforcement System</b>	<b>3</b>	<b>3,401</b>	<b>3,847</b>
<b>General income</b>	<b>3</b>	<b>10,249</b>	<b>7,960</b>
		<b>249,244</b>	<b>328,858</b>
<b>Expenditure</b>			
<b>Personal emoluments</b>	<b>4</b>	<b>(44,010)</b>	<b>(73,443)</b>
<b>Operations and maintenance</b>	<b>5</b>	<b>(85,191)</b>	<b>(115,785)</b>
<b>Administration and other expenditure</b>	<b>6</b>	<b>(108,935)</b>	<b>(130,208)</b>
		<b>(238,136)</b>	<b>(319,436)</b>
<b>Surplus for the period / year</b>		<b>11,108</b>	<b>9,422</b>

The notes on pages 6 to 20 form an integral part of these financial statements

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# Hal Balzan Local Council

## Statement of financial position at 30th September 2016

	<i>Note</i>	30th September 2016 Eur	31st December 2015 Eur
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	<i>7a-b</i>	<u>794,995</u>	<u>817,206</u>
		<u>794,995</u>	<u>817,206</u>
<b>Current Assets</b>			
Amounts receivable	<i>8</i>	<u>33,587</u>	<u>37,326</u>
Cash and bank balances	<i>9</i>	<u>229,641</u>	<u>183,452</u>
		<u>263,228</u>	<u>220,778</u>
<b>Total Assets</b>		<u><u>1,058,223</u></u>	<u><u>1,037,984</u></u>
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained Fund		<u>587,813</u>	<u>576,705</u>
<b>Non-Current Liabilities</b>			
Deferred income	<i>11</i>	<u>345,668</u>	<u>365,003</u>
<b>Current Liabilities</b>			
Trade and other payables	<i>10</i>	<u>124,742</u>	<u>96,276</u>
<b>Total Equity and Liabilities</b>		<u><u>1,058,223</u></u>	<u><u>1,037,984</u></u>

The notes on pages 6 to 20 form an integral part of these financial statements

These Financial Statements were approved by the Local Council and are signed on its behalf by :

  
Dr Ian Spiteri  
Mayor

  
Ms Doriette Farrugia  
Executive Secretary

Date : 09/03/17

## Hal Balzan Local Council

### Statement of changes in equity for the year ended 30th September 2016

	Retained fund Eur
At 1st January 2015	567,283
Total comprehensive Income for the year	<u>9,422</u>
At 31st December 2015	576,705
Total comprehensive Income for the period	<u>11,108</u>
At 30th September 2016	<u><u>587,813</u></u>

The notes on pages 6 to 20 form an integral part of these financial statements

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## Hal Balzan Local Council

**Statement of cash flows**  
**for the period ended 30th September 2016**

	<i>Note</i>	2016 (9 months) Eur	2015 (12 months) Eur
<b>Cash flows from operating activities</b>			
<b>Operating surplus for the period / year</b>		11,108	9,422
<i>Adjustments for:</i>			
Bank interest received		(34)	0
Non-cash release of income from grants		(32,413)	(43,790)
Depreciation		69,597	87,660
<b>Surplus for the year before working capital movements</b>		48,258	53,292
Movement in receivables		3,739	(9,009)
Movement in payables		(5,278)	(12,340)
<b>Net cash generated from operating activities</b>		46,719	31,943
<b>Cash flows from investing activities</b>			
Payment to acquire property, plant and equipment		(564)	(122,569)
Bank interest received		34	0
<b>Net cash used in investing activities</b>		(530)	(122,569)
<b>Cash flows from financing activities</b>			
Receipts from Government to acquire fixed assets		0	113,694
<b>Net cash used in financing activities</b>		0	113,694
<b>Movement in cash and cash equivalents</b>		46,189	23,068
<b>Cash and cash equivalents at the beginning of the year</b>		183,452	160,384
<b>Cash and cash equivalents at the end of the period / year</b>	9	229,641	183,452

The notes on pages 6 to 20 form an integral part of these financial statements

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# Hal Balzan Local Council

## Notes to the financial statements for the period ended 30th September 2016

### Note

#### 1 General information

Balzan Local Council is the local authority of Balzan set up in accordance with the Local Councils Act. The office of the Local Council is situated at 153, Main Street, Balzan.

#### 2 Accounting policies and reporting procedures

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 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.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

##### a) 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.

##### b) Local Enforcement System

As from the 1st September 2011 the Balzan Local Council started to form part of the Regional Committee. The amount disclosed in the financial statements under Local Enforcement System Income represents the share of profit derived from the Regional Committee after deducting the related expenses.

##### c) 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 :

	%
Trees	0
Land	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Special programmes	10
Urban improvements (Street Furniture)	10
Office equipment	20
Plant & Machinery	20
Motor Vehicles	20
Computer equipment	25
Plants	100
New street signs	Replacement basis
Litter Bins	Replacement basis
Playground Furniture	100
Street Lights	100
Street Mirrors	100

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

#### d) Government and EU Grants

Government and EU grants 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 costs, then the grant is accounted for when it becomes receivable.

Government and EU grants relating to property, plant and equipment are included as deferred grants and treated as a component of total funds and equity. Grants are credited to the Statement of Comprehensive Income over the expected useful lives of the related assets.

#### e) 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.

#### f) 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 Local 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 amount of the asset and 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.

#### g) 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 Local Council's functional and presentation currency.

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

#### h) Profits and Losses

Only profits 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.

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

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#### Note

#### i) Cash and cash 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.

#### j) Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### k) Financial instruments

All financial assets are measured at cost and accounted for using settlement accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the Council will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts receivable from collateral, discounted based on the interest rate at inception.

The financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities") under IAS 39, and are measured at cost, that is, the face value of such investments.

#### l) Critical estimates and judgements

The Council did not apply any critical estimates and judgements in the preparation of these accounts.

## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

#### m) Accounting standards issued and adopted by the Council

The following standards and interpretations, which have been issued by the IASB and the IFRIC and are relevant to these financial statements have been adopted in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below. Standards that are not relevant to these financial statements have been excluded.

An amendment to **IAS 1 Presentation of Financial statements** in relation to aggregation and disaggregation of amounts as a result of materiality came into force during this accounting period. The Council has adopted these amendments and has aggregated or disaggregated amounts in line with these amendments to provide better interpretation of these financial statements.

In January 2016 the IASB issued amendments to **IAS 7 Statement of Cashflows** with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are effective from periods commencing 1st January 2017, but the Council has deemed it fit to apply this from this financial period.

Changes to **IAS 16 Property, Plant and Equipment** also came into effect during this financial period, which amendments abolish the use of depreciation methods tied to revenue generation and recognition. Although the depreciation methods permitted by the Local Councils Financial Regulations only currently prescribe the reducing balance method of depreciation, the Council takes cognisance of this amendment and will not adopt such depreciation methods even if future amendments to the Local Councils Financial Regulations permit such a depreciation method.

#### n) Accounting standards issued but not adopted

The following new standards and interpretations, which have been issued by the IASB and the IFRIC and are relevant to these financial statements, are effective for future periods and have not been adopted early in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below. Standards that are not relevant to these financial statements have been excluded.

**IFRS 9 (2014) Financial Instruments** has been issued in July 2014, which is an amended version of IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). This IFRS introduces new requirements for classifying and measuring financial assets and puts in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. In addition, it introduces a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The adoption of this standard will not effect the net assets of the Council, since it does not carry any of the instruments effected, but it would effect the disclosures to the financial statements. Although early adoption is permitted, the Council did not follow this course of action.

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

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#### Note

#### n) Accounting standards issued but not adopted (cont)

Amendments to **IAS 36 Impairment of Assets** have been issued in May 2013 as a consequence of amendments to **IFRS 13 Fair Value Measurement**. These amendments remove the requirement to disclose the recoverable amount of each cash-generating unit where it is significant when compared to the entity's carrying amount of goodwill and intangible assets with indefinite useful lives. On the other hand, they require additional disclosures on individual assets, their fair value and discount rates applied. A further clarification for **IFRS 13** was issued in December 2014 relating to portfolios. These are disclosure amendments so they have no effect on the net assets of the Council.

**IAS 39 Financial Instruments: Recognition and Measurement** was amended in June 2013 for hedge accounting and novations. These financial statements do not carry such amounts and, thus, there is no effect on the net assets recorded in these financial statements. As a result of the final **IFRS 9 (2014) Financial Instruments**, this **IAS** will no longer be effective after 1st January 2018.

**IFRS 15 Revenue from Contracts with Customers** has been issued in 2014 with the effective date being for financial periods on or after 1st January 2018 as per the amendment issued in September 2015. This IFRS replaces a number of IASs and interpretations, mainly **IAS 11 Contracts** and **IAS 18 Revenue**. **IFRS 15** introduces a five-step process for revenue recognition with emphasis on the contractual agreement between the provider and the customer. This does not fundamentally change the way that revenue is recognised by the Council and although the standard can be applied earlier, the Council did not opt for early adoption.

In tandem with **IFRS 15**, a new standard for **Leases**, **IFRS 16**, has also been issued with the same effective date as **IFRS 15**. This standard introduces changes to how leases are recognised by both parties to the transaction. Although early adoption is permitted, this standard cannot be adopted unless **IFRS 15** is also adopted. Had it been adopted, the Council's lease agreements would have been recognised as assets depreciable in line with the payments as stipulated in the lease agreements.

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

3 <u>Revenue</u>	2016 (9 months) Eur	2015 (12 months) Eur
<b>Government income</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	199,101	257,557
Other Government Income	12,854	13,183
Other Supplementary Government Income	600	12,180
	<u>212,555</u>	<u>282,920</u>
<b>EU Financing</b>		
ERDF Financing under OPI 2007-2013	<u>23,039</u>	<u>34,131</u>
<b>Income raised under the Local Enforcement System</b>		
Income from LES administration fees	2,793	3,847
Other LES Income	608	0
	<u>3,401</u>	<u>3,847</u>
<b>General income</b>		
Income from tender documents	334	1,427
Income from permits	8,149	5,618
Sundry contributions & donations	1,766	915
	<u>10,249</u>	<u>7,960</u>
<b>Total revenue</b>	<u><u>249,244</u></u>	<u><u>328,858</u></u>
4 <u>Personal emoluments</u>	2016 (9 months) Eur	2015 (12 months) Eur
Personal emoluments include, inter alia :		
Mayor's allowance	5,420	7,049
Executive Secretary's salary and allowances	8,536	26,115
Employees' salaries	23,215	29,408
Social security contributions	2,039	4,471
Councillors' Allowance	4,800	6,400
	<u>44,010</u>	<u>73,443</u>

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## Hal Balzan Local Council

Notes to the financial statements  
for the period ended 30th September 2016

## Note

5 Operations and maintenance

	2016 (9 months) Eur	2015 (12 months) Eur
<b>Repairs and upkeep:</b>		
Signs	3,921	342
Public property	11,678	19,201
Road markings	3,282	2,054
Other repairs and upkeep	2,246	3,324
	<u>21,127</u>	<u>24,921</u>
 <b>Contractual services:</b>		
Refuse collection	40,337	54,431
Bulky refuse collection	1,802	2,967
Road and street cleaning	14,221	19,148
Cleaning and maintenance - public conveniences	2,253	4,164
Cleaning and maintenance - parks and gardens	1,660	2,214
Street lighting	2,835	6,226
Other	956	1,714
	<u>64,064</u>	<u>90,864</u>
	 <u>85,191</u>	 <u>115,785</u>

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## Hal Balzan Local Council

Notes to the financial statements  
for the period ended 30th September 2016

## Note

## 6 Administration and other expenditure

	2016 (9 months) Eur	2015 (12 months) Eur
Utilities	6,865	6,476
Materials & supplies	1,658	1,796
Rent	7,695	2,097
Memberships	0	240
Office services	2,946	3,033
Transport	5,416	8,271
Information services	242	2,364
Professional services	6,987	8,566
Community services & events	7,487	8,844
Local enforcement expenses	42	861
Depreciation	69,597	87,660
	<u>108,935</u>	<u>130,208</u>

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# Hal Balzan Local Council

## Notes to the financial statements for the period ended 30th September 2016

### Note

#### 7a Property, Plant and Equipment

	Office furniture & fittings	Plant and machinery	Computer equipment	Office equipment	Urban improvements	New street signs	Construction works	Special programmes	Assets in the course of construction	Total
	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur	Eur
<b>Cost - as at 1st January 2016</b>	20,310	1,944	3,075	20,213	650,473	10,170	661,970	273,458	0	1,641,613
Additions new this period	0	0	0	0	46,822	0	564	0	0	47,386
<b>Cost - as at 30th September 2016</b>	20,310	1,944	3,075	20,213	697,295	10,170	662,534	273,458	0	1,688,999
<b>Grants - as at 1st January 2016</b>	0	0	0	0	19,375	0	0	143,182	0	162,557
Transferred during the period	0	0	0	0	0	0	0	0	0	0
<b>Grants - as at 30th September 2016</b>	0	0	0	0	19,375	0	0	143,182	0	162,557
<b>Acc.depreciation - as at 1st January 2016</b>	13,176	965	1,946	6,641	117,159	10,170	427,499	84,294	0	661,850
Charge for the period	412	149	201	2,600	44,980	0	19,246	2,009	0	69,597
<b>Acc.depreciation - as at 30th September 2016</b>	13,588	1,114	2,147	9,241	162,139	10,170	446,745	86,303	0	731,447
<b>Net book value - as at 30th September 2016</b>	<b>6,722</b>	<b>830</b>	<b>928</b>	<b>10,972</b>	<b>515,781</b>	<b>0</b>	<b>215,789</b>	<b>43,973</b>	<b>0</b>	<b>794,995</b>

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

#### 7b Property, Plant and Equipment

	Office furniture & fittings Eur	Plant and Machinery Eur	Computer equipment Eur	Office equipment Eur	Urban improvements Eur	New street signs Eur	Construction works Eur	Special programmes Eur	Assets in the course of construction Eur	Total Eur
<b>Cost - as at 1st January 2015</b>	19,160	1,944	3,075	6,148	543,119	10,170	661,970	273,458	0	1,519,044
Additions new this year	1,150	0	0	14,065	107,354	0	0	0	0	122,569
<b>Cost - as at 31st December 2015</b>	20,310	1,944	3,075	20,213	650,473	10,170	661,970	273,458	0	1,641,613
<b>Grants - as at 1st January 2015</b>	0	0	0	0	17,375	0	0	143,182	0	160,557
Transferred during the year	0	0	0	0	2,000	0	0	0	0	2,000
<b>Grants - as at 31st December 2015</b>	0	0	0	0	19,375	0	0	143,182	0	162,557
<b>Acc.depreciation - as at 1st January 2015</b>	12,594	720	1,600	4,489	63,907	10,170	399,378	81,332	0	574,190
Charge for the year	582	245	346	2,152	53,252	0	28,121	2,962	0	87,660
<b>Acc.depreciation - as at 31st December 2015</b>	13,176	965	1,946	6,641	117,159	10,170	427,499	84,294	0	661,850
<b>Net book value - as at 31st December 2015</b>	7,134	979	1,129	13,572	513,939	0	234,471	45,982	0	817,206

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## Hal Balzan Local Council

Notes to the financial statements  
for the period ended 30th September 2016

## Note

	30th September 2016 Eur	31st December 2015 Eur
<b>8 Amounts receivable</b>		
Current		
Debtors	2,180	3,690
Blocked funds	242	242
Prepayments	4,726	1,334
Accrued income	25,839	31,460
Deposits	600	600
	<b>33,587</b>	<b>37,326</b>

	30th September 2016 Eur	31st December 2015 Eur
<b>9 Cash and cash equivalents</b>		

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash in hand	153	116
Bank balances :		
Current accounts	211,314	165,245
Savings accounts	18,174	18,091
	<b>229,641</b>	<b>183,452</b>

	30th September 2016 Eur	31st December 2015 Eur
<b>10 Trade and other payables</b>		
Current		
Creditors	59,359	27,394
Accruals	16,515	9,882
Deferred income (note 11)	38,468	51,213
Other creditors	1,548	0
Other deferred income	0	333
Retention money held	8,852	7,454
	<b>124,742</b>	<b>96,276</b>

Retention money held represents retention money held against permits issued to cover any breaches or damages caused by the permit holders. Once the permit is no longer required the money is refunded.

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# Hal Balzan Local Council

## Notes to the financial statements for the period ended 30th September 2016

### Note

	30th September 2016 Eur	31st December 2015 Eur
<b>11 Deferred income</b>		
<b>Current</b>		
Opening balance	51,213	47,074
Released to income	(32,080)	(43,790)
Regjun surplus	0	11,843
Taken to capital on assets not depreciated	0	(2,000)
Transferred from non-current deferred income	19,335	38,086
Closing balance	38,468	51,213
<b>Non-Current</b>		
Opening balance	365,003	287,706
Grants received from UIF	0	93,744
Grants received from ERDF	0	21,639
Transferred to current deferred income	(19,335)	(38,086)
Closing balance	345,668	365,003
Maturity of non-current deferred income is as follows:		
Between one and two years	34,425	37,480
Between two and five years	83,194	90,459
After five years	228,049	237,064
	345,668	365,003
<b>12 Capital commitments</b>		
Authorised and not contracted for	30,000	30,000
	30,000	30,000
Analysed as follows:		
Authorised and not contracted for		
Construction works	30,000	30,000
Office equipment	0	0
	30,000	30,000

Part of the construction works are being funded through UIF funds. The rest are being funded from the Council's internal funds.

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

#### 13 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Central Government is the main related party of the Local Council. Up until September 2016, the Local Council received Eur199,101 (2015: Eur257,557) in funding from Central Government.

#### 14 Classification of financial assets and financial liabilities

The Council's financial assets and liabilities have been classified as follows in accordance with IAS 39:

	Credits and other receivables	Other financial assets / liabilities	Total carrying amount	Fair value
<b>2015</b>				
<b>Assets</b>				
Trade and other receivables	35,992	-	35,992	35,992
Cash and cash equivalents	183,452	-	183,452	183,452
<b>Total financial assets</b>	<b>219,444</b>	<b>-</b>	<b>219,444</b>	<b>219,444</b>
<b>Liabilities</b>				
Trade and other payables	-	44,730	44,730	44,730
<b>Total financial liabilities</b>	<b>-</b>	<b>44,730</b>	<b>44,730</b>	<b>44,730</b>
<b>2016</b>				
<b>Assets</b>				
Trade and other receivables	28,861	-	28,861	28,861
Cash and cash equivalents	229,641	-	229,641	229,641
<b>Total financial assets</b>	<b>258,502</b>	<b>-</b>	<b>258,502</b>	<b>258,502</b>
<b>Liabilities</b>				
Trade and other payables	-	86,274	86,274	86,274
<b>Total financial liabilities</b>	<b>-</b>	<b>86,274</b>	<b>86,274</b>	<b>86,274</b>

#### 15 Financial risk management

##### 16.1 Financial risk factors

The Council's activities expose it to both credit risk and liquidity risk. The Council did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

##### a) Credit risk

The Council's credit risk arises from cash and cash equivalents, including deposits with the banks and amounts receivable. The Council's exposures to credit risk are analysed as follows:

	30th September 2016 Eur	31st December 2015 Eur
Trade and other receivables	28,861	35,992
Cash and bank balances	229,641	183,452
	<b>258,502</b>	<b>219,444</b>

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

#### 15 Financial risk management - Continued

##### a) Credit risk - continued

The ageing of the amounts receivable is as follows:

	30th September 2016 Eur	31st December 2015 Eur
Less than 1 month	140	303
Between 1 and 2 months due	415	0
Between 2 and 3 months due	364	617
Over 3 months due	1,261	2,770
	<u>2,180</u>	<u>3,690</u>

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 8 and 9 to these financial statements. The Council does not hold any collateral as security in this respect.

The Council banks only with local financial institutions with high quality standing or rating.

The Council's major debtors are the Government and the Regional Committees, thus, it deems that it does not have any risk of non-recoverability of its dues. An amount of Eur1,625 is past the credit period but the Council does not deem this balance to be impaired.

##### b) Liquidity risk

The Council's exposure to liquidity risk is mainly from its payables and retention monies as per note 11 above and which are due within one year. Given the requirements at law to maintain a healthy working capital, the Council takes all measures to keep its liquidity risk exposure in check. In fact it maintains sufficient cash to ensure the availability of an adequate amount of funding to meet the Council's obligations. The Council's exposure to liquidity risk is as follows:

	30th September 2016 Eur	31st December 2015 Eur
Creditors	59,359	27,394
Accruals	16,515	9,882
Retention money held	8,852	7,454
	<u>84,726</u>	<u>44,730</u>

#### 16.2 Fair values of financial instruments

At 30 September 2016 and 31 December 2015, the carrying amounts of cash at bank, receivables, payables and accrued expenses 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.

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## Hal Balzan Local Council

### Notes to the financial statements for the period ended 30th September 2016

#### Note

#### 16 Contingent liabilities

The Council has a cash pledge of €245.

#### 17 Operating Lease

In 2013, the Council entered into a non-cancellable operating lease of a commercial van to enable it to carry out road and street repairs over the whole village. The Council is obliged to pay €5,774 during the next year from October 2016 to September 2017, and €2,862 between October 2017 and June 2018, the month the lease expires.

On 1st January 2016, the Council entered into a property lease agreement to use as Council premises for a period of 15 years, with the first five years being non-cancellable and the rest cancellable with a notice period of six months. In 2016, the Council is obliged to pay €8,400 while the lease from 2017 till 2030 will total to €159,600. The non-cancellable lease is payable as follows:

Within one year	8,400
Between one and two years	8,400
Between two and five years	18,900
	<u>35,700</u>

#### 18 Capital

The Council does not carry any capital but it does have an accumulated surplus which it uses to finance capital projects such as roads, urban improvements and other major projects of benefit to the Balzan residents and community. This, however, needs to be expended with due diligence in order not to fall below the minimum working capital requirements as required by the the Local Councils (Financial) Procedures 1996.

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## Financial statements for the period ended 30 September 2016

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

We have audited the accompanying financial statements of Hal Balzan Local Council which comprise the statement of financial position as at 30 September 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Respective responsibilities of the Local Council and Local Government auditors*

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

#### *Auditors' 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 of 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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 qualified audit opinion.

#### *Basis for qualified opinion*

1. As from 30 September 2002, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkikara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkikara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has not reported any income from LES in the current period. We were unable to determine the amount of any additional income the Council is entitled to receive from Birkikara Joint Committee since the audited financial statements as at 31 December 2015 of the Joint Committee are qualified on the basis that amounts receivable could not be reconciled to the IT system and financial statements at period end were not available. All LES receivables of the Joint Committee have been provided for.

## Financial statements for the period ended 30 September 2016

### Report of the Local Government auditor to the Auditor General (continued)

#### Qualified opinion

In our opinion, except for the effects of the matters described in paragraph 1 above, the financial statements give a true and fair view of the financial position of Hal Balzan Local Council as of 30 September 2016 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 6 to 10.

These financial statements comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 but because of the matter set out in paragraphs 1 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



*This copy of the audit report has been signed by  
Ernestino Riolo (Partner) for and on behalf of*

#### Mazars Malta

Certified Public Accountants  
Attard

9 March 2017