



Ma' Sigras Għalik Bhekk

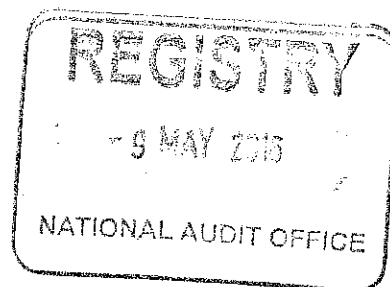
HAD-DINGLI LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2015



Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2015

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

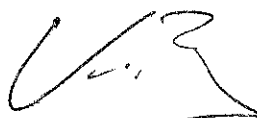
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it 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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 22nd April 2016 and signed on its behalf by



Sandro Azzopardi
Mayor



Kevin Borg
Acting Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	346,985	340,897
Income raised under Local Enforcement System	5	2,895	1,619
General Income	6	25,435	17,588
		<u>375,315</u>	<u>360,104</u>
EXPENDITURE			
Personal emoluments	8	(52,564)	(50,207)
Operations and maintenance expenses	9	(133,676)	(153,593)
Administration and other expenditure	10	(148,222)	(155,781)
		<u>(334,462)</u>	<u>(359,581)</u>
Operating profit for the year		40,853	523
Finance income	11	256	249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>41,109</u></u>	<u><u>772</u></u>


The notes on pages 8 to 24 form an integral part of these financial statements

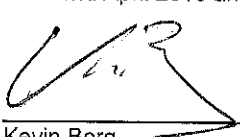
STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		2015 €	2014 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,540,925	1,257,994
Intangible Fixed Assets	12	294	375
		<u>1,541,219</u>	<u>1,258,369</u>
Current Assets			
Receivables	14	73,683	155,156
Cash and Cash Equivalents	15	233,601	127,846
		<u>307,284</u>	<u>283,002</u>
Total Assets		<u>1,848,503</u>	<u>1,541,371</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Earnings		461,533	441,712
		<u>461,533</u>	<u>441,712</u>
Non-Current Liabilities			
Payables	16	7,096	-
Deferred income	17	846,949	839,399
		<u>854,045</u>	<u>839,399</u>
Current Liabilities			
Payables	16	442,684	245,986
Deferred income	17	90,241	14,274
		<u>532,925</u>	<u>260,260</u>
Total Reserves and Liabilities		<u>1,848,503</u>	<u>1,541,371</u>

These financial statements were approved by the Local Council on 22nd April 2016 and signed on its behalf by:


 Sandro Azzopardi
 Mayor


 Kevin Borg
 Acting Executive Secretary

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Retained Funds €
At 1 January 2014	440,940
Profit for the year	772
At 31 December 2014	441,712
At 1 January 2015	441,712
Prior-year adjustment	(21,288)
Re-stated balance as at 1 January 2015	420,424
Profit for the year	41,109
At 31 December 2015	461,533

The notes on pages 8 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 €	2014 €
Note		
Cash flows from Operating Activities		
Total comprehensive profit for the year	41,109	772
Reconciliation to cash generated from operations:		
Depreciation	68,918	65,717
Grant released	(23,279)	(15,602)
Interest receivable	(256)	(249)
Operating Profit before Working Capital Changes	86,492	50,638
Decrease in inventories	-	654
Decrease/(increase) in Trade and Other Receivables	81,473	(128,906)
Increase in Trade Payables	214,918	50,770
(Decrease) in Other Payables	(11,124)	(30,110)
Cash generated from/(used in) operating activities	371,759	(56,954)
Cash flows from Investing Activities		
Interest received	256	249
Purchase of property, plant & equipment	(351,769)	(124,902)
Receipt of grant	85,509	240,675
Cash generated from/(used in) investing activities	(266,004)	116,022
Net Increase in Cash and Cash Equivalents	105,755	59,068
Cash and Cash Equivalents at the Beginning of the year	127,846	68,778
Cash and Cash Equivalents at the End of the year	233,601	127,846
15		

The notes on pages 8 to 24 form an integral part of these financial statements

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

1. General Information

The Had-Dingli Local Council is the local Authority of Malta set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at Centre of the Community, Daħla tas-Sienja, Had-Dingli. These financial statements were approved for issue by the Council Members on 22nd April 2016. The Local Council's presentation as well as functional currency is 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 as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

New and amended standards adopted by the Local Council

During the year under review, the Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

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 reflects 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: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); 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); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

New standards and amendments not yet effective and not yet adopted by the Local Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2016 or later periods, but the Council has not early adopted them:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 "Revenue;" and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case of IAS 31 Interests in Joint Ventures). Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities-Non-monetary Contributions by Ventures. At the same time, the IASB issued a revised version of IAS 28 Investments in Associates and Joint Ventures. The new and revised Standards are applicable for annual periods beginning on or after 1 January 2014, with earlier application being permitted. However when endorsing these Standards the European Union has allowed that these become applicable for annual periods beginning on and after 1 January 2014, with earlier application being permitted.

Notes to the Financial Statements for the period ended 31 December 2015 (cont.)**Accounting Policies and Reporting Procedures (cont.).**

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 Council anticipates 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.

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	%
Trees	0
Buildings	0
Office Furniture and Fittings	1
Construction Works	7.5
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	10
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	20
Plants	25
Litter Bins	100
Playground Furniture	Replacement basis
Traffic Signs	100
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	Replacement basis
	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 statement of financial position date. 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 council 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 period in which they are incurred.

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 Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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.

Notes to the Financial Statements for the period ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 transactions 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.

Notes to the Financial Statements for the period ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

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 and it can be measured reliably. Interest income is recognised in the statement of comprehensive income 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 Had-Dingli Local Council formed part of the North Joint Committee until August 2012. As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and Local Enforcement System Agency.

Government grants

Government grants relating to costs are deferred and recognised in the statement of comprehensive income 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 over the expected lives of the related assets.

Notes to the Financial Statements for the period ended 31 December 2015 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 surpluses 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 cash equivalents

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

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 positive 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.

3. Judgments in applying accounting policies and key sources of estimation

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

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

4. Funds received from central government

	2015	2014
	€	€
In terms of section 55 of the Local Councils Act	309,638	299,308
Supplementary Government Income	8,094	20,966
Other Government Income	5,974	5,021
Grants Released	23,279	15,602
	<u>346,985</u>	<u>340,897</u>

5. Local Enforcement system

	2015	2014
	€	€
Administrative charges to Regional Committees/LESA	2,895	1,619
	<u>2,895</u>	<u>1,619</u>

6. General Income

	2015	2014
	€	€
Cultural Events	1,223	1,393
Community services	10,212	7,456
Sponsorships and donations	1,665	500
Tender Documents/Info Charges	1,940	1,755
Temporary permits	3,862	2,067
Sale of books and maps	12	52
Other Income	6,521	4,365
	<u>25,435</u>	<u>17,588</u>

7. Profit for the year

	2015	2014
	€	€
Profit for the year is stated after charging		
Staff salaries	52,564	50,207
Depreciation of non-current assets	68,918	65,717

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**8. Personal Emoluments**

	2015 €	2014 €
Mayor's Remuneration and allowances	7,048	6,868
Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	13,256	11,043
Employees' Salaries	24,140	24,472
Social Security Contributions	1,720	1,424
	<u>52,564</u>	<u>50,207</u>

9. Operations and Maintenance

	2015 €	2014 €
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	6,788	-
Signs	2,154	5,028
Road Markings	910	873
Office furniture and equipment	199	332
Plant & equipment	25	108
Motor vehicle repairs	489	1,582
Patching works	4,596	2,338
Other repairs and upkeep	1,788	4,456
	<u>16,949</u>	<u>14,717</u>
<i>Contractual Services:</i>		
Waste Disposal	16,840	21,095
Refuse Collection	27,759	38,239
Bulky Refuse Collection	14,421	7,005
Hiring of skips - bins on wheels	1,620	1,730
Cleaning services	126	319
Cleaning - Public Conveniences	1,922	1,869
Road & Street Cleaning	30,463	36,005
Other contractual services	12,752	11,686
Cleaning & Maintaining Parks & Gardens	1,722	8,647
Street Lighting	9,102	11,587
Local enforcement expenses	-	694
	<u>116,727</u>	<u>138,876</u>
 Total Operations and Maintenance Costs	 <u>133,676</u>	 <u>153,593</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**10. Administration and other expenditure**

	2015	2014
	€	€
Utilities	8,578	13,966
Materials and supplies	5,692	4,745
Rent	1,426	1,321
National and International Memberships	252	527
Postage and couriers	162	338
Office Services	2,575	5,500
Transport	7,189	8,520
Travel	-	1,351
Information Services	122	2,845
Insurance Coverage	2,261	2,601
Bank charges	70	106
Professional Services	11,217	10,372
Training	887	4,407
Other Hospitality Costs	349	3,655
Social and cultural events	12,600	25,711
Community Services	6,781	2,765
Penalties	11,738	-
EU expenses	-	1,334
Bad debts	1,075	-
Provision for bad debts	6,330	-
Depreciation and amortisation	68,918	65,717
	<u>148,222</u>	<u>155,781</u>

11. Finance Income

	2015	2014
	€	€
Bank Interest Receivable	256	249
	<u>256</u>	<u>249</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**12. Intangible Fixed Assets**

	Computer software €	Total €
Cost		
At 1 January 2014	495	495
Additions	-	-
At 31 December 2014	495	495
Depreciation		
At 1 January 2014	17	17
Charge for the year	103	103
At 31 December 2014	120	120
Net Book values		
At 31 December 2014	375	375

	Computer software €	Total €
Cost		
At 1 January 2015	495	495
Additions	-	-
At 31 December 2015	495	495
Depreciation		
At 1 January 2015	120	120
Charge for the year	81	81
At 31 December 2015	201	201
Net Book values		
At 31 December 2015	294	294

HAD-DINGLI LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

13. Property, plant and equipment

Cost	Council Premises €	Construction & Special Programmes €	Assets under Construction €	Street Signs €	Urban Improvements €	Plant & Machinery €	Office Furniture Fixt. & fittings €	Computer Equipment €	Motor Vehicles €	Trees €	Total €
At 1 January 2014	161,169	1,492,203	477,192	36,230	132,539	9,423	67,209	49,225	12,113	2,997	2,440,300
Additions	-	36,328	85,591	-	-	800	-	2,183	-	-	-
Assets Capitalised	-	77,244	(77,244)	-	-	-	-	-	-	-	124,902
At 31 December 2014	161,169	1,605,775	485,539	36,230	132,539	10,223	67,209	51,408	12,113	2,997	2,565,202
Depreciation											
At 1 January 2014	13,379	270,770	-	36,230	90,822	3,333	36,346	39,027	7,543	-	497,450
Charge for the year	1,471	53,534	-	-	3,986	1,139	2,237	2,410	834	-	65,611
At 31 December 2014	14,850	324,304	-	36,230	94,808	4,472	38,583	41,437	8,377	-	563,061
Grants											
At 1 January 2014	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2014	-	744,147	-	-	-	-	-	-	-	-	744,147
Net Book values											
At 31 December 2014	146,319	537,324	485,539	-	37,731	5,751	28,626	9,971	3,736	2,997	1,257,994

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)

13. Property, plant and equipment (cont.)

	Council Premises	Construction & Special Programmes	Assets under Construction	Street Signs	Urban Improvements	Plant & Machinery	Office Furniture & fittings	Computer Equipment	Motor Vehicles	Trees	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2015	161,169	1,605,775	485,539	36,230	132,539	10,223	67,209	51,408	12,113	2,997	2,565,202
Additions	-	321,922	28,000	-	347	-	-	1,500	-	-	351,769
Assets Capitalised	-	485,539	(485,539)	-	-	-	-	-	-	-	-
At 31 December 2015	161,169	2,413,236	28,000	36,230	132,886	10,223	67,209	52,908	12,113	2,997	2,916,971
Depreciation											
At 1 January 2015	14,850	324,304	-	36,230	94,808	4,472	38,583	41,437	8,377	-	563,061
Charge for the year	1,456	57,703	-	-	3,613	1,050	2,075	2,258	683	-	68,838
On disposal	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2015	16,306	382,007	-	36,230	98,421	5,522	40,658	43,695	9,060	-	631,899
Grants											
At 1 January 2015	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2015	-	744,147	-	-	-	-	-	-	-	-	744,147
Net Book values											
At 31 December 2015	144,863	1,287,082	28,000	-	34,465	4,701	26,551	9,213	3,053	2,997	1,540,925

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**14. Receivables**

	2015	2014
	€	€
Accounts receivables	2,811	1,794
Prepayments and accrued income	70,872	153,362
	<u>73,683</u>	<u>155,156</u>

Receivables

General receivables are analysed as follows:

	2015	2014
	€	€
Within credit period	2,811	1,794
Exceeded credit period but not impaired	-	-
Impaired and provided for	15,402	15,222
Provision for doubtful debts	<u>(15,402)</u>	<u>(15,222)</u>
	<u>2,811</u>	<u>1,794</u>

Included in the accounts receivable are amounts due from related parties amounting to €2,541 (2014 : €1,344). These amounts are unsecured, interest free and repayable on demand.

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €15,222 (2014 - €15,222).

15. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2015	2014
	€	€
Cash at Bank	232,924	125,406
Cash in Hand	677	2,440
	<u>233,601</u>	<u>127,846</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**16. Payables**

	2015	2014
	€	€
Payables	334,003	119,085
Accruals and deferred income	115,777	126,901
	<u>449,780</u>	<u>245,986</u>
Current Payables	<u>442,684</u>	<u>245,986</u>
Non-Current Payables	<u>7,096</u>	<u>-</u>
Non-Current Payables		
Payable between one and two years	7,096	-
Payable between two and five years	-	-
Payable in five years or more	-	-
	<u>7,096</u>	<u>-</u>

Included in the accounts payable are amounts due to related parties amounting to €36,919 (2014 : €20,840). These amounts are unsecured, interest free and repayable on demand.

17. Deferred Income

	2015	2014
	€	€
Government grants		
At 1 January	853,673	621,494
Increase in year	106,796	247,781
	<u>960,469</u>	<u>869,275</u>
Released in year	(23,279)	(15,602)
	<u>937,190</u>	<u>853,673</u>
Current Deferred Income	<u>90,241</u>	<u>14,274</u>
Non-Current Deferred Income	<u>846,949</u>	<u>839,399</u>
Deferred Government Grants		
Deferred between one and two years	88,297	7,100
Deferred between two and five years	217,158	17,034
Deferred in five years or more	541,494	815,265
	<u>846,949</u>	<u>839,399</u>
Deferred after five years or more:		
Government Grants	<u>541,494</u>	<u>815,265</u>

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**18. Capital Commitments**

	2015	2014
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	-	32,000
- Contracted for but not provided in the financial statements	-	-
(i) Approved but not yet contracted for:		
Construction		10,000
Improvements		12,000
Special Programmes		10,000
	-	32,000
(i) Contracted for but not provided in the Financial Statements:		
Road resurfacing	-	-
	-	-

19. Ultimate controlling party

The ultimate controlling party of the local council is 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.

20. 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 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 income is received from sources 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.

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 monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 233,601. This should ensure an ongoing working capital of the Council for the next 12 months.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**20. Financial Risk Management (cont.)***Going Concern Risk*

The Council made a net profit of €41,109 (2014: €772) during the year ended 31 December 2015, and as at that date, the Council had a negative current net asset position of €135,400 (2014: €88,036). These financial statements have been prepared on a going concern basis in view of the fact that it is understood that the ultimate controlling party will provide adequate funds for the Council to cover present liabilities as well as short term obligations and commitments arising.

	2015	2014
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	2,811	1,794
Cash and Cash Equivalents	233,601	127,846
	<u>236,412</u>	<u>129,640</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>326,907</u>	<u>119,085</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 currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Notes to the Financial Statements for the year ended 31 December 2015 (cont.)**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 Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint Control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

The amounts due from / to related parties at year-end are disclosed in notes 14 and 16. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

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

	Related party activity	2015 Total activity	%	Related party activity	2014 Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	323,706			325,295		
Transactions with regions	2,895			1,619		
	<u>326,601</u>	<u>375,315</u>	<u>87</u>	<u>326,914</u>	<u>360,104</u>	<u>91</u>
<i>Expenditure</i>						
Transactions with government entities	19,258			21,892		
Key personnel remuneration	52,564			50,207		
	<u>71,822</u>	<u>334,462</u>	<u>21</u>	<u>72,099</u>	<u>359,581</u>	<u>20</u>

22. 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.

LOCAL COUNCIL DINGLI

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL DINGLI, which comprise the statement of financial position on page 5 as of 31st December 2015, and 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.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Members and the Executive Secretary, 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

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of article 72 of the Local Councils Act (Cap. 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income or expenditure that could have been recorded in the financial statements as well as on any accrued income or liabilities present as at end of the current financial year.

The Council does not maintain an appropriate fixed asset register to record its acquisitions of property, plant and equipment. We could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balances of property, plant and equipment as recorded in the financial statements and having a net book value of €1,541,219 as well as on the completeness of the depreciation charged thereupon.

Additions made by the Council during 2014 and 2015 amounting to €807,461 for tangible assets special programmes, could not be properly supported by adequate documentation, thus limiting us from obtaining reasonable assurance on the amount being recognised in the financial statements.

The Council recognised Government Grants as deferred income (net of releases) in the financial statements and amounting to €937,190 and a further amount of €23,279 released from deferred income to the Statement of Comprehensive Income. We were not provided with adequate and

supporting information to provide reasonableness and accuracy to the amounts being recorded, recognised and disclosed.

The financial statements include an accrual of €67,404 with respect to road works undertaken through the Public Private Partnership Scheme. This amount payable should have been classified partly as long-term and partly as short-term payables in line with the provisions of IAS 1 – Presentation of Financial Statements and generally accepted accounting principles. Moreover, the Council failed to apply and include disclosure with respect to IAS39 - Financial Instruments: Recognition & Measurement which requires that such long-term obligations are accounted for at amortised cost. This entails that after initial recognition this liability is measured at amortised cost using the effective interest method, less provision for any impairment. In this regard, the Council should have accounted for this liability accordingly using a proper discount rate which equates to the Council's cost of capital. No such adjustments were forthcoming in the Council's records and financial statements.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to new and revised standards as per the requirements of IAS 1- Presentation of Financial Statements and certain disclosure requirements arising from IAS 2 – Inventories, IAS 24- Related Party Disclosures, IAS 38 – Intangible assets, IFRS 7- Financial Instruments: Disclosures as well as appropriate recognition and measurement in relation to correction of errors in line with IAS 8- Accounting policies, Changes in Accounting Estimates and Correction of Errors, IAS 20 - Accounting for Government grants and disclosures, and accounting for effective interest in relation to the amounts due under the PPP scheme in line with the requirements of IAS 39 - Financial Instruments: Recognition & Measurement.


The Statement of Financial Position on page 5 and the notes thereto, with special reference to note 20, 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.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Local Council Dingli as at 31st December, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996. According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by
Christian Vella (Partner) on its behalf

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Certified Public Accountants
Level 2, Palazzo Ca' Brugnera
Valley Road
Birkirkara BKR9024
Malta

Date: 22 April 2016