

Local Council Birkirkara
Annual Audit Report
for the year ended 31 December 2015

Prepared by 3a



Rebaa Sech

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2015**

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 Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 25 April 2016 and signed on its behalf by:



Joanne Debono Grech
Mayor



Neil Spiteri
Executive Secretary

Independent Auditors' Report to the Shareholders

Report on the audit of the financial statements of the Local Council Birkirkara for the year ended 31 March 2020

The financial statements of the Local Council Birkirkara for the year ended 31 March 2020 have been audited in accordance with the provisions of the Companies Act, Chapter 96A, of the Laws of Malta, and the Auditing Standards issued by the Institute of Chartered Accountants of Malta.

The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 96A, of the Laws of Malta, and the Accounting Standards issued by the Institute of Chartered Accountants of Malta.

The financial statements have been audited in accordance with the provisions of the Companies Act, Chapter 96A, of the Laws of Malta, and the Auditing Standards issued by the Institute of Chartered Accountants of Malta.

Financial statements for the year ended 31 December 2015

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Birkikara Local Council which comprise the statement of financial position as at 31 December 2015, 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 1 January 2000, 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 reported income of EUR736 from Pre-Regional tickets and EUR1,733 from share of profits in Joint Committee in the current year. 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 of the Joint Committee are qualified on the basis that amounts receivable could not be reconciled to the IT system. All LES receivables of the Joint Committee have been provided for.
2. The financial statements do not disclose the relevant lease information arising on leased areas as lessee as required by IAS 17 *Leases*.
3. The company's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.

Financial statements for the year ended to 31 December 2015**Report of the Local Government auditor to the Auditor General (continued)**

4. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.
5. The council has a negative FSI index which is lower than the minimum positive balance of 10% of the annual Government allocation allowed by the Local Councils (Financial) Procedures.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1, 2, and 3 above, the financial statements give a true and fair view of the financial position of Birkirkara Local Council as of 31 December 2015 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 8 to 12.

Because of the matter set out in paragraphs 4 and 5 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 2, and 3 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 5 which shows that at 31 December 2015, the Council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments and inventories) by EUR282,137. The significance of this deficiency casts doubts as to whether the Council will be able to meet its liabilities as they fall due and the capital commitments amounting to EUR46,356 which, as explained in note 20, were contracted for at the financial position date.

The council is also disputing the amounts of EUR90,814 and other unquantified amounts claimed by different service providers and which have been disclosed as contingent liabilities in note 21 to the financial statements. Should it result that part or all of the amounts currently in dispute have to be paid to the creditors, the deficiency reported in the preceding paragraph will increase.

As explained in note 26 to these financial statements, the going concern assumption underlying the preparation of these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialise, the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.



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

Mazars Malta
Certified Public Accountants
Attard

25 April 2016

Statement of Comprehensive Income
for the year ended 31 December 2015

	Notes	2015 €	2014 €
Revenue			
Funds received from Central Government	3	1,413,688	1,408,577
Income raised under Local Council Bye-Laws	4	12,396	22,604
Income raised under Local Enforcement System	5	19,901	16,530
General Income	6	224,120	192,831
		<u>1,670,105</u>	<u>1,640,542</u>
Expenditure			
Personal Emoluments	7	(210,807)	(224,338)
Operations and maintenance	8	(746,055)	(735,340)
Administration and other expenditure	9	(720,206)	(707,374)
		<u>(1,677,068)</u>	<u>(1,667,052)</u>
Operating loss for the year		(6,963)	(26,510)
Finance income	10	488	524
Finance costs	11	(2,100)	-
		<u>(8,575)</u>	<u>(25,986)</u>
Loss for the year	7	<u>(8,575)</u>	<u>(25,986)</u>

The notes on pages 8 to 28 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2015

	Notes	2015 €	2014 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	3,466,196	3,677,343
Intangible assets	12	2,369	3,159
		<u>3,468,565</u>	<u>3,680,502</u>
Current Assets			
Inventories	14	3,580	3,772
Receivables	15	369,808	338,991
Cash and cash equivalents	16	306,274	91,751
		<u>679,662</u>	<u>434,514</u>
Total Assets		<u>4,148,227</u>	<u>4,115,016</u>
RESERVES			
Retained earnings		1,367,893	1,376,468
Total equity		<u>1,367,893</u>	<u>1,376,468</u>
Non-Current Liabilities			
Long-term borrowings	19	151,327	199,572
Deferred income	17	1,542,808	1,379,483
		<u>1,694,135</u>	<u>1,579,055</u>
Current Liabilities			
Payables	18	1,086,199	1,159,493
		<u>1,086,199</u>	<u>1,159,493</u>
Total Liabilities		<u>2,780,334</u>	<u>2,738,548</u>
Total equity and liabilities		<u>4,148,227</u>	<u>4,115,016</u>

These financial statements were approved by the Local Council on 25th April 2016 and signed on its behalf by:


Joanne Debono Grech
Mayor


Neil Spiteri
Executive Secretary

The notes on pages 8 to 28 form an integral part of these financial statements.


**Statement of Changes in Equity
for the year ended 31 December 2015**

	Retained Funds	Total
	€	€
At 1 January 2014	1,402,454	1,402,454
Loss for the year	(25,986)	(25,986)
At 31 December 2014	<u>1,376,468</u>	<u>1,376,468</u>
At 1 January 2015	1,376,468	1,376,468
Loss for the year	(8,575)	(8,575)
At 31 December 2015	<u>1,367,893</u>	<u>1,367,893</u>
Equity interests	<u>1,367,893</u>	<u>1,367,893</u>

The notes on pages 8 to 28 form an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2015

	2015		2014	
	€	€	€	€
Net loss for the year	(8,575)		(25,986)	
Reconciliation to cash generated from operations:				
Depreciation	366,796		416,132	
Amortisation of intangible assets	790		1,053	
Movement in Provision for Doubtful Debts	105,365		(4,871)	
Interest receivable	(488)		(524)	
Interest payable	2,100		-	
Operating profit before working capital changes	465,988		385,804	
Decrease in inventories	192		69	
(Increase) / decrease in receivables	(17,009)		(7,398)	
(Increase) in other receivables	(162,110)		(115,748)	
(Decrease) in payables	(57,795)		(84,790)	
(Decrease) / increase in other payables	(9,238)		(15,895)	
Government grants released	(161,742)		(154,681)	
Cash generated in operating activities		58,286		7,361
Cash flow from investing activities				
Interest received	488		524	
Purchase of property, plant & equipment	(155,652)		(75,555)	
Grants refunded	(8,395)		-	
Grants received	370,141		132,237	
Cash generated from investing activities		206,582		57,206
Cash from financing activities				
Repayment of short term bank borrowings	(2,100)		-	
Repayment of short term third party borrowings	(48,245)		(48,246)	
Cash generated from financing activities		(50,345)		(48,246)
Net Increase in cash in the year		214,523		16,321
Cash and equivalents at beginning of year		91,751		75,430
Cash and equivalents at end of year		306,274		91,751



The notes on pages 8 to 28 form an integral part of these financial statements.

1. General Information

The Birkirkara Local Council is the local authority of Birkirkara set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Civic Centre, 2nd Floor, Tumas Fenech Street, Birkirkara. These financial statements were approved for issue by the Council Members on 25 April 2016. The Local Council's presentation as well as functional currency are denominated in €.

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, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements are prepared in conformity with International Financial Reporting Standards as adopted by the EU as well as in compliance with the provision of the Local Councils Act.

New and amended standards adopted by the Local Council

During the period under review, the Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Council's accounting period beginning on 1 January 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Council's accounting policies.

New important standards and amendments not yet adopted

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial period under review.

IFRS 9 Financial instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7. The amendments are effective from 1 January 2016.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors and Executive Secretary anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Fixed Assets

Computer Software

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



Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each date of Statement of Financial Position. 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 year 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.

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.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying 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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

Local Enforcement System

The Birkirkara Local Council forms part of the Birkirkara Joint Committee which is no longer operative and the Central Regional Committee. The amounts disclosed in the financial statements under Local Enforcement Income represents the amount of fines due to the Council attributable to the pre-pooling period as well as an administrative reimbursement for fines collected by the Council on behalf of the Regional Committee.

Government grants

Government grants relating to costs are deferred and recognised in the income statement 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 income statement on a straight line basis over the expected lives of the related assets.

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 €, which is the Council's functional and presentation currency.

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

Borrowing costs

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

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.

Cash and equivalents

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statement'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.



To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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 transaction 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3. Funds received from central government

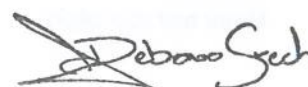
	2015	2014
	€	€
In terms of section 55 of the Local Councils Act	1,150,687	1,114,822
Supplementary Government Income	101,259	139,074
Other Government Income	161,742	154,681
	<u>1,413,688</u>	<u>1,408,577</u>

4. Income raised from Bye-Laws

	2015	2014
	€	€
Bye-Law - Advertising on Street Furniture	6,176	1,464
Bye-Law - Use of facilities	5,776	1,514
Bye-Law - Organisation of Courses	444	19,626
	<u>12,396</u>	<u>22,604</u>

5. Local Enforcement System

	2015	2014
	€	€
Administration charge on fines collected	17,432	14,795
Contraventions from Pre-Region Tickets	736	-
Sentenced Cases - Accrued Income	-	1,735
Share of Profit from Joint Committee	1,733	-
	<u>19,901</u>	<u>16,530</u>



6. General Income

	2015	2014
	€	€
Community Services	665	843
Cultural Events	4,192	6,779
Sale of books and other merchandise	20	-
Sponsorships	2,700	-
Rent Receivable	121,394	112,142
Tender Documents/Info. Charges	3,205	3,653
Donations	-	2,669
Contributions	53,471	43,902
Refund of expenses	1,480	871
Discounts Received	2	4
Income from Permits	36,991	21,968
	<u>224,120</u>	<u>192,831</u>

7. Loss for the year

	2015	2014
	€	€
(Deficit) for the year is stated after charging:		
Staff salaries	Note 210,807	224,338
Depreciation of tangible assets & amortisation of intangible assets	367,586	417,185

Staff salaries

	2015	2014
	€	€
Mayor's Allowance	14,097	13,736
Mayor's and Councillors' Allowance	14,675	15,067
Executive Secretary Salary and Allowances	31,512	32,739
Employees' Salaries	136,743	147,555
Social Security Contributions	13,780	15,241
	<u>210,807</u>	<u>224,338</u>

Average number of employees:

Employees	11	9
Mayor and councillors	13	13
	<u>24</u>	<u>22</u>

8. Operations and Maintenance

	2015	2014
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	6,172	6,866
Signs	3,732	4,619
Road Markings	4,249	6,060
Office Furniture and Equipment	661	2,169
Civic Centre Expenses	3,875	4,457
Plant & Equipment	130	110
Sundry Repairs	137	35
Other repairs and Upkeep	12,230	19,932
Council Property	-	1,508
	<u>31,186</u>	<u>45,756</u>
<i>Contractual Services:</i>		
Waste Disposal	201,186	182,901
Refuse Collection	210,514	227,457
Bulky Refuse Collection	13,614	19,431
Hiring of Skips - Bins on Wheels	233	358
Cleaning Services	6,346	335
Road & Street Cleaning	176,694	155,811
Cleaning - Public Conveniences	11,712	21,850
Cleaning - Council Premises	8,252	8,029
Clean. & Maint. Parks & Gardens	30,332	34,572
Street Lighting	25,474	21,785
Studies & Consultations	30,287	17,055
Local Enforcement Expenses	225	-
	<u>714,869</u>	<u>689,584</u>
 Total Operations and Maintenance Costs	 <u>746,055</u>	 <u>735,340</u>



9. Administration and other expenditure

	2015	2014
	€	€
Utilities	54,895	77,508
Other repairs and upkeep	16,215	8,767
Rent	8,105	7,997
National and International Memberships	35	128
Office Services	18,025	26,192
Transport	26,908	22,856
Travel	3,076	-
Information Services	5,249	4,350
Lease of Equipment	2,322	2,461
Insurance Coverage	5,161	5,906
Bank Charges	215	318
IT Development Services	12,076	4,553
Architect/Engineering Services	10,833	4,215
Legal Services	5,653	7,563
Medical services	15	235
Accountancy Services	10,830	10,100
Auditors' Remuneration	3,540	-
Consultancy Services	742	1,682
Youth Empowerment Services	15,755	14,868
Handyman Service	9,310	23,169
Security/Police Services	3,202	3,040
Project Management Services	-	1,533
Permits and Developments	120	140
Training	650	12,486
Conference Expenses	280	1,084
Other Hospitality Costs	1,178	592
Social Events	16,764	18,492
Cultural Events	5,340	7,600
Community Services	8,795	6,936
Sundry Minor Expenses	1,966	2,289
Provision for Doubtful Debtors	105,365	(4,871)
Third party liability damages	-	18,000
Depreciation and amortisation	367,586	417,185
	<u>720,206</u>	<u>707,374</u>

10. Finance Income

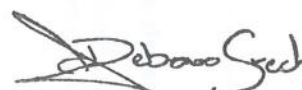
	2015 €	2014 €
Bank Interest Receivable	488	524
	<u>488</u>	<u>524</u>

11. Finance Costs

	2015 €	2014 €
Interest on finance lease arrangements	2,100	-
	<u>2,100</u>	<u>-</u>

12. Intangible fixed assets

	Computer Software €
Cost	
At 1 January 2014, 31 December 2014 and 31 December 2015	7,287
Provision for diminution in value	
At 1 January 2014	3,075
Charge for year	1,053
At 31 December 2014	4,128
Charge for year	790
At 31 December 2015	4,918
Net book values	
At 31 December 2015	2,369
At 31 December 2014	3,159



14. Inventories

	2015	2014
	€	€
Books and other publications	3,580	3,772

15. Receivables

	2015	2014
	€	€
Receivables	88,056	75,954
Other receivables	3,019	3,096
Prepayments	5,622	4,532
Financial assets	96,697	83,582
Accrued income	273,111	255,409
	369,808	338,991

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	348	5,063
Exceeded credit period but not impaired	72,534	70,891
Impaired and provided for	26,040	5,959
Provision for doubtful debts	(26,040)	(5,959)
	72,882	75,954

Included in the receivables are debtors with a carrying amount of € 72,534 (2014: € 70,891) which are past due at the reporting date, for which the Council has not provided as there has not been significant change in the credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2015 €	2014 €
Not more than 3 months	34,019	4,429
More than 3 months but not more than 6 months	13,535	42,705
More than 6 months	24,980	23,757
	<u>72,534</u>	<u>70,891</u>

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

	2015 €	2014 €
Balance as at 1 January	78,268	83,139
Increase in provision for LES debtors	435,428	1,735
Increase / (Decrease) in provision for general receivables	20,081	(6,606)
Balance at 31 December	<u>533,777</u>	<u>78,268</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to € 507,737 (2014: € 72,309)

General Receivables

General receivables are stated after a specific provision for doubtful debts amounting to € 26,040 (2014: € 5,959)

Accrued Income

Grants receivables are stated after a specific provision for doubtful debts amounting to € 85,284 (2014: € NIL)

16. Notes to the Statement of Cash Flows

Cash & cash equivalents

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2015 €	2014 €
Bank Balances	305,849	91,326
Cash in Hand	425	425
	<u>306,274</u>	<u>91,751</u>

Debarao Singh

[Signature]

**Notes to the Financial Statements
for the year ended 31 December 2015**

17. Deferred Income	2015	2014
	€	€
Government grants		
At 1 January 2015	1,518,873	1,541,317
Increase in year	327,204	132,237
	<u>1,846,077</u>	<u>1,673,554</u>
Withdrawn during the year	(8,395)	-
	<u>1,837,682</u>	<u>1,673,554</u>
Released in year	(161,742)	(154,681)
At 31 December 2015	<u><u>1,675,940</u></u>	<u><u>1,518,873</u></u>
Current Deferred Income	<u><u>133,132</u></u>	<u><u>139,390</u></u>
Non-Current Deferred Income	<u><u>1,542,808</u></u>	<u><u>1,379,483</u></u>
Deferred Government Grants		
Deferred between one and two years	119,739	125,352
Deferred between two and five years	291,735	305,098
Deferred in five years or more	1,131,334	949,033
	<u><u>1,542,808</u></u>	<u><u>1,379,483</u></u>
Deferred after five years or more:		
Government Grants	<u><u>1,131,334</u></u>	<u><u>949,033</u></u>
18. Payables	2015	2014
	€	€
Payables	897,350	955,146
Other payables	257	257
Net obligations under finance leases and hire purchase contracts	1,542	-
Accruals	48,104	55,686
Financial liabilities	<u><u>947,253</u></u>	<u><u>1,011,089</u></u>
Other taxes and social security costs	5,344	5,333
Deferred Government income	133,132	139,390
Other Deferred income	470	3,681
	<u><u>1,086,199</u></u>	<u><u>1,159,493</u></u>

19. Borrowings

		2015	2014
		€	€
Non-current			
Third party borrowings	<i>Note</i>	151,327	199,572
Current			
Net obligations under finance leases and hire purchase contracts		1,542	-
Borrowings			
Repayable between one and two years		48,245	48,245
Repayable between two and five years		103,082	144,735
Repayable in five years or more		-	6,592
		151,327	199,572

Third party loan

Amount is payable to a supplier under the Public Private Partnership Scheme as per Memo 45/2010. It is repayable under contractual obligations over a six year period ending 2019.

20. Capital commitments

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	65,000	10,000
Contracted for but not provided in the financial statements	31,356	61,356

Rebecca Sneh

These could be analysed as follows:

(i) Approved but not yet contracted for:

Office Furniture and Fittings	2,000	2,000
Urban Improvements	30,000	5,000
Office Equipment & Computer Equipment	3,000	3,000
Urban Greening Project	30,000	-
	<u>65,000</u>	<u>10,000</u>

(ii) Contracted for but not provided in the Financial Statements:

CCTV Cameras	31,536	61,356
	<u>31,536</u>	<u>61,356</u>

21. Contingent liabilities

The Council is contesting the following:

a) Claim made by a particular bidder granted the use of Council's facilities as adjudicated by tender but which had to be revoked due to legal difficulties on the devolution of the said site by the Council. The bidder is seeking the Council for damages from loss of business and equipment. The extent of the claim could not be quantified.

b) Claim made by one of its service providers (TCTC) regarding amounts payable for courses fees. The value of the claim amounts to € 35,000.

c) A Court case against it by Ms. Helen Sammut Alessi regarding alleged damages sustained by works performed by the Council at St. Helen Square. The amount could not be quantified.

d) Claims made by a particular supplier amounting to €55,385, currently contested by the Council as services not yet certified and therefore not payable. The supplier is reserving the right to take legal actions against the Council if the amount in question is not settled accordingly. The contractor is claiming that the works should have been certified as soon as executed.

e) Claims made by a third party claiming an amount of €429 from the Council jointly with other Government Authorities, namely Malta Industrial Parks et al.

22. 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
Birkirkara Joint Committee (Local Enforcement)	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South East Regional Committee	No control
Local Enforcement System Authority	No control
Malta Environment and Planning Authority	No control
Malta Tourism Authority	No control
Maltapost plc	No control
Malta Communications Authority	No control
MEUSAC	No control
Foundation for Educational Services	No control
Bank of Valletta plc	No control
Police General Headquarters	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Public Cleansing	No control
Department of Information	No control
Department of Lands	No control
Commissioner of Data Protection	No control
Department of Health	No control
Department of Civil Protection	No control
Ministry for the Elderly	No control
Ministry for Information Technology and Communications	No control
Ministry for Resources and Rural Affairs	No control
Ministry for Social Policy	No control
Department for Public libraries	No control
Wasteserv Malta Limited	No control
Msida Local Council	No Control

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

	2015	2014
	€	€
Annual Financial Allocation	1,150,687	1,114,822

Key management compensation

Transactions with key management personnel are disclosed in note 7 and presented as follows:

	2015	2014
	€	€
Mayor's Honoraria	13,736	13,736
Mayor's and Councillors' Allowance	15,067	15,067
Executive Secretary Salary and Allowances	32,739	32,739
	<u>61,542</u>	<u>61,542</u>

Ultimate controlling party

The ultimate controlling party of the local council is the 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.

23. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that sales of products are made to customers with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of 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 and is summarised as follows:

	2015 €	2014 €
Classes of financial assets - carrying amounts:		
Trade and other receivables	96,697	83,582
Cash and cash equivalents	306,274	91,751
	<u>402,971</u>	<u>175,333</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council tries to monitor and manage its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. As at year end, the Council has cash and cash equivalents amounting to € 306,274. The Council also maintains a positive net asset position of € 1,367,893.

At 31 December 2015, the council's financial liabilities had contractual maturities which are summarised below:

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	897,350	-	-
Other payables	257		
Accruals	48,104	-	-
	<u>945,709</u>	<u>-</u>	<u>-</u>

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

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	955,146	-	-
Other creditors	257		
Accruals	55,686	-	-
	<u>1,011,089</u>	<u>-</u>	<u>-</u>

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

24. Summary of financial assets and liabilities

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2015 €	2,014 €
Current assets		
Loans and receivables:		
Trade and other receivables	96,697	83,582
Cash and cash equivalents	306,274	75,954
	<u>402,971</u>	<u>159,536</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	897,350	955,146
Other creditors	257	257
Accruals	48,104	55,686
	<u>945,711</u>	<u>1,011,089</u>

25. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

26. Going Concern

The statement of financial position on page 5 and the notes thereto, with special reference to capital commitments, 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 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 above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.