

**GHAJNSIELEM LOCAL COUNCIL**

**Annual Report and  
Financial Statements**

**For the year ended 31 December 2015**



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# **GHAJNSIELEM LOCAL COUNCIL**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS** **For the year ended 31 December 2015**

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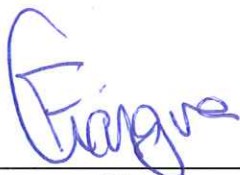
**Financial Statements for the year ended 31 December 2015**

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

The Local Councils (Financial) Regulations 1993, 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 1993, and the Local Councils (Financial) Procedures 1996, 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, the Local Councils (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996. 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.

Approved by the Council and signed on its behalf on the 11 February 2016 by:



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Franco Ciangura  
Mayor



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Lucienne Haber  
Executive Secretary

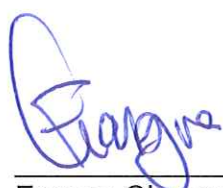
**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

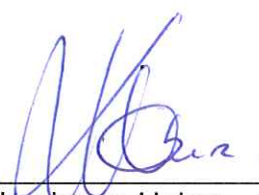
	Notes	2015	2014 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	3	423	528
Property, plant and equipment	4	870,429	624,448
		<u>870,852</u>	<u>624,976</u>
<b>Current Assets</b>			
Receivables	5	162,149	46,825
Cash and Cash Equivalents	6	195,568	181,268
Total current assets		<u>357,717</u>	<u>228,093</u>
<b>Total Assets</b>		<u>€ 1,228,569</u>	<u>€ 853,069</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		721,463	687,530
<b>Non-current Liabilities</b>			
Deferred income	7	289,052	101,127
<b>Current Liabilities</b>			
Payables	8	218,054	64,412
<b>Total reserves and liabilities</b>		<u>€ 1,228,569</u>	<u>€ 853,069</u>

The notes on pages 8 to 27 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 11 February 2016 and signed on its behalf by:



Franco Ciangura  
Mayor



Lucienne Haber  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	Notes	2015 €	2014 €
<b>REVENUE</b>			
Funds received from central government	9	366,769	340,248
Income from Law Enforcement System	10	14,507	1,883
General Income	11	6,041	14,834
EU Funding	12	-	24,890
		<u>€ 387,317</u>	<u>381,855</u>
<b>EXPENDITURE</b>			
Personal emoluments	14	(84,506)	(79,925)
Operations and maintenance	15	(100,957)	(102,000)
Administration and other expenditure	16	(168,094)	(169,973)
		<u>(353,557)</u>	<u>(351,898)</u>
Operating surplus for the year		<u>33,760</u>	<u>29,957</u>
Investment income	13	173	804
<b>Total Comprehensive Income for the year</b>		<u>€ 33,933</u>	<u>€ 30,761</u>

The notes on pages 8 to 27 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2015

	Retained Funds 2015 €	Retained Funds 2014 €
At 1 January	687,530	656,769
Total Comprehensive Income for the year	33,933	30,761
At 31 December	<u>€ 721,463</u>	<u>€ 687,530</u>

The notes on pages 8 to 27 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

	Note	2015 €	2014 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Income for the year		33,933	30,761
Adjustments for:			
Depreciation		41,106	39,498
Amortisation		105	132
Investment Income		(173)	(804)
Deferred income released		(12,548)	(8,731)
Operating Profit before working capital changes		62,423	60,856
(Increase)/ decrease in receivables		(115,324)	28,682
Increase/ (decrease) in payables		133,829	(7,254)
Net Cash generated from Operating Activities		80,928	82,284
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(287,087)	(85,473)
Investment Income		173	804
New grants received		220,286	25,975
Net Cash used in Investing Activities		(66,628)	(58,694)
Net movement in Cash and Cash Equivalents		14,300	23,590
Cash and Cash Equivalents at the beginning of Year		181,268	157,678
Cash and Cash Equivalents at the end of year	5	€ 195,568	€ 181,268

The notes on pages 8 to 27 are an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 1. General Information

Ghajnsielem Local Council is the local authority of Ghajnsielem setup in accordance with the Local Councils Act. The office of the Local Council is situated at J.F. De Chambray, Ghajnsielem, Gozo. As from September 2011, the Local Council started forming part of the Gozo Regional Committee.

The financial statements were authorised for issue by the Council on the 12 February 2016.

### 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.

#### (a) Accounting convention

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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

#### (b) Standards, amendments and interpretations to existing standards

##### **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.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

### **(b) Standards, amendments and interpretations to existing standards - continued**

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: 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.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

### **(b) Standards, amendments and interpretations to existing standards - continued**

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.

The amendments to IFRS 11, 'Joint Arrangements', provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance. The amendments are effective for reporting periods beginning on or after 1 January 2016.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The 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.

### **(c) Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

### (d) Local Enforcement System

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees for contraventions paid at the Council. During the year the Local Council also received income from the Joint Committee under the pooling system.

### (e) Intangible asset

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.

### (f) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss 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
Road and traffic 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 financial reporting 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 Local 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 year in which they are incurred.

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

### **(g) Government Grants**

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

### **(h) 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

### **(i) 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 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.

### **(j) 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 amounts of the asset in 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.

### **(k) 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 Euro, which is the Council's functional and presentation currency.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

**(l) Surplus and deficits**

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 deficits 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.

**(m) Cash and Equivalents**

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

**(n) Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

**(o) Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

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

**(p) Financial Instruments**

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

### (p) Financial Instruments – continued

#### 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 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'.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

**(q) Capital management policies and procedures**

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective 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 this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. 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.

**(r) Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS adopted by the EU requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, 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 (revised).

<b>3. Intangible asset</b>	Computer Software €
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	€ 1,342
<b>Amortisation</b>	
At 1 January 2015	814
Charge for the year	105
At 31 December 2015	€ 919
<b>Net Book Value</b>	
At 31 December 2015	€ 423
At 31 December 2014	€ 528

## GHAJNSIELEM LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Buildings €	Office Furniture & Fittings €	New Street Signs €	Urban Improvements €	Computer & Office Equipment €	Motor Vehicles €	Special Programmes €	Assets Under Construction €	Total €
<b>Cost</b>									
At 1 Jan 2015	236,750	27,227	13,246	221,655	54,505	24,426	441,135	141,848	1,160,792
Additions	-	-	-	1,352	-	-	285,735	-	287,087
Reclassifications	-	-	-	-	-	-	111,360	(111,360)	-
At 31 Dec 2015	€ 236,750	€ 27,227	€ 13,246	€ 223,007	€ 54,505	€ 24,426	€ 838,230	€ 30,488	€ 1,447,879
<b>Grants</b>									
At 1 Jan 2015 and 31 Dec 2015	€ -	€ -	€ -	€ -	€ -	€ -	€ 45,612	€ -	€ 45,612
<b>Depreciation</b>									
At 1 Jan 2015	6,880	5,527	13,246	146,795	27,669	11,685	278,930	-	490,732
Charge for the year	2,299	1,627	-	7,486	5,497	2,548	21,649	-	41,106
At 31 Dec 2015	€ 9,179	€ 7,154	€ 13,246	€ 154,281	€ 33,166	€ 14,233	€ 300,579	€ -	€ 531,838
<b>Net Book Value</b>									
At 31 Dec 2015	€ 227,571	€ 20,073	€ -	€ 68,726	€ 21,339	€ 10,193	€ 492,039	€ 30,488	€ 870,429



## GHAJNSIELEM LOCAL COUNCIL

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

#### 4. PROPERTY, PLANT AND EQUIPMENT – Continued

	Buildings €	Office Furniture & Fittings €	New Street Signs €	Urban Improvements €	Computer & Office Equipment €	Motor Vehicles €	Special Programmes €	Assets Under Construction €	Total €
<b>Cost</b>									
At 1 Jan 2014	236,750	27,227	13,246	220,995	51,050	24,426	441,135	60,490	1,075,319
Additions	-	-	-	660	3,455	-	-	81,358	85,473
At 31 Dec 2014	€ 236,750	€ 27,227	€ 13,246	€ 221,655	€ 54,505	€ 24,426	€ 441,135	€ 141,848	€ 1,160,792
<b>Grants</b>									
At 1 Jan 2014 and 31 Dec 2014	€ -	€ -	€ -	€ -	€ -	€ -	€ 45,612	€ -	€ 45,612
<b>Depreciation</b>									
At 1 Jan 2014	4,558	3,767	13,246	139,137	21,119	8,500	260,907	-	451,234
Charge for the year	2,322	1,760	-	7,658	6,550	3,185	18,023	-	39,498
At 31 Dec 2014	€ 6,880	€ 5,527	€ 13,246	€ 146,795	€ 27,669	€ 11,685	€ 278,930	€ -	€ 490,732
<b>Net Book Value</b>									
At 31 Dec 2014	€ 229,870	€ 21,700	€ -	€ 74,660	€ 26,836	€ 12,741	€ 116,593	€ 141,848	€ 624,448

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

<b>5. Receivables</b>	2015 €	2014 €
Amounts receivables	7,576	9,052
Accrued income	140,014	35,536
	<u>147,590</u>	<u>44,588</u>
<b>Financial assets</b>		
Prepayments	14,559	2,237
	<u>€ 162,149</u>	<u>€ 46,825</u>
 <b>Amounts invoiced but not yet settled are analysed as follows:</b>	 2015 €	 2014 €
Within the current period	-	3,132
Exceeded credit period but not yet impaired	7,576	5,920
	<u>€ 7,576</u>	<u>€ 9,052</u>

**6. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise the following amounts in the Local Council statement of financial position:

	2015 €	2014 €
<b>Bank Balances:</b>		
Ordinary funds	195,507	181,182
Cash in hand	61	86
	<u>€ 195,568</u>	<u>€ 181,268</u>
Cash at bank and in hand		

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

	2015 €	2014 €
<b>7. Deferred Income</b>		
Between 1 and 2 years	29,192	11,591
Between 2 and 5 years	71,702	26,799
Over 5 years	188,158	62,737
	<u>€ 289,052</u>	<u>€ 101,127</u>

	2015 €	2014 €
Opening balance	113,980	96,736
Increase in grants	220,286	25,975
Release of grants	(12,548)	(8,731)
Closing balance	<u>321,718</u>	<u>113,980</u>
Less Current portion	<u>(32,666)</u>	<u>(12,853)</u>
Non-current portion	<u>€ 289,052</u>	<u>€ 101,127</u>

	2015 €	2014 €
<b>8. Payables</b>		
Accounts payable	155,516	22,511
Accruals	29,872	29,048
Deferred income within 1 year	32,666	12,853
	<u>218,054</u>	<u>€ 64,412</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

<b>9. Funds received from Central Government</b>	<b>2015</b>	<b>2014</b>
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	306,825	296,567
Supplementary Government Income	47,396	34,950
Other Government Income	12,548	8,731
	<u>€ 366,769</u>	<u>€ 340,248</u>
<b>10. Income raised from Local Enforcement System</b>	<b>2015</b>	<b>2014</b>
	€	€
Income from Regional administration fee	2,235	1,883
Income received from Joint Committee under the pooling system	12,272	-
	<u>14,507</u>	<u>€ 1,883</u>
<b>11. General Income</b>	<b>2015</b>	<b>2014</b>
	€	€
Income from permits	4,403	4,072
Income from tender documents	700	872
Other income	938	201
Contributions and donations	-	424
Community and cultural services	-	9,265
	<u>€ 6,041</u>	<u>€ 14,834</u>
<b>12. EU Funding</b>	<b>2015</b>	<b>2014</b>
	€	€
Funds from EU Projects	-	24,890
<b>13. Investment income</b>	<b>2015</b>	<b>2014</b>
	€	€
Investment income	173	804

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

<b>14. Personal Emoluments</b>	<b>2015</b>	<b>2014</b>
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria and Allowance	8,648	8,468
Councillors' Allowance	4,800	4,800
Executive Secretary salary and allowances	27,019	26,088
Employees' Salaries	38,338	35,417
Social Security Contributions	5,701	5,152
<b>Total</b>	<b>€ 84,506</b>	<b>€ 79,925</b>
<b>15. Operations and Maintenance</b>		
Operations and maintenance includes, inter alia:	<b>2015</b>	<b>2014</b>
Repairs and Upkeep:	€	€
Signs	1,729	2,490
Road markings	-	354
Office furniture and equipment	-	57
Plant and equipment	934	1,146
Other repairs and upkeep	10,918	1,908
<b>Total</b>	<b>€ 13,581</b>	<b>€ 5,955</b>
<b>Contractual Services:</b>	<b>2015</b>	<b>2014</b>
	€	€
Refuse Collection	45,670	45,403
Bulky Refuse Collection	812	572
Cleaning services	1,141	369
Road and street cleaning	21,605	22,279
Cleaning and maintenance of public conveniences	10,081	11,037
Cleaning and maintenance council premises	-	667
Other contractual services	-	1,472
Cleaning and maintenance of parks and gardens	291	3,932
Street Lighting	7,647	9,944
Les related expenditure	129	370
	<b>€ 87,376</b>	<b>€ 96,045</b>
<b>Total Operations and Maintenance Expenses</b>	<b>€ 100,957</b>	<b>€ 102,000</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

**16. Administrative and other Expenses**

	2015 €	2014 €
Utilities	7,341	9,890
Other repairs and upkeep	15,866	13,927
Rent	1,156	750
National and International memberships	836	262
Office services	4,790	4,514
Transport	3,743	4,434
Travel	5,869	17,345
Information services	1,805	1,836
Lease of equipment	5,031	4,852
Insurance coverage	1,960	2,126
Bank charges	32	87
Professional services	16,921	37,913
Training	1,459	29
Social events	28,476	7,525
Cultural events	31,598	24,853
Depreciation	41,106	39,498
Amortisation	105	132
	<u>€ 168,094</u>	<u>€ 169,973</u>

**17. Contingent liabilities**

The Council has a claim of € 738 which is being disputed by Gasan Mamo Insurance since a resident's car was damaged by a fallen tree during a thunderstorm. The outcome of this liability is still uncertain.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

**18. Capital Commitments**

At the end of the financial year there was one capital projects approved but not yet contracted for. This related to the construction of council premises.

Details of capital commitments are as follows	2015	2014
Approved but not yet contracted for	60,000	175,000
Contracted for but not provided for	10,491	132,065
	<u>70,491</u>	<u>€ 307,065</u>
Contracted for but not provided for:		
Urban improvements	€ 10,491	€ 132,065
	<u>10,000</u>	<u>125,000</u>
Urban improvements	10,000	125,000
Resurfacing	50,000	50,000
	<u>€ 60,000</u>	<u>€ 175,000</u>

**19. Related Parties Disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Gozo Regional Committee	Joint control
Central Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Arms Limited	No control
Water Service Corporation	No control
Enemalta	No control
Department of Agriculture	No control
Direcorr General Works Division	No control
Department of Lands	No control
Department of Inland Revenue Department	No control
Airmalta PLC	No control
WasteServ Malta Ltd	No control
Kunsill Malti għall Isports	No control

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

### 19. Related Parties Disclosures - continued

Bank of Valletta Plc	No control
Mitts Limited	No control
Ministry of family	No control
Malta Communications Authority	No control
Green MT	No control

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

	2015	2014
Significant control		
Revenue:		
Annual financial allocation	€ 306,825	€ 296,567

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. Risk management objectives and policies

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

#### 20.1 Credit risk

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2015	2014
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	162,149	46,825
Cash and Cash Equivalents	195,568	181,268
	€ 357,717	€ 228,093



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

**20. Risk management objectives and policies - continued**

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**20.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

At 31 December 2015, the Council's financial liabilities have contractual maturities which are summarised as follows:

	Current Within 1 year €	Non – Current 1 to 5 years €	More than 5 years €
Payables	155,516	-	-
Accruals and deferred income	62,538	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2015 – continued

**20. Risk management objectives and policies - continued**

	Current Within 1 year €	Non – Current 1 to 5 years €	More than 5 years €
Payables	22,511	-	-
Accruals and deferred income	41,901	-	-

**20.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

**20.4 Summary of the financial assets and liabilities by category**

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

<b>Current Assets</b>	2015 €	2014 €
Loans and receivables:		
Trade and other receivables	162,149	46,825
Cash and Cash Equivalents	195,568	181,268
	<u>€ 357,717</u>	<u>€ 228,093</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	155,514	22,511
Accruals and deferred income	62,538	41,901
	<u>€ 218,052</u>	<u>€ 64,412</u>

### **20.5 Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

### **21. Fair value estimation**

At 31 December 2015 and 31 December 2014, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

### **22. Events after the statement of financial position date**

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements have been authorised for issue.

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## **LOCAL COUNCIL GHAJNSIELEM**

### **Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Local Council Ghajnsielem set out on pages 4 to 27, which comprise the statement of financial position as at 31<sup>st</sup> December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Local Council for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Council Responsibilities for the Financial Statements**

As described on page 3, the Executive Secretary and the Council are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Local Government Auditor's 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 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 internal control of the Local Council. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of the accounting estimates made by the Executive Secretary and the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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## Basis for Qualified Opinion

During 2012, a prior year adjustment amounting to Euro 52,808 was passed following an exercise that was carried out on the fixed assets register of the Local Council. After the exercise was finalized, Euro 156,229 was written off from the costs of property, plant and equipment and Euro 103,421 was written off from the accumulated depreciation of these assets. We were unable to obtain sufficient audit evidence to confirm the correctness of such adjustments. Furthermore, we were not satisfied by the procedure that was followed while carrying out the exercise of rebuilding the fixed assets register as it could have easily resulted in assets not being included in the new register, in assets capitalized using the wrong cost amounts and in depreciation being started on incorrect dates. This situation remained the same up till 31<sup>st</sup> December 2015 and therefore we could not verify the correctness of the opening balances of the property, plant and equipment.

## Qualified opinion

In our opinion, except for the matter mentioned in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Council as of 31<sup>st</sup> December 2015 and of the Council's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

## Report on Other Legal and Regulatory Requirements

In our opinion, except as set out in the preceding paragraph, the financial statements have been properly prepared in accordance with the Local Councils Act, (CAP 363); the Financial Regulations issued in terms of the said Act; and the Local Councils (Financial) Procedures.

## Other Matter

The financial statements of the Local Council Ghajnsielem for the year ended 31 December 2014 were audited by Spiteri Bailey & Co. who expressed a qualified opinion on those financial statements on 22 April 2015. As from 1 January 2016, Spiteri Bailey & Co. merged its practice with the incoming auditors, RSM Malta.



This copy of the audit report has been signed by  
Conrad Borg (Partner)  
for and on behalf of

RSM Malta  
Certified Public Accountants

11/08/16