

National Audit Office
Notre Dame Ravelin
Floriana FRN 1600
Malta

Phone: (+356) 22055555
E-mail: nao.malta@gov.mt
Website: www.nao.gov.mt
www.facebook.com/NAOMalta

Our Ref: NAO 107/2015/5
Your Ref:

2 May 2016

The Mayor and Executive Secretary
Bormla Local Council
Bormla

Dear Sir/Madam,

**AUDIT REPORT and FINANCIAL STATEMENTS
YEAR ENDING 31 DECEMBER 2016**

In terms of Section P2.06 (c.02) of the Local Councils (Audit) Procedures 2006, I am forwarding a copy of the Audit Report and Financial Statements, together with the Management Letter for the financial year ending 31 December 2016.

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

Yours faithfully,



Tanya Mercieca
Asst. Auditor General

Encls.

RECEIVED
14 MAY 2017
Reg: 05/0820/17/m
CONFIRMED SEEN
MAYOR:
LYEC. SEC.:
OWNER:

BORMLA LOCAL COUNCIL

Annual Report

and

Financial Statements

31 December 2016

Prepared by:

Kevin Farrugia FCCA, FIA, CPA

REGISTRY

25 APR 2017

NATIONAL AUDIT OFFICE

BORMLA LOCAL COUNCIL

The BORMLA LOCAL COUNCIL

Council Members

Bormla Local Council Mayor
Bormla Local Council Executive Secretary

Kevin Farrugia FCCA, FIA, CPA
Certified Public Accountant
MALTA

BORMLA LOCAL COUNCIL

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2016

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BORMLA LOCAL COUNCIL

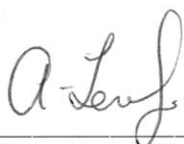
STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY RESPONSIBILITIES

For the year ended 31 December 2016

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Procedures 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the local Council (Financial) Procedures, 1996.

The financial statements were approved by the Council on 20 April 2017 and signed on its behalf by:



Alison Zerafa Civelli
Bormla Local Council
Mayor



Duncan Hall
Bormla Local Council
Executive Secretary

BORMLA LOCAL COUNCIL

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 EUR	2015 EUR
Income and revenues			
Funds received from Central Government	2	492,523	448,770
Income raised from Council Bye-Laws	3	9,699	7,598
Income from Law Enforcement Systems	4	4,898	9,208
Investment Income	5	512	507
General Income	6	15,276	2,253
Total income for the year		522,908	468,336
Expenditure			
Salaries and bonuses	7	123,950	119,969
Operations and maintenance	8	234,666	222,965
Administrative and other expenditure	9	114,594	106,906
Total expenditure for the year		473,210	449,840
Profit for the year		49,698	18,496

The accounting policies and notes on pages 9 to 22 form an integral part of the financial statements.

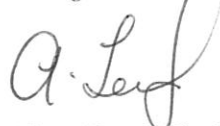
BORMLA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION


As at 31 December 2016

	Notes	2016 EUR	2015 EUR
ASSETS			
Non-current assets			
Intangible assets	10	-	97
Property, plant and equipment	11	347,618	355,269
Total non-current assets		347,618	355,366
Current assets			
Trade and other receivables	12	56,968	30,649
Cash and cash equivalents	13	193,136	132,812
Total current assets		250,104	163,461
TOTAL ASSETS		597,722	518,827
RESERVES AND LIABILITIES			
Capital and reserves			
Retained earnings		373,772	324,074
Total capital and reserves		373,772	324,074
LIABILITIES			
Non-current liabilities			
Deferred income	16	142,692	78,550
Total non-current liabilities		142,692	78,550
Current liabilities			
Interest bearing borrowings	14	12,156	11,561
Trade and other payables	15	69,102	104,642
Total current liabilities		81,258	116,203
Total liabilities		223,950	194,753
TOTAL EQUITY AND LIABILITIES		597,722	518,827

These financial statements were approved, signed and authorised for issue by the Council on the 20 April 2017 and signed on its behalf by:



Alison Zerafa Civelli
Bormla Local Council
Mayor



Duncan Hall
Bormla Local Council
Executive Secretary

The accounting policies and notes on pages 9 to 22 form an integral part of the financial statements.

BORMLA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Retained Earnings EUR	Total EUR
FINANCIAL YEAR ENDED 31 DECEMBER 2015		
At 1 January 2015	305,578	305,578
Profit for the year	18,496	18,496
At 31 December 2015	<u>324,074</u>	<u>324,074</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2016		
At 1 January 2016	324,074	324,074
Profit for the year	49,698	48,282
At 31 December 2016	<u>373,772</u>	<u>372,356</u>

The accounting policies and explanatory notes on pages 9 to 22 form an integral part of the financial statements.

BORMLA LOCAL COUNCIL

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	2016 EUR	2015 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	49,698	15,476
Adjustments for:		
Depreciation of property, plant and equipment	47,176	38,657
Amortisation	97	95
Loss on disposal of property, plant and equipment	-	1,194
Interest received	(512)	(507)
Provision for bad debts	(8,746)	(2,346)
Adjustments for working capital changes		
Movements in trade and other receivables	(17,574)	5,711
Grants released to income	(32,808)	(10,573)
Movements in trade and other payables	(36,506)	13,420
<i>Net cash generated from operating activities</i>	<u>825</u>	<u>61,127</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	8,594	(472)
Acquisition of property, plant and equipment	(48,119)	(3,320)
Interest received	512	507
<i>Net cash used in investing activities</i>	<u>(39,013)</u>	<u>(3,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Grants received	97,917	-
<i>Net cash generated from financing activities</i>	<u>97,917</u>	<u>-</u>
MOVEMENT IN CASH AND CASH EQUIVALENTS	59,729	57,842
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	121,251	63,409
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 13&14)	<u>180,980</u>	<u>121,251</u>

The accounting policies and notes on pages 9 to 22 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.1 GENERAL INFORMATION

The Bormla Local Council is a local government set up by the Local Council Act 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister. The financial statements of the Bormla Local Council for the year ended 31 December 2016 were authorised for issue by the Council Members on the 20 April 2017.

1.2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Euro, which is the Council's functional currency.

BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and IFRS Interpretations Committee (IFRS IC) applicable to the Council reporting under IFRS and comply with the Companies Act, Cap 386 of the Laws of Malta under the historical cost basis.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements.

1.3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements:

Income and revenue recognition

Income and revenue is recognised to the extent that it is probable that the economic benefits will flow to the Council and the income and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Income from investment activities is recognised when the rights of receipts have been established.

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Council's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Provisions

Provisions are recognised when the Council has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Council.

Cash and cash equivalents

Cash in hand and at banks and short-term deposits are held to maturity and carried at cost.

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the cash flows statement, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding bank overdrafts.

Borrowing costs

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

Intangible Assets

Intangible assets are initially recorded at cost. They are subsequently stated at cost less accumulated amortisation and impairment losses. Intangible assets are amortised at 25% per annum, using the straight line method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	%
Trees	0
Motor Vehicles	20
Office Equipment	20
Urban improvements (street furniture)	10
Plant and machinery	20
Furniture and fittings	7.5
Computer equipment	25
New street signs	Replacement basis
Road signs	Replacement basis
Litter bins	Replacement basis
Street Mirrors	Replacement basis
Construction works	10
Assets not yet capitalised	0

Subsequent costs are included in the asset's carrying amount 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 Council and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other income/(expenses)' in the income statement.

When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and building is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment

At the end of each reporting period the Council reviews the carrying amounts to its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future event that are believed to be reasonable under the circumstances.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making their judgement, the Council Members considered the detailed criteria for the recognition of revenue from the Law Enforcement System.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment is determined by the Local Government Department, within the Office of the Prime Minister and the Council reviews the fixed assets register items at the end of each accounting period with a view to identify any obsolete items.

1.5. GOING CONCERN

The statement of financial position suggests that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds. This factor indicates that the Council may be unable to continue as a going concern, unless with the continued support of its related parties.

2. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2016 EUR	2015 EUR
In terms of section 55 of the Local Council Act 1993	442,770	429,028
Supplementary Government Income – WasteServ allocation	1,301	1,757
Amortisation of Government Grants	32,808	10,573
Other Government Income	15,644	7,412
	<u>492,523</u>	<u>448,770</u>

3. INCOME RAISED FROM COUNCIL BYE-LAWS

	2016 EUR	2015 EUR
Permits related to construction	9,699	7,598
	<u>9,699</u>	<u>7,598</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

4. INCOME FROM LAW ENFORCEMENT SYSTEM

	2016 EUR	2015 EUR
Contraventions received	1,145	501
Contraventions accrued	(1,145)	(547)
LES commissions	4,898	6,234
Joint committee income	-	3,020
	<u>4,898</u>	<u>9,208</u>

5. INVESTMENT INCOME

	2016 EUR	2015 EUR
Bank interest	512	507
	<u>512</u>	<u>507</u>

6. GENERAL INCOME

	2016 EUR	2015 EUR
Donations	-	1,500
Adverts in council magazine	158	147
Contributions	14,568	256
Tender document fees	550	450
Receivables – water and electricity	-	(100)
	<u>15,276</u>	<u>2,253</u>

7. SALARIES AND BONUSES

	2016 EUR	2015 EUR
Salaries and bonuses include, inter alia:		
Mayor's honoraria and allowance	10,843	10,572
Council members' allowance	8,457	8,629
Executive salary allowance	32,560	31,637
Employees' salaries	64,596	61,597
Social security costs	7,494	7,534
	<u>123,950</u>	<u>119,969</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

8. OPERATIONS AND MAINTENANCE

	2016 EUR	2015 EUR
Repairs and upkeep		
Patching	166	828
Office furniture and equipment	46	71
Street signs	1,266	1,468
Other repairs and upkeep	2,444	1,518
Pavements	1,150	-
Council property	349	-
Street markings	986	671
	<u>6,407</u>	<u>4,556</u>
Contractual services		
Refuse collection	91,319	89,424
Bulky effuse collection	13,466	11,834
Tipping fees	29,889	32,633
Cleaning services	605	45
Road and street cleaning	25,309	35,851
Cleaning and maintenance – public conveniences	4,483	1,637
Cleaning council premises	3,665	5,271
Cleaning and maintenance – Soft areas	35,990	32,837
Cleaning and maintenance – Parks and gardens	14,527	-
Hire and emptying of bins on wheels	2,751	-
Street lighting	6,255	8,877
	<u>228,259</u>	<u>218,409</u>
Total operations and maintenance	<u>234,666</u>	<u>222,965</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. ADMINISTRATIVE AND OTHER EXPENSES

	2016 EUR	2015 EUR
Accountancy services	5,364	3,885
Advertising	657	1,333
AGM	69	-
Amortisation – IT Development costs	97	95
Assets disposal	-	1,194
Bad debts	7,566	-
Bank charges	172	189
Battery lease	378	-
Charge – electric vehicle	202	-
Christmas activities	20,077	-
Cleaning material	471	611
Comm equipment rental	1,160	-
Comm telephone charges	265	-
Course subsidies local residents	250	-
Cultural events	120	7,189
Depreciation of property, plant and equipment	47,176	38,657
Documentation	18	-
E-government and web space rental	(24)	120
EU Organisation	290	-
Fuel	995	916
Hire of transport	201	1,160
Insurance coverage	2,524	1,729
Interreg IIIB – emed – IT	(179)	-
IT Development services	1,076	1,561
Jum il-Kunsill	2,896	2,800
Legal services	(174)	3,386
Librarian fees	66	4,004
Library books	515	-
Local enforcement bank charges	11	-
Maintenance of vehicles	1,935	1,526
Motor vehicle licences	329	-
Operational materials	4,303	3,949
Other expenses	198	-
Other hospitality costs	1,346	3,821
Other support services	177	-
Overseas hospitality	425	-
Overseas subsistence	739	-
Overseas tickets	1,497	-
Participation fee meetings	628	-
Photocopier paper	149	-
Photocopier service	1,065	-
Postage	217	253
Printing	478	987
Provisions for bad debts	(8,746)	(2,346)
Public relations expenses	1,081	1,005
Subtotal	98,060	78,024

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

9. ADMINISTRATIVE AND OTHER EXPENSES (continued)

	2016 EUR	2015 EUR
Subtotal	98,060	78,024
Publications and newsletters	4,137	4,785
Reimbursements to council staff	81	259
Rent	2,261	2,308
Spare parts	24	-
Sports events	(80)	-
Stationery	706	2,438
Summons expenses	111	-
Sundry minor expenses	3,229	3,982
Town planning consultancy	-	9,789
Travelling expenses	-	25
TV licence	(446)	-
Uniforms	143	1,928
Water and electricity	6,368	3,368
Total administrative and other expenses	114,594	106,906

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

10. INTANGIBLE ASSETS

	Development costs EUR	Total EUR
At 1 January 2015		
Cost	510	510
Accumulated amortisation	(318)	(318)
Net book amount	192	192
Year ended 31 December 2015		
Opening net book amount	192	192
amortisation charge	(95)	(95)
Closing net book amount	97	97
At 31 December 2015		
Cost	510	510
Accumulated depreciation	(413)	(413)
Net book amount	97	97
Year ended 31 December 2016		
Opening net book amount	97	97
Amortisation charge	(97)	(97)
Closing net book amount	-	-
At 31 December 2016		
Cost	510	510
Accumulated amortisation	(510)	(510)
Net book amount	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

11. Property, plant and equipment

Cost	Trees €	Motor Vehicles €	Office Equipment €	Urban Improvements €	Plant and machinery €	Furniture and fittings €	New street Signs €	Construction works €	Assets not yet capitalised €	Total €
At 1 January 2015	13,609	8,269	33,192	199,048	5,959	61,481	21,693	798,600	-	1,141,851
Additions	-	-	446	922	74	1,879	-	-	-	3,321
Disposals	-	-	(4,073)	-	-	(479)	-	-	-	(4,552)
At 31 December 2015	13,609	8,269	29,565	199,970	6,033	62,881	21,693	798,600	-	1,140,620
Depreciation										
At 1 January 2015	-	6,861	22,845	162,205	4,760	32,347	21,693	499,813	-	750,524
Charge for the year	-	282	2,294	3,719	251	2,237	-	29,874	-	38,657
On Disposals	-	-	(3,830)	-	-	-	-	-	-	(3,830)
At 31 December 2015	-	7,143	21,309	165,924	5,011	34,584	21,693	529,687	-	785,351
Net book value										
At 31 December 2015	13,609	1,126	8,256	34,046	1,022	28,297	-	268,913	-	355,269
Cost										
At 1 January 2016	13,609	8,269	29,565	199,970	6,033	62,881	21,693	798,600	-	1,140,620
Additions	-	24,850	2,562	10,513	9,153	-	-	-	1,041	48,119
Disposals	-	-	-	-	-	(10,472)	-	-	-	(10,472)
At 31 December 2016	13,609	33,119	32,127	210,483	15,186	52,409	21,693	798,600	1,041	1,178,267
Depreciation										
At 1 January 2016	-	7,143	21,309	165,924	5,011	34,584	21,693	529,687	-	785,351
Charge for the year	-	2,296	2,053	12,758	1,521	1,660	-	26,887	-	47,175
On Disposals	-	-	-	-	-	(1,877)	-	-	-	(1,877)
At 31 December 2016	-	9,439	23,362	178,682	6,532	34,367	21,693	556,574	-	830,649
Net book value										
At 31 December 2016	13,609	23,680	8,765	31,801	8,654	18,042	-	242,027	1,041	347,618

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

12. TRADE AND OTHER RECEIVABLES

	2016 EUR	2015 EUR
Current		
Trade receivables	21,351	29,608
Provision for doubtful debts	(286)	(7,887)
Law enforcements system	326,080	327,225
Provision for LES doubtful debts	(326,080)	(327,225)
Prepayments and accrued income	35,903	8,928
	<u>56,968</u>	<u>30,649</u>

13. CASH AND CASH EQUIVALENTS

	2016 EUR	2015 EUR
Cash in hand	3,156	199
Petty cash	123	-
Bank balances - current	46,758	3,022
Bank balances - savings	143,099	129,591
	<u>193,136</u>	<u>132,812</u>

14. INTEREST BEARING BORROWINGS

	2016 EUR	2015 EUR
Bank balance overdrawn	12,156	11,561
	<u>12,156</u>	<u>11,561</u>

15. TRADE AND OTHER PAYABLES

	2016 EUR	2015 EUR
Current		
Trade payables	30,270	38,518
Law enforcement unidentified deposits	245	291
Short term deferred income	11,030	10,067
Accruals and deferred income	27,557	55,766
	<u>69,102</u>	<u>104,642</u>

BORMLA LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

16. DEFERRED INCOME

	2016 EUR	2015 EUR
At 1 January	78,550	99,190
Increase	97,918	-
Release to income statement	(32,808)	(10,573)
Deferred income transferred to short term	(968)	(10,067)
	<u>142,692</u>	<u>78,550</u>
Current deferred income	<u>11,034</u>	<u>10,067</u>
	<u>153,726</u>	<u>88,617</u>
Repayable within one year	11,034	10,067
Repayable between two and five years	44,056	35,500
Repayable in five years or more	98,636	43,050
	<u>153,726</u>	<u>88,617</u>

Deferred income represents grants received from the Ministry for Sustainable Development, the Environment and Climate Change and TM up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up to the end of the year under review.

Funds received from government regarding the funding of Kunsill Zghazagh project in 2014 was funded back to the government in the year 2016 as the project did not take place.

17. OTHER INFORMATION

Capital commitments

The Local council has committed to acquire two electric vehicles with the first vehicle amounting to €36,370 which will be funded through a capital grant from Transport Malta amounting to €60,000 for placing first in the SUMP 2014/2015 competitions. One of the electric motor vehicles was acquired during the year under review. The second vehicle will be acquired during 2017 for the amount of €36,034.

Operating lease

The Local council has committed to the payment in advance for the batteries to operate the electric motor vehicles. The Local council has shifted the risks of the batteries to the lessor, therefore the expenditure is allocated to the profit and loss account over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

18. FINANCIAL INSTRUMENTS

Financial risk factors

The Council's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management programme focuses on the unpredictability of market conditions and therefore seeks to minimise potential adverse effects on the Council's financial performance. Risk management is carried out by the Council. The Council evaluates, on a periodical basis, financial risk factors based on appropriate skills, experience and supervision.

Market Risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. The Council's policy is designed to minimise such risks by implementing the necessary safeguards to counter market risks.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (note 13), as well as credit exposures to customers, including outstanding receivables and committed transactions (Note 12). For banks and financial institutions, only independently rated parties are accepted. Risk control assesses the credit quality of customers, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the year and management does not expect any losses from non-performance by these counterparties.

Liquidity risk

The Council is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, comprising trade and other payables (note 15). Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Council maintains flexibility in funding by maintaining availability under committed credit lines. The Council monitors its liquidity on the basis of expected cash flow. This entails projecting cash flows and considering the level of liquid assets necessary to meet the Council's obligations as they fall due.

Capital risk management

The Council's objectives when managing capital are to safeguard its ability to continue to operate as a going concern in order to provide returns for shareholder and to maintain an optimal structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Council may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Council monitors capital on the basis of its gearing ratio.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar instruments.

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Bormla Local Council set out on pages 5 to 22 which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for qualified opinion

The council's financial statements do not include all the quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures. These include information about the council's maximum exposure to credit risk, the contractual maturities of the council's liabilities, details of any receivables that are past due but not impaired and categories of financial assets and liabilities at the end of the reporting period.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of those charged with governance for the financial statements

As described on page 4 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line extending to the right.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

20 April 2017