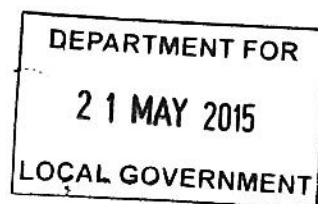


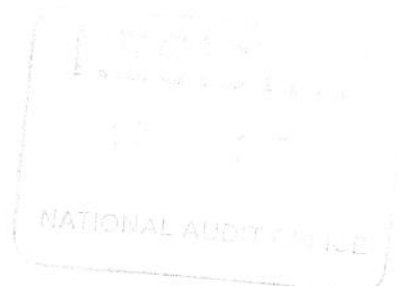
Local Council Birkirkara

Annual Audit Report

for the year ended 31 December 2014



Prepared by 3a



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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2014**


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 7 May 2015 and signed on its behalf by:



Joanne Debono Grech
Mayor



Arthur Pizzuto
Executive Secretary

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 Birkikara 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 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 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 Birkikara Joint Committee since its audited financial statements were not made available to us.
2. Included with accrued income in note 14 to these financial statements is an amount of EUR85,284 representing amounts which the council considers to be due in terms of an agreement entered into in 2007 with a third party. We were not provided with evidence showing that this amount is due and we were unable to satisfy ourselves as to the recoverability of this balance.
3. The cash flow statement does not reflect the correct cash movements on the purchase of Property, Plant and Equipment and grants as required by IAS 7 *Statement of Cash Flow*.
4. The financial statements do not disclose the relevant lease information arising on leased areas as lease and lessor as required by IAS 17 *Leases*.
5. 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 31 December 2014**Report of the Local Government auditor to the Auditor General (continued)**

6. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.
7. 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 1,2,3, 4 and 5 above, the financial statements give a true and fair view of the financial position of Birkirkara 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 8 to 13.

Because of the matter set out in paragraphs 6 and 7 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, 3, 4 and 5 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 2014, the Council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments and inventories) by EUR590,212. 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 EUR61,356 which, as explained in note 19, were contracted for at the financial position date.

The council is also disputing the amounts of EUR35,000 and other unquantified amounts claimed by different service providers and which have been disclosed as contingent liabilities in note 20 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 25 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.

Other matter

The financial statements of Birkirkara Local Council for the year end 31 December 2013 were audited by another auditor who expressed a qualified opinion on those statements on 28 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

7 May 2015

Statement of Comprehensive Income
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Revenue			
Funds received from Central Government	3	1,408,577	1,338,519
Income raised under Local Council Bye-Laws	4	22,604	13,190
Income raised under Local Enforcement System	5	16,530	20,463
General Income	6	192,831	176,371
		<u>1,640,542</u>	<u>1,548,543</u>
Expenditure			
Personal Emoluments	7	(224,338)	(221,751)
Operations and maintenance	8	(735,339)	(656,878)
Administration and other expenditure	9	(707,375)	(717,151)
		<u>(1,667,052)</u>	<u>(1,595,780)</u>
Operating loss for the year		(26,510)	(47,237)
Finance income	10	524	636
		<u>(25,986)</u>	<u>(46,601)</u>
Loss for the year	7	<u><u>(25,986)</u></u>	<u><u>(46,601)</u></u>

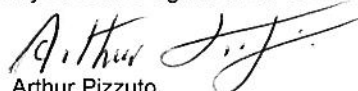
The notes on pages 8 to 31 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2014

	Notes	2014 €	2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	3,677,343	4,017,920
Intangible assets	11	3,159	4,212
		<u>3,680,502</u>	<u>4,022,132</u>
Current Assets			
Inventories	13	3,772	3,841
Receivables	14	338,991	210,975
Cash and cash equivalents	15	91,751	75,430
		<u>434,514</u>	<u>290,246</u>
Total Assets		<u>4,115,016</u>	<u>4,312,378</u>
RESERVES			
Retained earnings		1,376,468	1,402,454
Total equity		<u>1,376,468</u>	<u>1,402,454</u>
Non-Current Liabilities			
Long-term borrowings	18	199,572	247,818
Deferred income	16	1,379,483	1,386,828
		<u>1,579,055</u>	<u>1,634,646</u>
Current Liabilities			
Payables	17	1,159,493	1,275,278
		<u>1,159,493</u>	<u>1,275,278</u>
Total Liabilities		<u>2,738,548</u>	<u>2,909,924</u>
Total equity and liabilities		<u>4,115,016</u>	<u>4,312,378</u>

These financial statements were approved by the Local Council on 7th May 2015 and signed on its behalf by:


Joanne Debono Grech
Mayor


Arthur Pizzuto
Executive Secretary

The notes on pages 8 to 31 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2014**

	Retained Funds	Total
	€	€
At 1 January 2013	1,449,055	1,449,055
Loss for the year	(46,601)	(46,601)
At 31 December 2013	<u>1,402,454</u>	<u>1,402,454</u>
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>
Equity interests	<u>1,376,468</u>	<u>1,376,468</u>

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Statement of Cash Flows
for the year ended 31 December 2014

	2014		2013	
	€	€	€	€
Net loss for the year	(25,986)		(46,601)	
Reconciliation to cash generated from operations:				
Depreciation	416,132		417,338	
Amortisation of intangible assets	1,053		1,209	
Movement in Provision for Doubtful Debts	(4,871)		4,914	
Interest receivable	(524)		(636)	
Operating profit before working capital changes	385,804		376,224	
Decrease in inventories	69		277	
(Increase) / decrease in receivables	(7,398)		139,803	
(Increase) in other receivables	(115,748)		210,347	
(Decrease) in payables	(84,790)		(45,955)	
(Decrease) / increase in other payables	(15,895)		(134,012)	
Government grants released	(154,681)		(150,047)	
Cash generated in operating activities		7,361		396,637
Cash flow from investing activities				
Interest received	524		636	
Purchase of intangible fixed assets	-		(700)	
Purchase of property, plant & equipment	(75,555)		(307,367)	
Grants received	132,237		(4,245)	
Cash generated from investing activities		57,206		(311,676)
Cash from financing activities				
Repayment of short term third party borrowings	(48,246)		(54,837)	
Cash generated from financing activities		(48,246)		(54,837)
Net Decrease in cash in the year		16,321		30,124
Cash and equivalents at beginning of year		75,430		45,306
Cash and equivalents at end of year		91,751		75,430

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 7 May 2015. 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 year under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

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 year under review.

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2018. 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 December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method - proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); and Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

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.

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 Stituation 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

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act	1,114,822	1,116,284
Supplementary Government Income	139,074	60,976
EU Funding	-	4,900
Other Government Income	154,681	156,359
	<u>1,408,577</u>	<u>1,338,519</u>

4. Income raised from Bye-Laws

	2014	2013
	€	€
Bye-Law - Advertising on Street Furniture	1,464	932
Bye-Law - Use of facilities	1,514	3,154
Bye-Law - Organisation of Courses	19,626	9,104
	<u>22,604</u>	<u>13,190</u>

5. Local Enforcement System

	2014	2013
	€	€
Administration charge on fines collected	14,795	11,256
Sentenced Cases - Accrued Income	1,735	4,989
Share of Profit from Joint Committee	-	4,218
	<u>16,530</u>	<u>20,463</u>

6. General Income

	2014	2013
	€	€
Community Services	843	-
Cultural Events	6,779	13,028
Rent Receivable	112,142	95,992
General Income	-	406
Tender Documents/Info. Charges	3,653	2,294
Media Advertising	-	2,947
Donations	2,669	3,930
Contributions	43,902	40,150
Refund of expenses	871	(386)
Discounts Received	4	11
Income from Permits	21,968	17,999
	<u>192,831</u>	<u>176,371</u>

7. Loss for the year

	2014	2013
	€	€
(Deficit) for the year is stated after charging:		
Staff salaries	<i>Note</i> 224,338	221,751
Depreciation of tangible assets & amortisation of intangible assets	417,186	418,547

Staff salaries

	2014	2013
	€	€
Mayor's Allowance	13,736	13,407
Mayor's and Councillors' Allowance	15,067	15,880
Executive Secretary Salary and Allowances	32,739	34,607
Employees' Salaries	147,555	142,568
Social Security Contributions	15,241	15,289
	<u>224,338</u>	<u>221,751</u>

Average number of employees:

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

8. Operations and Maintenance

	2014 €	2013 €
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	6,865	5,363
Signs	4,619	3,896
Road Markings	6,060	2,498
Office Furniture and Equipment	2,169	778
Civic Centre Expenses	4,457	558
Plant & Equipment	110	-
Sundry Repairs	35	-
Other repairs and Upkeep	19,932	22,599
Council Property	1,508	-
	<u>45,755</u>	<u>35,692</u>
<i>Contractual Services:</i>		
Waste Disposal	182,901	150,611
Refuse Collection	227,457	229,026
Bulky Refuse Collection	19,431	36,414
Hiring of Skips - Bins on Wheels	358	-
Cleaning Services	335	3,243
Road & Street Cleaning	155,811	106,667
Cleaning - Public Conveniences	21,850	22,070
Cleaning - Council Premises	8,029	7,592
Clean. & Maint. Parks & Gardens	34,572	43,005
Street Lighting	21,785	22,558
Studies & Consultations	17,055	-
	<u>689,584</u>	<u>621,186</u>
 Total Operations and Maintenance Costs	 <u>735,339</u>	 <u>656,878</u>

9. Administration and other expenditure

	2014	2013
	€	€
Utilities	77,508	80,309
Other repairs and upkeep	8,767	3,528
Rent	7,997	7,908
National and International Memberships	128	15
Office Services	26,192	31,785
Transport	22,856	16,141
Travel	-	439
Information Services	4,350	4,482
Lease of Equipment	2,461	6,959
Insurance Coverage	5,906	6,508
Bank Charges	318	107
IT Development Services	4,553	2,987
Architect/Engineering Services	4,215	10,283
Legal Services	7,563	9,653
Medical services	235	-
Accountancy Services	10,100	9,480
Consultancy Services	1,682	516
Youth Empowerment Services	14,868	15,526
Handyman Service	23,169	24,206
Security/Police Services	3,040	3,022
Project Management Services	1,533	10,068
Permits and Developments	140	63
Training	12,486	4,876
Entertainment	-	107
Conference Expenses	1,084	200
Other Hospitality Costs	592	4,254
Social Events	18,492	9,586
Cultural Events	7,600	14,139
Community Services	6,936	14,598
Sundry Minor Expenses	2,289	1,945
Provision for Doubtful Debtors	(4,871)	4,914
Third party liability damages	18,000	-
Depreciation	417,186	418,547
	<u>707,375</u>	<u>717,151</u>

10. Finance Income	2014 €	2013 €
Bank Interest Receivable	524 <u>524</u>	636 <u>636</u>
11. Intangible fixed assets		Computer Software €
Cost		
At 1 January 2014		7,287
At 31 December 2014		
Provision for diminution in value		
At 1 January 2014		3,075
Charge for year		1,053
At 31 December 2014		4,128
Net book values		
At 31 December 2014		3,159
At 31 December 2013		4,212

Notes to the Financial Statements
for the year ended 31 December 2014

12. Property, plant and equipment

	Assets under construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost							
At 1 January 2013	670,324	174,371	1,541,802	213,483	50,089	4,738,645	7,388,714
Additions	287,953	-	2,847	4,189	8,891	3,490	307,370
Assets Capitalised	(872,200)	-	-	-	-	868,281	(3,919)
Reclassifications	-	-	(141,356)	-	-	141,356	-
At 31 December 2013	86,077	174,371	1,403,293	217,672	58,980	5,751,772	7,692,165
Depreciation							
At 1 January 2013	-	174,371	866,477	47,891	22,900	1,713,995	2,825,634
Charge for the year	-	-	53,762	33,655	2,337	327,584	417,338
At 31 December 2013	-	174,371	920,239	81,546	25,237	2,041,579	3,242,972
Grants							
At 1 January 2013	-	-	-	-	-	431,273	431,273
At 31 December 2013	-	-	-	-	-	431,273	431,273
Net book values							
At 31 December 2013	86,077	-	483,054	136,126	33,743	3,278,920	4,017,920

Notes to the Financial Statements
for the year ended 31 December 2014

12. Property, plant and equipment

	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
Cost	€	€	€	€	€	€	€
At 1 January 2014	86,077	174,371	1,403,293	217,672	58,980	5,751,772	7,692,165
Additions	43,823	-	13,579	9,015	8,665	473	75,555
At 31 December 2014	129,900	174,371	1,416,872	226,687	67,645	5,752,245	7,767,720
Depreciation							
At 1 January 2014	-	174,371	920,239	81,546	25,237	2,041,579	3,242,972
Charge for the year	-	-	56,712	28,456	3,049	327,915	416,132
At 31 December 2014	-	174,371	976,951	110,002	28,286	2,369,494	3,659,104
Grants							
At 1 January 2014	-	-	-	-	-	431,273	431,273
At 31 December 2014	-	-	-	-	-	431,273	431,273
Net book values							
At 31 December 2014	129,900	-	439,921	116,685	39,359	2,951,478	3,677,343

13. Inventories

	2014	2013
	€	€
Books and other publications	3,772	3,841
	<u>3,772</u>	<u>3,841</u>

14. Receivables

	2014	2013
	€	€
Receivables	75,954	68,557
Other receivables	3,096	3,146
Prepayments	4,532	8,549
Financial assets	<u>83,582</u>	<u>80,252</u>
Accrued income	255,409	130,723
	<u>338,991</u>	<u>210,975</u>

Receivables

General receivables are analysed as follows:

	2014 €	2013 €
Within credit period	5,063	29,771
Exceeded credit period but not impaired	70,891	38,786
Impaired and provided for	5,959	12,565
Provision for doubtful debts	(5,959)	(12,565)
	<u>75,954</u>	<u>68,557</u>

Included in the receivables are debtors with a carrying amount of € 70,891 (2013: € 38,786) 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:

	2014 €	2013 €
Not more than 3 months	4,429	10,378
More than 3 months but not more than 6 months	42,705	4,651
More than 6 months	23,757	23,757
	<u>70,891</u>	<u>38,786</u>

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

	2014 €	2013 €
Balance as at 1 January	83,139	78,225
(Decrease) / increase in provision for LES debtors	1,735	4,989
(Decrease) / increase in provision for general receivables	(6,606)	(75)
Balance at 31 December	<u>78,268</u>	<u>83,139</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to € 72,309 (2013: € 70,574)

General Receivables

General receivables are stated after a specific provision for doubtful debts amounting to € 5,959 (2013: € 12,565)

15. 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:

	2014 €	2013 €
Bank Balances	91,326	75,102
Cash in Hand	425	328
	<u>91,751</u>	<u>75,430</u>

16. Deferred income

Government grants

	2014 €	2013 €
At 1 January 2014	1,541,317	1,695,609
Increase in year	132,237	(4,245)
	<u>1,673,554</u>	<u>1,691,364</u>
Released in year	(154,681)	(150,047)
At 31 December 2014	<u>1,518,873</u>	<u>1,541,317</u>
Current Deferred Income	<u>139,390</u>	<u>154,489</u>
Non-Current Deferred Income	<u>1,379,483</u>	<u>1,386,828</u>
Deferred Government Grants		
Deferred between one and two years	125,352	138,969
Deferred between two and five years	305,098	338,520
Deferred in five years or more	949,033	909,339
	<u>1,379,483</u>	<u>1,386,828</u>
Deferred after five years or more:		
Government Grants	<u>949,033</u>	<u>909,339</u>

17. Payables

	2014	2013
	€	€
Payables	955,146	1,039,936
Other payables	257	138
Accruals	55,686	57,735
Financial liabilities	1,011,089	1,097,809
Other taxes and social security costs	5,333	5,709
Deferred income	143,071	171,760
	1,159,493	1,275,278

18. Borrowings

	2014	2013
	€	€
Non-current		
Third party borrowings	<i>Note</i> 199,572	247,818
Borrowings		
Repayable between one and two years	(48,245)	(48,245)
Repayable between two and five years	(144,735)	(144,735)
Repayable in five years or more	(6,592)	(54,838)
	(199,572)	(247,818)

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.

19. Capital commitments

	2014	2013
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	10,000	7,000
Contracted for but not provided in the financial statements	<u>61,356</u>	<u>91,356</u>
These could be analysed as follows:		
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	2,000	2,000
Urban Improvements	5,000	5,000
Office Equipment & Computer Equipment	<u>3,000</u>	<u>-</u>
	<u>10,000</u>	<u>7,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
CCTV Cameras	<u>61,356</u>	<u>91,356</u>
	<u>61,356</u>	<u>91,356</u>

20. 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.

21. 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
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
Minsitry 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:

	2014	2013
	€	€
Annual Financial Allocation	1,114,822	1,116,284

Key management compensation

Transactions with key management personnel are disclosed in note 7.

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.

22. 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:

	2014	2013
	€	€
Classes of financial assets - carrying amounts:		
Trade and other receivables	83,582	80,252
Cash and cash equivalents	91,751	75,430
	<u>175,333</u>	<u>155,682</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 € 75,430. The Council also maintains a positive net asset position of € 1,402,454.

At 31 December 2014, 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	955,146	-	-
Other payables	257	-	-
Accruals	<u>55,686</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	1,039,936	-	-
Other creditors	138		
Accruals	57,735	-	-
	<u>1,097,809</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.

23. 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.

	2014 €	2013 €
Current assets		
Loans and receivables:		
Trade and other receivables	83,582	80,252
Cash and cash equivalents	91,751	75,430
	<u>175,333</u>	<u>155,682</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	955,146	1,039,936
Other creditors	257	138
Accruals	55,686	57,735
	<u>1,011,089</u>	<u>1,097,809</u>

24. 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.

25. 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.