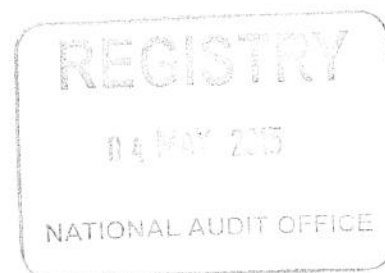


*Non Segnis Eules Phœnix*

## HAD-DINGLI LOCAL COUNCIL

### Annual Report and Financial Statements

for the year ended 31 December 2014



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2014**

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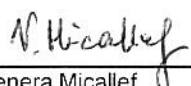
**Statement of Local Council Members' and Executive Secretary's Responsibilities**

**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 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 24 April 2015 and signed on its behalf by

  
Venera Micallef  
Mayor

  
Joan Mangion  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2014

		2014 €	2013 €
	<i>Notes</i>		
<b>INCOME</b>			
Funds received from Central Government	4	340,897	324,631
Income raised under Local Enforcement System	5	1,619	1,641
General Income	6	17,588	33,819
		<u>360,104</u>	<u>360,091</u>
 <b>EXPENDITURE</b>			
Personal emoluments	8	(50,207)	(61,541)
Operations and maintenance expenses	9	(153,593)	(146,013)
Administration and other expenditure	10	(155,781)	(161,974)
		<u>(359,581)</u>	<u>(369,528)</u>
 <b>Operating profit/ (loss) for the year</b>		523	(9,437)
 Finance income	11	249	319
 <b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<u><u>772</u></u>	<u><u>(9,118)</u></u>


The notes on pages 8 to 26 form an integral part of these financial statements

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2014

		2014 €	2013 €
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	1,257,994	1,198,703
Intangible Fixed Assets	12	375	478
		<u>1,258,369</u>	<u>1,199,181</u>
<b>Current Assets</b>			
Inventories	14	-	654
Receivables	15	155,156	24,456
Cash and Cash Equivalents	16	127,846	68,778
		<u>283,002</u>	<u>93,888</u>
<b>Total Assets</b>		<u><b>1,541,371</b></u>	<u><b>1,293,069</b></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Earnings		441,712	440,940
		<u>441,712</u>	<u>440,940</u>
<b>Non-Current Liabilities</b>			
Deferred income	18	839,399	612,529
		<u>839,399</u>	<u>612,529</u>
<b>Current Liabilities</b>			
Payables	17	245,986	230,635
Deferred income	18	14,274	8,965
		<u>260,260</u>	<u>239,600</u>
<b>Total Reserves and Liabilities</b>		<u><b>1,541,371</b></u>	<u><b>1,293,069</b></u>

These financial statements were approved by the Local Council on 24 April 2015 and signed on its behalf by:

  
 Venera Micallef  
 Mayor

  
 Joan Mangion  
 Executive Secretary

The notes on pages 8 to 26 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2014

	<b>Retained Funds €</b>
At 1 January 2013	462,982
Prior-year adjustment	(12,924)
<b>Re-stated balance as at 1 January 2013</b>	<b>450,058</b>
Loss for the year	(9,118)
<b>At 31 December 2013</b>	<b>440,940</b>
At 1 January 2014	440,940
Profit for the year	772
<b>At 31 December 2014</b>	<b>441,712</b>

The notes on pages 8 to 26 form an integral part of these financial statements

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2014

	2014 €	2013 €
Note		
<b>Cash flows from Operating Activities</b>		
<b>Total comprehensive profit/(loss) for the year</b>	772	(9,118)
Reconciliation to cash generated from operations:		
Depreciation	65,717	64,492
Grant released	(15,602)	(10,042)
Interest receivable	(249)	(319)
Operating Profit before Working Capital Changes	50,638	45,013
Decrease in inventories	654	-
Increase in Trade and Other Receivables	(128,906)	(1,419)
Increase/(decrease) in Trade Payables	50,770	(5,481)
Decrease in Other Payables	(30,110)	(6,660)
<b>Cash generated from/(used in) operating activities</b>	<b>(56,954)</b>	<b>31,453</b>
<b>Cash flows from Investing Activities</b>		
Interest received	249	319
Purchase of intangible assets	-	(495)
Purchase of property, plant & equipment	(124,902)	(144,710)
Receipt of grant	240,675	28,309
<b>Cash generated from/(used in) investing activities</b>	<b>116,022</b>	<b>(116,577)</b>
<b>Cash flows from Financing Activities</b>		
Net Increase/(Decrease) in Cash and Cash Equivalents	59,068	(85,124)
Cash and Cash Equivalents at the Beginning of the year	68,778	153,902
<b>Cash and Cash Equivalents at the End of the year</b>	<b>127,846</b>	<b>68,778</b>
16		

The notes on pages 8 to 26 form an integral part of these financial statements

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

**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 24 April 2015. 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 Council*

The Local Council has adopted the following International Financial Reporting Standards as adopted by the EU:

Certain new standards, amendments and interpretation to existing standards, have been published by the date of authorisation or issue of these financial statements but are mandatory for the Council's accounting periods beginning after 1 January 2014, including IFRS 9, 'Financial instruments', amongst other pronouncements.

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.



**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

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.

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2014. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

On 27 June 2013 the IASB published narrow-scope amendments to IAS 30 Financial Instruments. Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). These amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

On 20 May 2013, IFRIC 21 Levies was issued. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

On 12 May 2011, the International Accounting Standards Board (IASB) issued IFRS 11 Joint Arrangements. 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.

IFRS 12 Disclosure of Interests in Other Entities (effective January 2014) addresses disclosure requirements for certain interest in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of other interests on its financial position, financial performance and cash flows.

*New important standards and amendments not yet adopted by the Association*

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Association's accounting periods beginning on or after 1 January 2015 or later periods, but the Association has not early adopted them:

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.

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 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 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.

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.

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.

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

IFRS 9 (2009) and (2010) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. IFRS 9 (2010) introduces additional changes relating to financial liabilities. 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.

**Notes to the Financial Statements for the period ended 31 December 2014 (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.

*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 20% 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 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.

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*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.

*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. Provision is made where necessary for obsolete, slow moving and defective stocks.

*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.

*Trade and other payables*

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and 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.

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*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 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. 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.



**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**

**Accounting Policies and Reporting Procedures (cont.)**

*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 statement of comprehensive income over the expected lives of the related assets.

*Foreign currencies*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

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

*Borrowing costs*

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

*Profits and losses*

Only 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 negative at the reporting date but has improved 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.

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)****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.

**4. Funds received from central government**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act	299,308	299,661
Supplementary Government Income	20,906	2,534
Other Government Income	5,021	12,394
Grants Released	15,692	10,042
	<u>340,897</u>	<u>324,631</u>

**5. Local Enforcement system**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Administrative charges to Regional Committees	1,619	1,641
	<u>1,619</u>	<u>1,641</u>

**6. General Income**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Cultural Events	1,393	5,650
Community services	7,456	18,654
Sponsorships and donations	500	4,129
Contributions from WSC Reinstatement works	-	150
Tender Documents/Info Charges	1,755	-
Green MT	-	1,560
Temporary permits	2,067	2,150
Sale of books and maps	52	392
Income from vending machines	-	150
Other Income	4,365	984
	<u>17,588</u>	<u>33,819</u>

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**

**7. Profit / Loss for the year**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Loss for the year is stated after charging		
Staff salaries	50,207	61,541
Depreciation of non-current assets	<u>65,717</u>	<u>64,492</u>

**8. Personal Emoluments**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Mayor's Remuneration and allowances	6,868	6,608
Councillors' Allowances	6,400	6,037
Executive Secretary Salary and Allowances	11,043	17,340
Employees' Salaries	24,472	28,529
Social Security Contributions	<u>1,424</u>	<u>3,027</u>
	<u>50,207</u>	<u>61,541</u>



Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**9. Operations and Maintenance**

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Signs	5,028	2,468
Road Markings	873	1,368
Office furniture and equipment	332	1,647
Plant & equipment	108	1,102
Motor vehicle repairs	1,582	653
Public property	-	1,072
Patching works	2,338	2,587
Other repairs and upkeep	4,456	3,698
	<u>14,717</u>	<u>14,595</u>
<i>Contractual Services:</i>		
Waste Disposal	21,095	22,904
Refuse Collection	38,239	42,948
Bulky Refuse Collection	7,005	5,240
Lease of equipment	-	501
Hiring of skips - bins on wheels	1,730	-
Cleaning services	319	235
Cleaning - Public Conveniences	1,869	-
Road & Street Cleaning	36,005	32,841
Other contractual services	11,686	11,145
Cleaning & Maintaining Parks & Gardens	8,647	8,220
Street Lighting	11,587	6,880
Local enforcement expenses	694	504
	<u>138,876</u>	<u>131,418</u>
 Total Operations and Maintenance Costs	 <u>153,593</u>	 <u>146,013</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**10. Administration and other expenditure**

	2014	2013
	€	€
Utilities	13,966	11,360
Materials and supplies	4,745	5,498
Rent	1,321	1,543
National and International Memberships	527	277
Postage and couriers	338	211
Office Services	5,500	3,503
Transport	8,520	10,028
Travel	1,351	17,302
Information Services	2,845	755
Insurance Coverage	2,601	3,655
Licenses and permits	-	256
Bank charges	106	205
Professional Services	10,372	10,843
Training	4,407	-
Other Hospitality Costs	3,655	6,137
Social and cultural events	25,711	20,196
Community Services	2,765	5,111
Penalties	-	602
EU expenses	1,334	-
Depreciation and amortisation	65,717	64,492
	<u>155,781</u>	<u>161,974</u>

**11. Finance Income**

	2014	2013
	€	€
Bank Interest Receivable	249	319
	<u>249</u>	<u>319</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)**12. Intangible Fixed Assets**

	Computer software €	Total €
<b>Cost</b>		
At 1 January 2013	-	-
Additions	495	495
	<hr/>	<hr/>
At 31 December 2013	495	495
	<hr/>	<hr/>
<b>Depreciation</b>		
At 1 January 2013	-	-
Charge for the year	17	17
	<hr/>	<hr/>
At 31 December 2013	17	17
	<hr/>	<hr/>
<b>Net Book values</b>		
At 31 December 2013	478	478
	<hr/>	<hr/>

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

## Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

## 13. Property, plant and equipment

	Council Premises	Cons. & Special Prog.	Assets under Construct.	Street Signs	Urban Impr.	Plant & Machinery	Office Furn., Fixt & fittings	Computer Equipment	Motor Vehicles	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
At 1 January 2013	161,169	1,426,600	400,463	36,230	131,105	9,423	66,315	49,175	12,113	2,997	2,295,590
Additions	-	24,402	117,930	-	1,434	-	894	50	-	-	144,710
Assets Capitalised	-	41,201	(41,201)	-	-	-	-	-	-	-	-
At 31 December 2013	161,169	1,492,203	477,192	36,230	132,539	9,423	67,209	49,225	12,113	2,997	2,440,300
<b>Depreciation</b>											
At 1 January 2013	11,893	219,783	-	36,230	86,476	1,972	33,990	36,109	6,521	-	432,974
Charge for the year	1,486	50,987	-	-	4,346	1,361	2,356	2,918	1,022	-	64,476
At 31 December 2013	13,379	270,770	-	36,230	90,822	3,333	36,346	39,027	7,543	-	497,450
<b>Grants</b>											
At 1 January 2013	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2013	-	744,147	-	-	-	-	-	-	-	-	744,147
<b>Net Book values</b>											
At 31 December 2013	147,790	477,286	477,192	-	41,717	6,090	30,863	10,198	4,570	2,997	1,198,703

Notes to the Financial Statements for the year ended 31 December 2014 (cont.)

**13. Property, plant and equipment (cont.)**

	Council Premises	Construction & Special Programmes	Assets under Construction	Street Signs	Urban Improvements	Plant & Machinery	Office Furniture, Fixtures & fittings	Computer Equipment	Motor Vehicles	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>											
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	-	32,345	85,591	-	-	800	-	2,183	-	-	124,902
Reclassification	-	77,244	(77,244)	-	-	-	-	-	-	-	-
At 31 December 2014	161,169	1,601,792	489,522	36,230	132,539	10,223	67,209	51,408	12,113	2,997	2,565,202
<b>Depreciation</b>											
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	-	55,611
On disposal	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2014	14,850	324,304	-	36,230	94,808	4,472	38,583	41,437	8,377	-	563,061
<b>Grants</b>											
At 1 January 2014	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2014	-	744,147	-	-	-	-	-	-	-	-	744,147
<b>Net Book values</b>											
At 31 December 2014	146,319	533,341	489,522	-	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 2014 (cont.)****14. Inventories**

	2014	2013
	€	€
Books published by Council held in stock	-	654

**15. Receivables**

	2014	2013
	€	€
Accounts receivables	1,794	-
Prepayments and accrued income	153,362	24,456
	<u>155,156</u>	<u>24,456</u>

*Receivables*

General receivables are analysed as follows:

	2014	2013
	€	€
Within credit period	1,794	-
Exceeded credit period but not impaired	-	-
Impaired and provided for	15,222	1,467
Provision for doubtful debts	<u>(15,222)</u>	<u>(1,467)</u>
	<u>1,794</u>	<u>-</u>

Included in the accounts receivable are amounts due from related parties amounting to €1,344 (2013 : 0). 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 (2013 - €1,467).

**16. Cash & cash equivalents**

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

	2014	2013
	€	€
Cash at Bank	125,406	68,410
Cash in Hand	2,440	368
	<u>127,846</u>	<u>68,778</u>

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)****17. Payables**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Payables	119,085	68,315
Accruals and deferred income	126,901	162,320
	<u>245,986</u>	<u>230,635</u>

*Payables*

General payables are analysed as follows:

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
Within credit period	96,235	54,886
Exceeded credit period but not impaired	22,850	13,429
	<u>119,085</u>	<u>68,315</u>

Included in the accounts payable are amounts to from related parties amounting to €20,840 (2013 : €14,129). These amounts are unsecured, interest free and repayable on demand.

**18. Deferred Income**

	<b>2014</b>	<b>2013</b>
	<b>€</b>	<b>€</b>
<b>Government grants</b>		
At 1 January	621,494	603,493
Increase in year	247,781	28,043
	<u>869,275</u>	<u>631,536</u>
Released in year	(15,602)	(10,042)
At 31 December	<u>853,673</u>	<u>621,494</u>
<b>Current Deferred Income</b>	<u>14,274</u>	<u>8,965</u>
<b>Non-Current Deferred Income</b>	<u>839,399</u>	<u>612,529</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	7,100	8,965
Deferred between two and five years	17,034	21,404
Deferred in five years or more	815,265	582,160
	<u>839,399</u>	<u>612,529</u>
<b>Deferred after five years or more:</b>		
Government Grants	<u>815,265</u>	<u>582,160</u>

**Notes to the Financial Statements for the year ended 31 December 2014 (cont.)****19. Capital Commitments**

	2014	2013
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	32,000	83,700
(i) Approved but not yet contracted for:		
Construction	10,000	26,000
Improvements	12,000	49,700
Special Programmes	10,000	8,000
	<u>32,000</u>	<u>83,700</u>

**20. 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.

**21. 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 125,500. 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 2014 (cont.)****21. Financial Risk Management (cont.)***Going Concern Risk*

The Council made a net profit of €772 (2013: loss €9,118) during the year ended 31 December 2014, and as at that date, the Council had a negative current net asset position of €88,036 (€145,712). 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.

**Summary of financial assets and liabilities by category:**

	2014	2013
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Accounts and other receivables	1,794	-
Cash and Cash Equivalents	127,846	68,778
	<u>129,640</u>	<u>68,778</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>119,085</u>	<u>68,315</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 2014 (cont.)****22. Related party transactions**

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local 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
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 15 and 17. 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:

	2014			2013		
	Related party activity	Total activity	%	Related party activity	Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	325,295			314,589		
Transactions with regions	1,619			1,641		
	<u>326,914</u>	<u>360,104</u>	<u>91</u>	<u>316,230</u>	<u>360,091</u>	<u>88</u>
<i>Expenditure</i>						
Transactions with government entities	21,892			18,492		
Key personnel remuneration	50,207			61,541		
	<u>72,099</u>	<u>359,581</u>	<u>20</u>	<u>80,033</u>	<u>369,528</u>	<u>22</u>

**23. 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 31<sup>st</sup> December 2014, 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 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, 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 qualified 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 August 2011, thereafter 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, as well as on any related expenditure, 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 acquisitions of property, plant and equipment and a list of all projects in progress. 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 including assets not yet capitalised of €477,192 as well as on the completeness of the depreciation charged thereupon.

The Council failed to provide us with adequate supporting documentation in respect of an amount of €12,750 recognised as accrued income. We could not obtain reasonable assurance on the existences and valuation of this balance.

The Council has recognised an amount of €853,673 as deferred income at year end (note 18 on page 23). The Council failed to provide us with adequate details and information on the Government Grants. In fact, deferred income recognised in respect to the Project Heritage Trail amounts to €474,357 which total is not agreeing with the information provided by the Council. Similarly, deferred income recognised in respect to Measure 323/2010 amounts to €67,413 which total is not agreeing with the supporting documentation provided by the Council. We were limited in testing whether the correct amount of grants were recognised and disclosed in the financial statements and we could not test the accuracy of the amount released as income.

The financial statements include an accrual of €90,888 with respect to road works undertaken through the Public Private Partnership (PPP) scheme. The valuation method used is not in line with the requirements of IAS 39 – Financial Instruments-Recognition and Measurements, which requires that such loans are accounted for at amortised cost using the effective interest method, less provision for any impairment. Moreover, the Council failed to make a distinction between short-term and long term obligations and to disclose information in accordance with the IAS 39.

### ***Qualified Opinion***

In our opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Dingli Local Council as at 31<sup>st</sup> December 2014 and of its financial performance and its cash flows for the year then ended and are in accordance with International Financial Reporting Standards as adopted by the European Union.

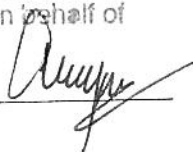
### ***Opinion on Other Legal and Regulatory Requirements***

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.

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. In view of the matter set out in paragraph two, these financial statements are qualified as they have not been prepared in line with the requirements of International Financial Reporting Standards.

The Council has a positive net current asset of €22,742 at year-end. However, the Council's Financial Situation Indicator is below the 10% threshold of the annual Government allocation as stipulated in Memo 37/2002, Legal Notices 323 & 324 of 2002.

This report has been signed by  
George M. Mangion  
(Partner) for and on behalf of  
PKF (Malta)



**PKF (Malta)**  
**Certified Public Accountants & Registered Auditors**

35 Mannarino Road,  
Birkirkara BKR 9080,  
Malta

24<sup>th</sup> April 2015