

Hal Balzan Local Council

Annual Audit Report 31st December 2014



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Prepared by: Mark Debono B.Accty (Hons.), AIA, AIMIS, CPA

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Hal Balzan Local Council

Financial Statements

for the year ended 31st December 2014

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Hal Balzan Local Council

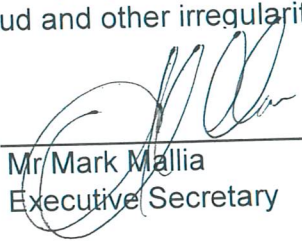
Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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.



Dr Ian Spiteri
Mayor



Mr Mark Mallia
Executive Secretary

Date: 5th May 2015

Hal Balzan Local Council

**Statement of comprehensive income
for the year ended 31st December 2014**

	<i>Note</i>	2014 Eur	2013 Eur
Funds received from Central Government	3	272,777	263,733
EU Financing	3	30,191	0
Income raised under the Local Enforcement System	3	2,946	2,826
General income	3	9,381	5,549
		<u>315,295</u>	<u>272,108</u>
Expenditure			
Personal emoluments	4	(70,673)	(68,080)
Operations and maintenance	5	(125,956)	(123,090)
Administration and other expenditure	6	(109,902)	(68,094)
		<u>(306,531)</u>	<u>(259,264)</u>
Surplus for the year		<u><u>8,764</u></u>	<u><u>12,844</u></u>

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Hal Balzan Local Council

Statement of financial position at 31st December 2014

	Note	31st December 2014 Eur	31st December 2013 Eur
Assets			
Non-current Assets			
Property, plant and equipment	7a-b	784,297	717,776
		<u>784,297</u>	<u>717,776</u>
Current Assets			
Amounts receivable	8	14,785	37,637
Cash and bank balances	9	160,384	245,180
		<u>175,169</u>	<u>282,817</u>
Total Assets		<u>959,466</u>	<u>1,000,593</u>
Reserves and Liabilities			
Reserves			
Retained Fund		<u>567,283</u>	<u>558,519</u>
Non-Current Liabilities			
Deferred income	11	<u>287,706</u>	<u>294,814</u>
Current Liabilities			
Trade and other payables	10	<u>104,477</u>	<u>147,260</u>
Total Equity and Liabilities		<u>959,466</u>	<u>1,000,593</u>

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

Mayor

Executive Secretary


Date :

5/5/2015

Hal Balzan Local Council**Statement of changes in equity
for the year ended 31st December 2014**

	Retained fund
	Eur
At 1st January 2013	545,675
Total comprehensive Income for the year	<u>12,844</u>
At 31st December 2013	558,519
Total comprehensive Income for the year	<u>8,764</u>
At 31st December 2014	<u><u>567,283</u></u>

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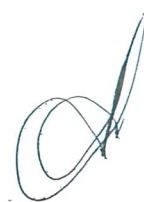
Hal Balzan Local Council

**Statement of cash flows
for the year ended 31st December 2014**

	<i>Note</i>	2014	2013
		Eur	Eur
Cash flows from operating activities			
Operating surplus for the year		8,764	12,844
<i>Adjustments for:</i>			
Assets written-off		0	365
Non-cash release of income from grants		(35,519)	(486)
Depreciation		65,141	32,058
Surplus for the year before working capital movements		38,386	44,781
Movement in receivables		2,662	(27,202)
Movement in payables		(34,922)	22,592
Net cash generated from operating activities		6,126	40,171
Cash flows from investing activities			
Payment to acquire property, plant and equipment		(155,741)	(239,908)
Bank interest received		0	0
Net cash used in investing activities		(155,741)	(239,908)
Cash flows from financing activities			
Receipts from Government to acquire fixed assets		56,395	175,871
Net cash used in financing activities		56,395	175,871
Movement in cash and cash equivalents		(93,220)	(23,866)
Cash and cash equivalents at the beginning of the year		245,180	269,046
Cash and cash equivalents at the end of the year	9	151,960	245,180

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 year ended 31st December 2014

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 year ended 31st December 2014

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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Notes to the financial statements for the year ended 31st December 2014

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.

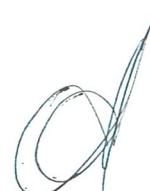
A credit risk provision for financial asset impairment is established if there is objective evidence that the Council will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected 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.

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2014

Note

m) 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.

In September 2014, an update was issued for **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** as part of the annual improvements process for the 2012-2014 cycle. This update is effective from annual periods starting 1st January 2016 but it can be adopted earlier. The update relates to changes in the methods of disposal of non-current assets held for sale whereby assets are classified from held for sale to held for distribution and vice-versa. This update provides guidance for specific cases. Since the Council does not carry such assets, this update does not have any effect on the Council's financial statements.

The same issue of annual improvements for the 2012-2014 cycle also effected **IFRS 7 Financial Instruments: Disclosures** with consequential amendments to **IFRS 1 First-time Adoption of International Financial Reporting Standards**. The amendments add additional guidance in relation to servicing contracts to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required, while it is also clarifies the position on offsetting disclosures in condensed interim financial statements. As for the amendments to IFRS 5, the effective date for these amendments is for annual periods commencing on the 1st January 2016 although they can be adopted earlier. These amendments do not effect the Council's financial

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.

In December 2011, the IASB issued amendments to **IAS 32 Financial Instruments: Presentation** dealing with the offsetting of Financial Assets and Financial Liabilities. These amendments are effective from 1st January 2014. Adoption of these amendments would not have any effect on these financial statements.

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.

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Notes to the financial statements for the year ended 31st December 2014

Note

3 <u>Revenue</u>	2014	2013
	Eur	Eur
Government income		
In terms of section 55 of the Local Councils Act (Cap 363)	249,135	249,552
Other Government Income	3,300	2,280
Other Supplementary Government Income	20,342	11,901
	<u>272,777</u>	<u>263,733</u>
EU Financing		
ERDF Financing under OPI 2007-2013	<u>30,191</u>	<u>0</u>
Income raised under the Local Enforcement System		
Income from Regional Committee	0	839
Income from LES administration fees	2,946	1,987
	<u>2,946</u>	<u>2,826</u>
General income		
Income from tender documents	1,866	1,536
Income from permits	7,054	2,921
Sundry contributions & donations	461	1,092
	<u>9,381</u>	<u>5,549</u>
Total revenue	<u>315,295</u>	<u>272,108</u>
4 <u>Personal emoluments</u>	2014	2013
	Eur	Eur
Personal emoluments include, inter alia :		
Mayor's allowance	6,868	6,703
Executive Secretary's salary and allowances	26,961	26,265
Employees' salaries	25,993	24,398
Social security contributions	4,451	4,314
Councillors' Allowance	6,400	6,400
	<u>70,673</u>	<u>68,080</u>

Hal Balzan Local Council

Notes to the financial statements
for the year ended 31st December 2014

Note

5 Operations and maintenance

	2014	2013
	Eur	Eur
Repairs and upkeep:		
Signs	3,137	1,635
Public property	16,287	15,780
Road markings	2,296	1,222
Other repairs and upkeep	1,783	255
	<u>23,503</u>	<u>18,892</u>
 Contractual services:		
Refuse collection	65,533	63,492
Bulky refuse collection	3,288	3,486
Road and street cleaning	19,414	21,851
Cleaning and maintenance - public conveniences	5,000	5,001
Cleaning and maintenance - parks and gardens	2,214	2,213
Cleaning and maintenance - soft areas	0	472
Cleaning services	160	0
Street lighting	4,746	4,170
Other	2,098	3,513
	<u>102,453</u>	<u>104,198</u>
	 <u><u>125,956</u></u>	 <u><u>123,090</u></u>

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2014

Note

6 Administration and other expenditure

	2014	2013
	<u>Eur</u>	<u>Eur</u>
Utilities	5,950	3,360
Materials & supplies	2,012	3,242
Rent	1,487	1,487
Memberships	550	200
Office services	2,289	2,957
Transport	6,830	6,684
Information services	2,586	2,806
Professional services	10,348	7,334
Community services & events	12,709	7,601
Asset write-off	0	365
Depreciation	65,141	32,058
	<u>109,902</u>	<u>68,094</u>

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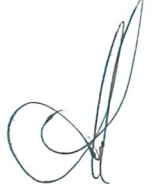
Hal Balzan Local Council

Notes to the financial statements
for the year ended 31st December 2014

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
	Cost - as at 1st January 2014	17,695	1,944	2,975	4,548	70,416	10,170	569,707	273,458	436,469	1,387,382
	Additions new this year	1,465	0	100	1,600	0	0	92,263	0	36,234	131,662
	Reclassification	0	0	0	0	472,703	0	0	0	(472,703)	0
	Cost - as at 31st December 2014	19,160	1,944	3,075	6,148	543,119	10,170	661,970	273,458	0	1,519,044
	Grants - as at 1st January 2014	0	0	0	0	17,375	0	0	143,182	0	160,557
	Transferred during the year	0	0	0	0	0	0	0	0	0	0
	Grants - as at 31st December 2014	0	0	0	0	17,375	0	0	143,182	0	160,557
	Acc.depreciation - as at 1st January 2014	12,001	414	1,138	4,026	25,729	10,170	377,530	78,041	0	509,049
	Charge for the year	593	306	462	463	38,178	0	21,848	3,291	0	65,141
	Acc.depreciation - as at 31st December 2014	12,594	720	1,600	4,489	63,907	10,170	399,378	81,332	0	574,190
	Net book value - as at 31st December 2014	6,566	1,224	1,475	1,659	461,837	0	262,592	48,944	0	784,297

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Hal Balzan Local Council

Notes to the financial statements
for the year ended 31st December 2014

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		Total Eur
									Eur	Eur	
Cost - as at 1st January 2013	17,762	1,944	10,929	6,050	70,416	9,676	569,707	273,458	141,586	1,101,528	
Additions new this year	0	0	1,327		0	494	0	0	294,883	296,704	
Assets written-off	(67)	0	(9,281)	(1,502)	0	0	0	0	0	(10,850)	
Cost - as at 31st December 2013	17,695	1,944	2,975	4,548	70,416	10,170	569,707	273,458	436,469	1,387,382	
Grants - as at 1st January 2013	0	0	0	0	17,375	0	0	143,182	0	160,557	
Transferred during the year	0	0	0	0	0	0	0	0	0	0	
Grants - as at 31st December 2013	0	0	0	0	17,375	0	0	143,182	0	160,557	
Acc.depreciation - as at 1st January 2013	11,575	32	9,721	5,283	22,695	9,676	354,109	74,385	0	487,476	
Charge for the year	479	382	445	147	3,034	494	23,421	3,656	0	32,058	
Released upon write-off	(53)	0	(9,028)	(1,404)	0	0	0	0	0	(10,485)	
Acc.depreciation - as at 31st December 2013	12,001	414	1,138	4,026	25,729	10,170	377,530	78,041	0	509,049	
Net book value - as at 31st December 2013	5,694	1,530	1,837	522	27,312	0	192,177	52,235	436,469	717,776	

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Notes to the financial statements for the year ended 31st December 2014

Note

8	<u>Amounts receivable</u>	31st December 2014 Eur	31st December 2013 Eur
	Current		
	Debtors	3,361	3,658
	Blocked funds	242	242
	Prepayments & accrued income	10,582	33,137
	Deposits	600	600
		<u>14,785</u>	<u>37,637</u>

9	<u>Cash and cash equivalents</u>	31st December 2014 Eur	31st December 2013 Eur
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For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

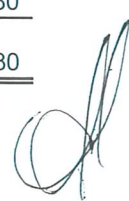
Cash in hand	116	116
Bank balances :		
Current accounts	153,257	245,053
Savings accounts	7,011	11
	<u>160,384</u>	<u>245,180</u>

10	<u>Trade and other payables</u>	31st December 2014 Eur	31st December 2013 Eur
	Current		
	Creditors	31,650	85,425
	Accruals	20,162	20,169
	Deferred income (note 11)	47,074	33,280
	Retention money held	5,591	8,386
		<u>104,477</u>	<u>147,260</u>

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.

11	<u>Deferred income</u>	31st December 2014 Eur	31st December 2013 Eur
	Current		
	Opening balance	33,280	486
	Released on depreciation	(35,519)	(486)
	Regjun surplus for CCTV	15,107	0
	Current deferred income	<u>34,206</u>	<u>33,280</u>
	Closing balance	<u>47,074</u>	<u>33,280</u>

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2014

Note

11 <u>Deferred income (cont.)</u>	31st December 2014	31st December 2013
	Eur	Eur
Non-Current		
Opening balance	294,814	122,926
Grants received from ERDF	27,098	205,168
Current deferred income	(34,206)	(33,280)
Closing balance	287,706	294,814
Maturity of deferred income is as follows:		
Less than one year	31,967	33,280
Between one and five years	98,942	101,387
After five years	188,764	193,427
	319,673	328,094
12 <u>Capital commitments</u>	31st December 2014	31st December 2013
	Eur	Eur
Authorised and contracted for (i)	0	16,000
Authorised and not contracted for (ii)	94,944	207,000
	94,944	223,000
Analysed as follows:		
(i) Authorised and contracted for		
Construction works	0	16,000
	0	16,000
(ii) Authorised and not contracted for		
Construction works	93,744	119,000
Urban improvements	0	88,000
Office equipment	1,200	0
	94,944	207,000

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 year ended 31st December 2014

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. In 2013, the Local Council received Eur249,135 (2013: Eur249,552) in funding from Central Government. In addition, Central Government settled dues to Wasteserve Ltd amounting to Eur9,994 (2013: Eur11,415 on behalf of the Council, while an amount of Eur5,021 was received in settlement of salaries arrears. Payments to Central Government for services received amounted to Eur120 (2013: Eur 120).

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
Assets				
Cash and cash equivalents	160,384	-	160,384	160,384
Total financial assets	160,384	-	160,384	160,384
Liabilities				
Trade and other payables	-	57,403	57,403	57,403
Total financial liabilities	-	57,403	57,403	57,403

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:

	31st December 2014 Eur	31st December 2013 Eur
Cash and bank balances	160,384	245,180
	160,384	245,180

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Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2014

Note

15 Financial risk management - Continued

a) Credit risk - continued

The ageing of the amounts receivable is as follows:

	31st December 2014 Eur	31st December 2013 Eur
Less than 1 month	492	111
Between 1 and 2 months due	335	192
Between 2 and 3 months due	234	268
Over 3 months due	2,300	3,087
	<u>3,361</u>	<u>3,658</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 9 and 10 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 Eur46.91 has long been outstanding, 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:

	31st December 2014 Eur	31st December 2013 Eur
Creditors	31,650	85,425
Accruals	20,162	20,169
Retention money held	5,591	8,386
	<u>57,403</u>	<u>113,980</u>

16.2 Fair values of financial instruments

At 31 December 2014 and 2013, 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.

16 Contingent liabilities

The Council has a cash pledge of €245.

Hal Balzan Local Council

Notes to the financial statements for the year ended 31st December 2014

Note

17 Operating Lease

During the year, 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 (2015) and €13,002 between 2016 and 2018, the year the lease expires.

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 Local Councils (Financial) Procedures 1996.

E.S.



Financial statements for the year ended 31 December 2014

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 31 December 2014, 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.

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 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 year. We were unable to determine the amount of any income the Council is entitled to receive from the Birkikara Joint Committee since its audited financial statements were not made available to us.
2. The amounts disclosed as financial assets in note 14 do not incorporate all financial assets as required by IFRS 7, *Financial Instruments: Disclosures*.

Financial statements for the year ended 31 December 2014

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

3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1 and 2 above, the financial statements give a true and fair view of the financial position of Hal Balzan Local Council as of 31 December 2014 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.

Because of the matter set out in paragraph 3 above, these financial statements do not 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 and because of the matters set out in paragraphs 1, and 2 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Other matter

The financial statements of Hal Balzan Local Council for the year end 31 December 2013 were audited by another auditor who expressed a qualified opinion on those statements on 22 April 2014.



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

Mazars Malta
Certified Public Accountants
Attard

5 May 2015