

Local Council Ghajnsielem
Annual Report and Financial Statements
for the year ended 31 December 2014

DEPARTMENT FOR
01 JUL 2015
LOCAL GOVERNMENT

REGISTRY
30 APR 2015
NATIONAL AUDIT OFFICE

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 25
Report of the Local Government Auditor to the Auditor General	26 - 27

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 Council on 22 April 2015 and signed on its behalf by:



Francis Cauchi
Mayor



Lucienne Haber
Executive Secretary

Statement of Comprehensive Income
for the year ended 31 December 2014


		2014	2013
	Notes	€	€
Revenue			
Funds received from Central Government	3	340,248	342,766
Income raised under Local Enforcement System	4	1,883	1,626
General Income	5	14,834	18,109
EU Funding	6	24,890	3,106
		<u>381,855</u>	<u>365,607</u>
Expenditure			
Personal Emoluments	7	(79,925)	(72,879)
Operations and maintenance	8	(102,000)	(111,829)
Administration and other expenditure	9	(169,973)	(165,266)
		<u>(351,898)</u>	<u>(349,974)</u>
Operating profit for the year		29,957	15,633
Finance income	10	804	1,570
		<u>30,761</u>	<u>17,203</u>
Total Comprehensive Income for the year	7	<u>30,761</u>	<u>17,203</u>

The notes on pages 6 to 25 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2014

		2014	2013
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	624,448	578,473
Intangible assets	11	528	660
		<u>624,976</u>	<u>579,133</u>
Current Assets			
Receivables	13	46,825	75,507
Cash and cash equivalents	14	181,268	157,678
		<u>228,093</u>	<u>233,185</u>
Total Assets		<u>853,069</u>	<u>812,318</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		687,530	656,769
Total reserves		<u>687,530</u>	<u>656,769</u>
Non-Current Liabilities			
Deferred income	16	101,127	86,776
		<u>101,127</u>	<u>86,776</u>
Current Liabilities			
Payables	15	64,412	68,773
		<u>64,412</u>	<u>68,773</u>
Total Liabilities		<u>165,539</u>	<u>155,549</u>
Total reserves and liabilities		<u>853,069</u>	<u>812,318</u>

These financial statements were approved by the Local Council on 22nd April 2015 and signed on its behalf by:


Francis Cauchi
Mayor


Lucienne Haber
Executive Secretary

The notes on pages 6 to 25 form an integral part of these financial statements.

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

	Retained Funds	Total
	€	€
At 1 January 2013	639,566	639,566
Profit for the year	17,203	17,203
At 31 December 2013	<u>656,769</u>	<u>656,769</u>
At 1 January 2014	656,769	656,769
Profit for the year	30,761	30,761
At 31 December 2014	<u>687,530</u>	<u>687,530</u>

Statement of Cash Flows
for the year ended 31 December 2014

	2014	2013
	€	€
Cash flow from operating activities		
Net profit for the year	30,761	17,203
Reconciliation to cash generated from operations:		
Depreciation	39,498	42,043
Amortisation	132	150
Interest receivable	(804)	(1,570)
Operating profit before working capital changes	69,587	57,826
Decrease/(Increase) in receivables	1,044	(6,009)
Decrease in other receivables	27,638	7,964
(Decrease) in payables	(6,822)	(10,621)
Increase in other payables	(432)	13,697
Government grant released	(8,731)	(19,736)
Cash generated from operating activities	82,284	43,121
Cash flow from Investing activities		
Interest received	804	1,570
Purchase of property, plant & equipment	(85,473)	(50,660)
Receipt of grant	25,975	-
Cash (used in) investing activities	(58,694)	(49,090)
Net Increase/ (decrease) In cash In the year	23,590	(5,969)
Cash and equivalents at beginning of year	157,678	163,647
Cash and equivalents at end of year	181,268	157,678

1. General Information

The Local Council Ghajnsielem is the local authority of Ghajnsielem set up in accordance with the Local Councils Act (1993). 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. These financial statements were approved for issue by the Council Members on 22 April 2015. The Local Council's presentation as well as functional currency are denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

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

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

New and amended standards adopted by the Local Council

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

In May 2011 the IASB issued IFRS 11 Joint Arrangements. IFRS 11 Joint Arrangements classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case in terms 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 Venturers. The standard is effective for annual periods beginning on or after 1 January 2014.

On 12 May 2011 the IASB issued IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 addresses disclosure requirements for certain interests 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 those interests on its financial position, financial performance and cash flows. IFRS 12 applies only to consolidated accounts and is applicable for annual periods beginning on or after 1 January 2014.

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.

On 29 May 2013 the IASB published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

On 27 June 2013 the IASB published narrow-scope amendments to IAS 39 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 or 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). The amendments are effective for annual periods beginning on or after 1 January 2014.

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.

New important standards and amendments not yet adopted by the EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2018. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. 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. 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.

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 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); an 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 included 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.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7 to condensed interim financial statements (IFRS 7), Regional market issue (IAS 19) and Disclosure of information 'elsewhere in the interim financial report' (IAS 34). The amendments are effective from 1 January 2016.

On 11 September 2014 the IASB issued narrow-scope amendments to IFRS 10 and IAS 28. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments are effective for annual periods beginning on or after 1 January 2016.

On 30 January 2014, the IASB issued an interim Standard on rate-regulated activities, IFRS 14 Regulatory Deferral Accounts. It is applicable for an entity's first annual IFRS financial statements, for periods beginning on or after 1 January 2016, with earlier adoption permitted.

On 28 May 2014 the IASB issued a converged Standard on revenue recognition, IFRS 15 Revenue from Contracts with Customers. It is applicable for an entity's first annual IFRS financial statements, for periods beginning on or after 1 January 2017.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

On 30 June 2014 the IASB issued amendments to IAS 16 and IAS 41 in order to bring bearer plants into the scope of IAS 16, because their operation is similar to that of manufacturing. These amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

On 12 August 2014 the IASB published narrow-scope amendments to IAS 27 (as amended in 2011). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. These amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Intangible Asset

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.

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.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the 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.

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.

Profits and losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and equivalents

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statement'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial instruments

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

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

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

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

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial Liabilities

The Council's financial liabilities included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3. Funds received from central government

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act	296,567	296,960
Supplementary Government Income	34,950	26,070
Other Government Income	8,731	19,736
	<u>340,248</u>	<u>342,766</u>

4. Income raised under Local Enforcement System

	2014	2013
	€	€
Administration Income from Contraventions	1,883	1,626
	<u>1,883</u>	<u>1,626</u>

5. General Income

	2014	2013
	€	€
Community Services	8,915	3,245
Cultural Events	350	-
Sponsorships	-	2,000
General Income	192	1,603
Tender Documents/Info. Charges	872	709
Twinnings Income	-	6,570
Contributions	424	317
Discounts Received	9	3
Income from Permits	4,072	3,662
	<u>14,834</u>	<u>18,109</u>

6. EU Funding

	2014	2013
	€	€
Funds from EU Projects	24,890	3,106
	<u>24,890</u>	<u>3,106</u>

7. Profit for the year

	2014	2013
	€	€
Profit for the year is stated after charging:		
Staff salaries	Note 79,925	72,879
Amortisation of intangible assets	132	150
Depreciation of property, plant and equipment	<u>39,498</u>	<u>42,043</u>

Staff salaries

	2014	2013
	€	€
Mayor's Remuneration	8,468	8,304
Councillors' Allowances	4,800	4,800
Executive Secretary Salary and Allowances	26,088	23,888
Employees' Salaries	35,417	31,189
Social Security Contributions	5,152	4,698
	<u>79,925</u>	<u>72,879</u>

Average number of persons employed

Employees	4	4
Mayor and Councillors	<u>5</u>	<u>5</u>

8. Operations and Maintenance

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	-	33
Signs	2,490	2,436
Road Markings	354	627
Office Furniture and Equipment	57	-
Plant & Equipment	1,146	74
Other repairs and Upkeep	1,908	1,628
	<u>5,955</u>	<u>4,798</u>

Contractual Services:

Refuse Collection	45,403	45,587
Bulky Refuse Collection	572	645
Cleaning Services	369	-
Road & Street Cleaning	22,279	21,239
Cleaning - Public Conveniences	11,037	11,020
Cleaning - Council Premises	667	1,126
Other Contractual Services	1,472	9,432
Clean. & Maint. Parks & Gardens	3,932	3,941
Street Lighting	9,944	12,500
Studies & Consultations	-	1,200
Local Enforcement Expenses	370	341
	<u>96,045</u>	<u>107,031</u>

Total Operations and Maintenance Costs	<u>102,000</u>	<u>111,829</u>
--	----------------	----------------

9. Administration and other expenditure

	2014	2013
	€	€
Utilities	9,890	10,166
Other repairs and upkeep	13,927	9,270
Rent	750	744
National and International Memberships	262	1,489
Office Services	4,514	3,561
Transport	4,434	1,786
Travel	17,345	6,369
Information Services	1,836	2,263
Lease of Equipment	4,852	4,928
Insurance Coverage	2,126	1,872
Bank Charges	87	67
Professional Services	37,913	27,399
Training	29	1,623
Visits - Foreign Delegations	-	8,195
Social Events	7,525	21,694
Cultural Events	24,853	21,647
Depreciation	39,498	42,043
Amortisation	132	150
	<u>169,973</u>	<u>165,266</u>

10. Finance Income

	2014	2013
	€	€
Bank Interest Receivable	804	1,570
	<u>804</u>	<u>1,570</u>

11. Intangible fixed assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2014	1,342	1,342
At 31 December 2014	<u>1,342</u>	<u>1,342</u>
Provision for diminution in value		
At 1 January 2014	682	682
Charge for year	132	132
At 31 December 2014	<u>814</u>	<u>814</u>
Net book values		
At 31 December 2014	<u>528</u>	<u>528</u>
At 31 December 2013	<u>660</u>	<u>660</u>

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

12. Property, plant and equipment

	Assets under construction	Buildings	New Street Signs	Urban Improvements & Outside furniture	Computer & Office equipment	Office Furniture & fittings	Motor Vehicles	Special Programmes & Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2013	28,059	236,750	13,246	218,621	51,050	26,743	24,426	425,764	1,024,659
Additions	32,431	-	-	2,374	-	484	-	15,371	50,660
At 31 December 2013	60,490	236,750	13,246	220,995	51,050	27,227	24,426	441,135	1,075,319
Depreciation									
At 1 January 2013	-	2,414	13,246	128,973	14,152	2,057	4,885	243,464	409,191
Charge for the year	-	2,144	-	10,164	6,967	1,710	3,615	17,443	42,043
At 31 December 2013	-	4,558	13,246	139,137	21,119	3,767	8,500	260,907	451,234
Grants									
At 1 January 2013	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	45,612	45,612
Net book values									
At 31 December 2013	60,490	232,192	-	81,858	29,931	23,460	15,926	134,616	578,473

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

12. Property, plant and equipment

	Assets under construction	Buildings	New Street Signs	Urban Improvements	Computer & Office equipment	Office Furniture & fittings	Motor Vehicles	Special Programmes & Construction	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2014	60,490	236,750	13,246	220,995	51,050	27,227	24,426	441,135	1,075,319
Additions	81,358	-	-	660	3,455	-	-	-	85,473
At 31 December 2014	141,848	236,750	13,246	221,655	54,505	27,227	24,426	441,135	1,160,792
Depreciation									
At 1 January 2014	-	4,558	13,246	139,137	21,119	3,767	8,500	260,907	451,234
Charge for the year	-	2,322	-	7,658	6,550	1,760	3,185	18,023	39,498
At 31 December 2014	-	6,880	13,246	146,795	27,669	5,527	11,685	278,930	490,732
Grants									
At 31 December 2014	-	-	-	-	-	-	-	45,612	45,612
Net book values									
At 31 December 2014	141,848	229,870	-	74,860	26,836	21,700	12,741	116,593	624,448

13. Receivables

	2014	2013
	€	€
Amounts Receivable	9,052	10,096
Accrued income	35,536	64,460
	<u>44,588</u>	<u>74,556</u>
Financial Asset		
Prepayments	2,237	951
	<u>46,825</u>	<u>75,507</u>

Amounts Receivable

General receivables are analysed as follows:

	2014	2013
	€	€
Within credit period	3,132	2,363
Exceeded credit period but not impaired	5,920	7,733
	<u>9,052</u>	<u>10,096</u>

14. Notes to the Statement of Cashflow*Cash & cash equivalents*

Cash and cash equivalents included in the statement of cash flows comprise the following Statement of Financial Position amounts:

	2014	2013
	€	€
Bank Balances	181,182	157,578
Cash in Hand	86	100
Cash at bank and in hand	<u>181,268</u>	<u>157,678</u>

15. Payables

	2014	2013
	€	€
Amounts Payable	22,511	29,333
Accruals and deferred income	41,901	39,440
	<u>64,412</u>	<u>68,773</u>

16. Deferred income

	2014	2013
	€	€
Government grants		
At 1 January	96,736	116,472
Increase in year	25,975	-
	<u>122,711</u>	<u>116,472</u>
Released in year	(8,731)	(19,736)
At 31 December	<u>113,980</u>	<u>96,736</u>
Current Deferred Income	<u>12,853</u>	<u>9,960</u>
Non-Current Deferred Income	<u>101,127</u>	<u>86,776</u>
Deferred Government Grants		
Deferred between one and two years	11,591	10,118
Deferred between two and five years	26,799	22,784
Deferred in five years or more	62,737	53,874
	<u>101,127</u>	<u>86,776</u>
Deferred after five years or more:		
Government Grants	<u>62,737</u>	<u>53,874</u>

17. Contingent liabilities

The Council has a claim of Eur 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.

18. Capital commitments

	2014 €	2013 €
Total Capital Commitments	<u>307,065</u>	<u>383,170</u>
(i) Approved but not yet contracted for:		
Urban Improvements	125,000	195,000
Resurfacing	50,000	173,170
	<u>175,000</u>	<u>368,170</u>
(ii) Contracted for but not provided in the Financial Statements:		
Urban Improvements	132,065	15,000
	<u>132,065</u>	<u>15,000</u>

19. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
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
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Agriculture	No control
Director General - Works Division	No control
Department of Lands	No control
Department of Inland Revenue	No Control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Kunsill Malti għall-iSports	No control
Mitts Limited	No control
Ministry for the 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 significant control:

	2014	2013
	€	€
Annual Financial Allocation	296,567	296,960

Key management compensation

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

The ultimate controlling party of the local council is the Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

20. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and receivables. 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 receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

	€
- Receivables from Related parties	9,052

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 € 181,268. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 687,530 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

21. 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.



Spiteri Bailey & Co.

Accountancy Audit Advisory

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 2 to 25, which comprise the statement of financial position as at 31st December 2014, 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.

Spiteri Bailey & Co.

Triq Dun Karm, Birkirkara Bypass
Birkirkara BKR 9038, Malta

Tel: +356 21499250

Mob: +356 79499248

Fax: +356 21444815

advice@spiteribailey.com
www.spiteribailey.com

Council Responsibilities for the Financial Statements

As described on page 1, 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.

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 31st December 2014 and therefore we could not verify the correctness of the opening balances of the property, plant and equipment.



During our audit, we noticed that with respect to one of the projects which was still under construction as at year-end, relating to the Belvedere, there was no accrual accounted for relating to the works carried out since the last bill issued by the contractor which was in August 2014. This means that the accruals and the assets under construction are understated. Attempts to obtain a valuation from the architect of such works that should have been accrued for failed. The total amount of works that remained to be carried out since the last bill, according to the tender, was Euro 61,230 excluding ancillary costs, part of which was carried out before the end of the year.

Qualified opinion

In our opinion, except for the matters mentioned in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31st December 2014 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 paragraphs, 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.

**This copy of the audit report has been signed by
Conrad Borg FCCA FIA DipIFR CPA (Partner) for and on behalf of
Spiteri Bailey & Co.**

Certified Public Accountants
Members of PrimeGlobal
Level 2, SB Business Centre,
Dun Karm Street,
Birkirkara By-pass,
Birkirkara BKR 9038,
Malta.

22/04/15