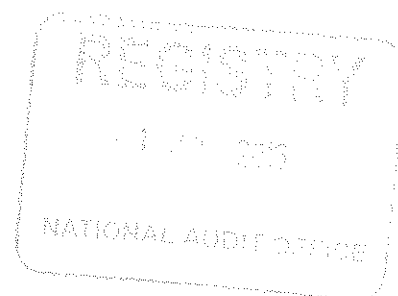


**HAL GHARGHUR LOCAL COUNCIL**

**Audited Report and Financial**

**Statements for the year ended**

**31 December 2015**



*Prepared by: DConsulta Ltd,  
Amber Court, Block C No 1  
Qormi Road Santa Venera  
SVR1301, Malta*

# HAL GHARGHUR LOCAL COUNCIL

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## **HAL GHARGHUR LOCAL COUNCIL**

### **STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES for the year ended 31 December 2015**

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

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

This statement was approved by the Council on 25th May 2016 and signed on its behalf by:



**Giljan Aquiliza**  
**Mayor**



**Kurt Guillaumier**  
**Acting Executive**  
**Secretary**

# HAL GHARGHUR LOCAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2015

|   | Notes | Year Ended<br>2015<br>€ | Year Ended<br>2014<br>€ |
|---|-------|-------------------------|-------------------------|
| <b>Income</b>                                   |       |                         |                         |
| Funds received from Central Government          | 3     | 260,217                 | 260,208                 |
| Income from Law Enforcement System              | 4     | 2,230                   | 5,454                   |
| General Income                                  | 5     | 14,003                  | 17,680                  |
|   |       | <hr/> 276,450           | <hr/> 283,342           |
| <b>Expenditure</b>                              |       |                         |                         |
| Personal emoluments                             | 7     | 59,306                  | 75,231                  |
| Operations and maintenance                      | 8     | 80,557                  | 95,058                  |
| Administrative and other expenditure            | 9     | 108,113                 | 107,725                 |
|   |       | <hr/> 247,976           | <hr/> 278,014           |
| <b>Net Operating Profit/(Loss) for the year</b> |       | <b>28,475</b>           | <b>5,328</b>            |
| Investment income                               | 10    | 93                      | 196                     |
|   |       | <hr/> 93                | <hr/> 196               |
| <b>Net Profit/(Loss)</b>                        |       | <hr/> <b>28,568</b>     | <hr/> <b>5,524</b>      |

*The notes on pages 6 to 26 form an integral part of these financial statements.*


# HAL GHARGHUR LOCAL COUNCIL

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

|                                       | Notes | Year Ended<br>2015<br>€ | Year Ended<br>2014<br>€ |
|---------------------------------------|-------|-------------------------|-------------------------|
| <b>Assets</b>                         |       |                         |                         |
| <u><b>Non-current assets</b></u>      |       |                         |                         |
| Property, plant and equipment         | 11    | 610,878                 | 655,087                 |
| Intangible Assets                     | 12    | 1,239                   | 1,436                   |
| <b>Total non-current assets</b>       |       | <b>612,117</b>          | <b>656,523</b>          |
| <u><b>Current assets</b></u>          |       |                         |                         |
| Trade and other Receivables           | 13    | 23,223                  | 24,379                  |
| Cash and cash equivalent              | 14    | 111,635                 | 60,098                  |
| <b>Total current assets</b>           |       | <b>134,858</b>          | <b>84,477</b>           |
| <b>Total assets</b>                   |       | <b>746,975</b>          | <b>741,000</b>          |
| <b>Reserves and liabilities</b>       |       |                         |                         |
| <u><b>Reserves</b></u>                |       |                         |                         |
| Retained Earnings                     |       | 518,482                 | 509,595                 |
| <b>Total Reserves</b>                 |       | <b>518,482</b>          | <b>509,595</b>          |
| <u><b>Non-current liabilities</b></u> |       |                         |                         |
| Deferred Income                       | 15    | 166,902                 | 170,793                 |
| <b>Total non-current liabilities</b>  |       | <b>166,902</b>          | <b>170,793</b>          |
| <u><b>Current liabilities</b></u>     |       |                         |                         |
| Trade and Other Payables              | 16    | 61,590                  | 60,612                  |
| <b>Total current liabilities</b>      |       | <b>61,590</b>           | <b>60,612</b>           |
| <b>Total liabilities</b>              |       | <b>228,492</b>          | <b>231,405</b>          |
| <b>Total reserves and liabilities</b> |       | <b>746,975</b>          | <b>741,000</b>          |

The financial statements were approved by the Council on 25th May 2016 and signed on its behalf by:

  
**Giljan Aquilina**  
 Mayor

  
**Kurt Guillaumier**  
 Acting Executive Secretary

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

|   | Retained<br>Earnings<br>€ | Total<br>Earnings<br>€ |
|---|---------------------------|------------------------|
| At 1 January 2014                       | 504,071                   | 504,071                |
| Total Comprehensive Profit for the year | 5,524                     | 5,524                  |
| At 31 December 2014                     | 509,595                   | 509,595                |
| At 1 January 2015                       | 509,595                   | 509,595                |
| Prior year adjustment                   | (19,680)                  | (19,680)               |
| Total Comprehensive Profit for the year | 28,568                    | 28,568                 |
| At 31 December 2015                     | 518,482                   | 518,482                |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

## STATEMENT OF CASHFLOWS

For the year ended 31 December 2015

|  | Notes | 2015<br>€ | 2014<br>€ |
|--|-------|-----------|-----------|
| <b>Cash flows from operating activities</b>                      |       |           |           |
| Surplus/(Loss) for the year                                      |       | 28,568    | 5,524     |
| <u>Adjustments for:</u>  |       |           |           |
| Depreciation/amortisation  |       | 57,242    | 56,174    |
| Amortisation of grants made by council                           |       | 2,400     | 1,200     |
| Interest receivable  |       | -         | (196)     |
| Liabilities written off  |       | -         | -         |
| Grants released  |       | (24,264)  | (38,637)  |
| Operating Surplus before working capital changes                 |       | 63,946    | 24,065    |
| <u>Movements in working capital:</u>                             |       |           |           |
| Decrease/(Increase) in receivables                               |       | 1,156     | 27,097    |
| (Decrease)/ Increase in payables                                 |       | 819       | (13,021)  |
| <b>Net cash generated by operating activities</b>                |       | 65,921    | 38,141    |
| <br><b>Cash flows from investing activities</b>                  |       |           |           |
| Purchase of property, plant and equipment                        | 11    | (16,806)  | (13,236)  |
| Grants transferred to Special Programmes                         |       | -         | -         |
| Interest received  | 10    | 93        | 196       |
| <b>Net cash generated from/used in investing activities</b>      |       | (16,713)  | (13,040)  |
| <br><b>Cash flows from financing activities</b>                  |       |           |           |
| Grants Received  |       | 2,329     | 23,267    |
| Payments on PPP Contracts  |       | -         | (80,866)  |
| <b>Net cash generated by financing activities</b>                |       | 2,329     | (57,599)  |
| <br><b>Net movement in cash and cash equivalents in the year</b> |       | 51,537    | (32,498)  |
| Cash and cash equivalents at beginning of year                   | 14    | 60,098    | 92,596    |
| <br><b>Cash and equivalents at end of year</b>                   | 14    | 111,635   | 60,098    |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 1. General Information

The Hal Gharghur Local Council is a local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Triq San Nikola, Hal Gharghur, GHR 1162, Malta. These financial statements were approved for issue by the Council Member on the 18th February 2016.

The Local Council's presentations as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Parliamentary Secretariat for Cultural and Government under the Ministry of Tourism.

### 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, 1993 (Chap. 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, 1993 (Cap 363).

#### *New and amended standards adopted by the Local Council*

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IAS 24 - Related party disclosures (effective 1 January 2011)

*The notes on pages 6 to 26 form an integral part of these financial statements.*

## HAL-SAFI LOCAL COUNCIL

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

..... continued

#### *New Relevant Standards and not yet adopted/not yet early adopted*

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013). This IFRS addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council

# HAL GHARGHUR LOCAL COUNCIL

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

..... Continued

### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the Statement of Financial Position approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

|   | Rates in %        |
|---|-------------------|
| Land                                    | 0                 |
| Trees                                   | 0                 |
| Buildings                               | 1                 |
| Office Furniture & Fittings             | 7.5               |
| Construction Works                      | 10                |
| Urban Improvements (Street Furniture)   | 10                |
| Special Programmes (Projects)           | 10                |
| Office Equipment and Computer Equipment | 25                |
| Motor Vehicles                          | 20                |
| Plant and Machinery                     | 20                |
| Road/Street Signs                       | Replacement Basis |
| Litter Bins                             | Replacement Basis |
| Playground Equipment                    | 100               |
| Street Lighting                         | 100               |
| Street Mirrors                          | Replacement Basis |
| Plants                                  | 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 loss. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 recognized 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 Comprehensive Income Statement during the financial year in which they are incurred.

*The notes on pages 6 to 26 form an integral part of these financial statements.*

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

..... Continued

***Impairment of property, plant and equipment***

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

***Impairment of financial assets other than inventories***

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

***The notes on pages 6 to 26 form an integral part of these financial statements.***

## HAL GHARGHUR LOCAL COUNCIL

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

..... Continued

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognized immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognized directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognized in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

Impairment reversals are recognized immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognized directly in reserves, unless an impairment loss on the same asset was previously recognized in the comprehensive income statement.

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# **HAL GHARGHUR LOCAL COUNCIL**

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

..... continued

### ***Cash and cash equivalents***

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

### ***Receivables***

Receivables are recognized initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### ***Related Parties***

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

### ***Income recognition***

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

Income from investment activities is recognized when the rights of receipt have been established.

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

### ***Government grants***

Government grants are not recognized until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

*The notes on pages 6 to 26 form an integral part of these financial statements.*

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a Central Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

#### *Foreign currencies*

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in Total Comprehensive Income for the period in which they are incurred.

*The notes on pages 6 to 26 form an integral part of these financial statements.*

## HAL GHARGHUR LOCAL COUNCIL

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

..... continued

#### *General Payables*

Payables and accrued expenditure are recognized initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognized over the period of the payable using the effective interest method.

#### *Judgements in applying accounting policies and key sources of estimating uncertainty*

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognized in the financial statements.

At the end of the reporting period, except as disclosed in note 22, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Inventories*

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first-out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

#### *Provisions*

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 3. Funds Received from Central Government

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | €              | €              |
| In terms of section 55 of the Local Councils Act, 1993 | 223,685        | 216,129        |
| Supplementary Income                                   | -              | 5,442          |
| Other Government Income                                | 36,532         | 38,637         |
|  | <u>260,217</u> | <u>260,208</u> |

### 4. Income raised under Law Enforcement System

|                                 | 2015         | 2014         |
|---------------------------------|--------------|--------------|
|                                 | €            | €            |
| Contraventions                  | 34           | 196          |
| Income from Regional Committees | 2,196        | 5,258        |
|                                 | <u>2,230</u> | <u>5,454</u> |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 5. General Income

|                      | 2015          | 2014          |
|----------------------|---------------|---------------|
|                      | €             | €             |
| Cultural activities  | 900           | 3,226         |
| Refunds – Green MT   | 1,560         | 2,560         |
| Other general income | 4,460         | 7,434         |
| Income from permits  | 7,083         | 4,461         |
|                      | <u>14,003</u> | <u>17,680</u> |

### 6. Profit for the year

|   | Notes | 2015           | 2014           |
|---|-------|----------------|----------------|
|   |       | €              | €              |
| Personal Emoluments   | 7     | 59,306         | 79,234         |
| Depreciation on property, plant and equipment & amortisation of intangible assets | 11    | <u>57,242</u>  | <u>56,174</u>  |
|   |       | <u>115,622</u> | <u>135,408</u> |

### 7. Personnel emoluments

|  | 2015          | 2014          |
|--|---------------|---------------|
|  | €             | €             |
| Personnel emoluments include, inter alia:        |               |               |
| Mayor's Honoraria & Allowance                    | 7,378         | 8,468         |
| Council Members' Allowance                       | 4,693         | 4,800         |
| Executive Salary and Allowance                   | 7,664         | 20,943        |
| Employees' Salaries                              | 25,849        | 36,336        |
| Social Security Contributions - Employer's Share | 11,393        | 4,684         |
| Overtime   | <u>2,329</u>  | <u>-</u>      |
|  | <u>59,306</u> | <u>75,231</u> |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 8. Operations and Maintenance

|  | 2015          | 2014          |
|--|---------------|---------------|
|  | €             | €             |
| Operations and maintenance includes, inter alia: |               |               |
| <b>Repairs and Upkeep:</b>                       |               |               |
| Road and Street Pavements (patching works)       | 993           | 1,857         |
| Road Markings & Signs                            | 7,287         | 2,003         |
| Public property                                  | 94            | -             |
| Office furniture & equipment                     | 135           | 205           |
| Plant & machinery                                | 59            | 246           |
| Other repairs                                    | 2,104         | 788           |
|  | <u>10,672</u> | <u>5,099</u>  |
| <b>Contractual Services</b>                      |               |               |
| Refuse collection                                | 26,343        | 37,034        |
| Bulky refuse collection                          | 2,808         | 2,461         |
| Bring in sites/tipping fees                      | 18,244        | 26,640        |
| Roads and street cleaning                        | 14,796        | 13,978        |
| Cleaning and maintenance public conveniences     | 2,635         | 2,842         |
| Cleaning and maintenance parks and gardens       | 2,918         | 3,178         |
| LES expenditure                                  | 183           | 46            |
| Other contractual services                       | 1,958         | 3,780         |
|  | <u>69,885</u> | <u>89,959</u> |
| <b>TOTAL OPERATIONS AND MAINTENANCE</b>          | <u>80,557</u> | <u>95,058</u> |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 9. Administration and Other Expenses

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | €              | €              |
| Utilities                                      | 5,647          | 5,808          |
| Cleaning Materials & Supplies                  | 540            | 227            |
| Rent   | 3,873          | 4,349          |
| Operating materials and supplies               | 1,602          | 993            |
| Street lighting                                | 6,045          | 5,701          |
| e-government services                          | 1,742          | 1,728          |
| Bank charges                                   | 268            | 292            |
| Insurance coverage                             | 1,395          | 1,619          |
| Participation fees and memberships             | 232            | 642            |
| Advertising & Public relations expenses        | 2,787          | -              |
| ICT expenses                                   | 1075           | -              |
| Legal and professional fees                    | 2,915          | 3,872          |
| Other minor expenses                           | 117            | 114            |
| Transport and travel                           | 64             | 692            |
| Office services                                | 1935           | 1,843          |
| Training Courses                               | -              | 250            |
| Community and Hospitality                      | 15,641         | 17,491         |
| Depreciation/amortization of intangibles       | 57,045         | 55,599         |
| Amortisation of intangibles                    | 197            | 575            |
| Library & information service expenses         | 1,886          | 4,730          |
| Amortisation of grants made by council         | 2,400          | 1,200          |
| Movement in Provisions on Bad Debts            | 707            | -              |
| Bad debts written off                          | -              | -              |
| <b>TOTAL ADMINISTRATION AND OTHER EXPENSES</b> | <b>108,113</b> | <b>107,725</b> |

### 10. Investment income

|                            | 2015 | 2014 |
|----------------------------|------|------|
|                            | €    | €    |
| Bank - interest receivable | 93   | 196  |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 11. Property, plant and equipment

|                            | Council Admin<br>Offices | Construction<br>Works | Office Furniture<br>& Fittings | New Street<br>Signs | Urban<br>Improve. | Office &<br>Equip. | Plant &<br>machinery | Special<br>Programmes | Assets<br>Under<br>Constructio | Total     |
|----------------------------|--------------------------|-----------------------|--------------------------------|---------------------|-------------------|--------------------|----------------------|-----------------------|--------------------------------|-----------|
|                            | Buildings<br>€           | €                     | €                              | €                   | €                 | €                  | €                    | €                     | €                              | €         |
| Depreciation rate          | 1%                       | 10%                   | 7.5%                           | 100%                | 10%               | 25%                | 20%                  | 10%                   | Nil                            |           |
| Cost                       |                          |                       |                                |                     |                   |                    |                      |                       |                                |           |
| At 1 January 2015          | 107,992                  | 251,128               | 29,313                         | 14,908              | 120,772           | 20,225             | 31,624               | 1,206,334             |                                | 1,782,295 |
| Additions                  | -                        | 590                   | 672                            | -                   | 8,730             | 614                | 222                  | 5,859                 | 4,631                          | 21,578    |
| Disposals/transfers        |                          |                       |                                |                     |                   |                    |                      |                       |                                | -         |
| At 31 December 2015        | 107,992                  | 251,718               | 29,985                         | 14,908              | 129,502           | 20,839             | 31,964               | 1,212,193             | 4,631                          | 1,803,873 |
| Government Grants          |                          |                       |                                |                     |                   |                    |                      |                       |                                |           |
| At 1 January 2015          |                          |                       |                                |                     |                   |                    |                      | 479,906               | -                              | 479,906   |
| Movement                   |                          |                       |                                |                     |                   |                    |                      | 8,500                 | -                              | 8,500     |
| At 31 December 2015        |                          |                       |                                |                     |                   |                    |                      | 488,506               | -                              | 488,506   |
| Depreciation               |                          |                       |                                |                     |                   |                    |                      |                       |                                |           |
| At 1 January 2015          | -9376                    | -109,356              | -16,928                        | -14,908             | -66,650           | -15,404            | -21,063              | -393,618              | -                              | -647,302  |
| Current charge             | -982                     | -13,545               | -912                           | -                   | -6,004            | -3,245             | -                    | -32,357               | -                              | -57,045   |
| At 31 December 2015        | -10,358                  | -122,901              | -17,840                        | -14,908             | -72,654           | -18,649            | -21,063              | -425,795              | -                              | -704,374  |
| N.B.V. at 31 December 2015 | 97,634                   | 128,816               | 12,145                         | -                   | 56,973            | 2,191              | 10,901               | 297,892               | 4,631                          | 610,878   |
| N.B.V. at 31 December 2014 | 98,616                   | 141,771               | 12,385                         | -                   | 54,122            | 4,822              | 10,561               | 332,810               | -                              | 655,087   |

The notes on pages 6 to 26 form an integral part of these financial statements.

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

..... continued

11. Property, plant and equipment

|                            | Council Admin<br>Offices |    | Office Furniture           |                 | New Street |               | Urban       |                | Office &        |          | Plant & |     | Special |     | Assets<br>Under<br>Constructio |   | Total     |
|----------------------------|--------------------------|----|----------------------------|-----------------|------------|---------------|-------------|----------------|-----------------|----------|---------|-----|---------|-----|--------------------------------|---|-----------|
|                            | Buildings<br>€           | 1% | Construction<br>Works<br>€ | & Fittings<br>€ | Signs<br>€ | Improve.<br>€ | Equip.<br>€ | machinery<br>€ | Programmes<br>€ | 10%      | 20%     | 25% | 10%     | Nil | €                              | € | €         |
| Depreciation rate          |                          |    |                            |                 |            |               |             |                |                 |          |         |     |         |     |                                |   |           |
| Cost                       |                          |    |                            |                 |            |               |             |                |                 |          |         |     |         |     |                                |   |           |
| At 1 January 2014          | 107,992                  |    | 171,870                    | 29,188          | 14,908     | 110,132       | 18,898      | 31,624         | 1,208,983       | 69,300   |         |     |         |     |                                |   | 1,762,895 |
| Additions                  | -                        |    | 9,958                      | 125             | -          | 10,640        | 1,328       | -              | -               | -        | -       | -   | -       | -   | -                              | - | 22,051    |
| Disposals/transfers        | -                        |    | 69,300                     | -               | -          | -             | -           | -              | (2,649)         | (69,300) | -       | -   | -       | -   | -                              | - | (2,649)   |
| At 31 December 2014        | 107,992                  |    | 251,128                    | 29,313          | 14,908     | 120,772       | 17,570      | 31,624         | 1,206,334       | -        |         |     |         |     |                                |   | 1,782,297 |
| Government Grants          |                          |    |                            |                 |            |               |             |                |                 |          |         |     |         |     |                                |   |           |
| At 1 January 2014          |                          |    |                            |                 |            |               |             |                | 479,906         | -        |         |     |         |     |                                |   | 479,906   |
| Movement                   |                          |    |                            |                 |            |               |             |                |                 |          |         |     |         |     |                                |   |           |
| At 31 December 2014        |                          |    |                            |                 |            |               |             |                | 479,906         | -        |         |     |         |     |                                |   | 479,906   |
| Depreciation               |                          |    |                            |                 |            |               |             |                |                 |          |         |     |         |     |                                |   |           |
| At 1 January 2014          | 8,384                    |    | 99,869                     | 15,967          | 14,908     | 60,999        | 14,596      | 18,703         | 358,277         | -        |         |     |         |     |                                |   | 591,703   |
| Current charge             | 992                      |    | 9,487                      | 961             | -          | 5,651         | 808         | 2,360          | 35,341          | -        |         |     |         |     |                                |   | 55,599    |
| At 31 December 2014        | 9,376                    |    | 109,356                    | 16,928          | 14,908     | 66,650        | 15,404      | 21,063         | 393,618         | -        |         |     |         |     |                                |   | 647,302   |
| N.B.V. at 31 December 2014 | 98,616                   |    | 141,771                    | 12,385          | -          | 54,122        | 4,822       | 10,561         | 332,810         | -        |         |     |         |     |                                |   | 655,087   |

The notes on pages 6 to 26 form an integral part of these financial statements.

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 12. Intangible Assets

|                         | 2015         | 2014         |
|-------------------------|--------------|--------------|
|                         | €            | €            |
| <b>Cost of software</b> |              |              |
| Opening Balance         | 2,300        | 1,156        |
| Additions               | -            | 1,144        |
| Disposals               | -            | -            |
| Closing Balance         | <u>2,300</u> | <u>2,300</u> |
| <b>Depreciation</b>     |              |              |
| Opening Balance         | 864          | 289          |
| Charge for the year     | 197          | 575          |
| Closing Balance         | <u>1,061</u> | <u>864</u>   |
| <b>Net Book Value</b>   | <u>1,239</u> | <u>1,436</u> |

### 13. Trade and other Receivables

|                                     | 2015           | 2014           |
|-------------------------------------|----------------|----------------|
|                                     | €              | €              |
| <b>Falling due within One Year:</b> |                |                |
| Grants made by Council              | 7,100          | 9,500          |
| Accrued Income and Prepayments      | 12,773         | 11,599         |
| Receivables and other debtors       | 7,297          | 6,520          |
| Provision for doubtful Debts-B/S    | <u>(3,947)</u> | <u>(3,240)</u> |
|                                     | <u>23,223</u>  | <u>24,379</u>  |

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 14. Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

|                          | 2015           | 2014          |
|--------------------------|----------------|---------------|
|                          | €              | €             |
| Cash in hand             | 447            | (246)         |
| Bank – Current Accounts  | 33,374         | (1,544)       |
| Bank – Savings Accounts  | 77,815         | 61,888        |
| Cash at bank and in hand | <u>111,635</u> | <u>60,098</u> |

### 15. Deferred Income

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | €              | €              |
| Balance at the beginning of the year                 | 194,381        | 257,822        |
| Grants received during the year                      | 2,329          | 26,137         |
| Other adjustments re audit adjustments/ PPP creditor | (3,470)        | (72,881)       |
| Prior year adjustment re grants received prior year  | 19,680         |                |
| Released to income                                   | (24,263)       | (16,697)       |
| Balance at the end of the year                       | <u>188,657</u> | <u>194,381</u> |
| Amount to be released within one year (note 17)      | 21,755         | 23,588         |
| Amount to be released between 1 and 2 years          | 19,517         | 21,151         |
| Amount to be released between 2 and 5 years          | 47,387         | 51,041         |
| Amount to be released after 5 years                  | 93,347         | 98,601         |
| Non-current deferred income                          | 166,902        | 170,793        |

Deferred income represents capital grants received under the UIF, EAFRD Measure 313, alternative energy government scheme for local councils plus other grants received from the OPM up to the end of the year under review. The funds are released to income on a systematic basis over the useful life of the asset in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 16. Trade and Other Payables

|                                   | 2015          | 2014          |
|-----------------------------------|---------------|---------------|
|                                   | €             | €             |
| <b>Current Liabilities</b>        |               |               |
| Trade creditors                   | 17,383        | 19,782        |
| Accruals                          | 16,280        | 13,808        |
| Other short term creditors        | 6,171         | 3,434         |
| Deferred income- Grants (note 15) | 21,755        | 23,588        |
|                                   | <u>61,590</u> | <u>60,612</u> |

### 17. Capital commitments

| 2015 | 2014 |
|------|------|
| €    | €    |

Details of capital commitments at the accounting date are as follows:

|  |   |        |
|--|---|--------|
| (i) Approved but not yet contracted for: | - | 71,750 |
| (ii) Approved and contracted for         | - | -      |

### 18. Contingent liabilities

The council forms part of a Local Enforcement Pooling System, profits and losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

### 19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Local Council is the Local Councils Department within the Office of the Prime Minister 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.

All the companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Gharghur Local Council but do not have significant control. All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

# HAL GHARGHUR LOCAL COUNCIL

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

..... continued

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

| <b>Name of Entity:</b>                     | <b>Nature of Relationship</b> |
|--|-------------------------------|
| Department of Local Councils               | Significant                   |
| Regional Committee - Local Law Enforcement | No Control                    |
| Bank of Valletta                           | No Control                    |
| Department of Education                    | No Control                    |
| Local Councils Association                 | No Control                    |
| Water Services Corporation                 | No Control                    |
| Wasteserv Malta Limited                    | No Control                    |
| Works Division - Director General Works    | No Control                    |

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

|                                      | <b>2015</b>    | <b>2014</b>    |
|--------------------------------------|----------------|----------------|
|                                      | <b>€</b>       | <b>€</b>       |
| Income - Annual Financial Allocation | <b>223,685</b> | <b>216,129</b> |

-----Continued

**20. Financial Risk Management**

The Council's activities expose it to a variety of financial risks that include market risks, credit risk, liquidity risk and interest 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.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

*Liquidity risk*

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

*Capital management*

It is the policy of the council to maintain an adequate capital base in order to sustain the future development of the council and safeguard the ability of the council to continue operating. In this respect, the council monitors the operations and results of the council. The council is not subject to externally imposed capital requirements. There were no changes in the council's approach to capital management during the year.

*Interest Rate risk*

The Council's interest rate risk arises from the borrowings issued at variable rates expose the Council to cash flow interest rate risk, In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

Notes to the financial statements for the year  
Ended 31 December 2015

-----Continued

## 21. Financial Risk Management

### *Credit risk*

Financial assets which potentially subject the Council to concentration of credit risk consist primarily 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 financial credit history. In this respect, credit 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.

### *Movement in provision for doubtful debts*

|                          | 2015         | 2014         |
|--------------------------|--------------|--------------|
|                          | €            | €            |
| Provision at 1 January   | 3,240        | 3,240        |
| Movement during the year | 707          | -            |
| Provision at 31 December | <u>3,947</u> | <u>3,240</u> |

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2015, full provision has been made in this respect after correctly reflecting the amount due to the council in respect of LES as per Loqus (Datatrak) report. There was no movement in this amount during the year.

Included in the Council's receivables balance are the following receivables which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. The credit period allowed by the Council to its debtors is 30 days.

### *Credit risk*

|              | 2015         | 2014         |
|--------------|--------------|--------------|
|              | €            | €            |
| 30 - 60 days | 867          | 153          |
| 61 - 90 days | 150          | 31           |
| over 91 days | <u>6,280</u> | <u>5,253</u> |
|              | <u>7,297</u> | <u>5,437</u> |

# HAL GHARGHUR LOCAL COUNCIL

## Budget to Actual comparison for the year

|  | Budget         | Actual         | Variance      |
|--|----------------|----------------|---------------|
|  | 2015           | 2015           | Bud-Act       |
|  | €              | €              | €             |
| <b>Income</b>                          |                |                |               |
| Funds received from Central Government | 275,435        | 260,217        | 15, 218       |
| Income from permits                    | 8,000          | 7,983          | 17            |
| Income from Law Enforcement System     | 2,000          | 2,230          | (230)         |
| Investment Income                      | 500            | 93             | 407           |
| Other Income                           | 4000           | 6,020          | (1,816)       |
| <b>Total Income</b>                    | <b>289,935</b> | <b>276,543</b> | <b>13,392</b> |

## Expenditures

|  |               |               |              |
|--|---------------|---------------|--------------|
| Personal emoluments                          | 81,750        | 59,306        | 22,264       |
| <i>Operations and maintenance:</i>           |               |               |              |
| Repairs and upkeep                           | 12,500        | 10,672        | 1,828        |
| Refuse collection                            | 30,000        | 26,343        | 3,657        |
| Bulky refuse collection                      | 3,000         | 2,808         | 192          |
| Bring in sites/tipping fees                  | 12,700        | 18,244        | (5,544)      |
| Roads and street cleaning                    | 15,000        | 14,796        | 204          |
| Cleaning and maintenance public conveniences | 3,000         | 2,635         | 365          |
| Cleaning and maintenance parks and gardens   | 4,000         | 2,918         | 1,082        |
| Other contractual services                   | -             | 2,141         | (2,141)      |
| <b>Total Operations and maintenance</b>      | <b>80,200</b> | <b>80,557</b> | <b>(357)</b> |

# HAL GHARGHUR LOCAL COUNCIL

## Budget to Actual comparison for the year

|  | Budget<br>2015<br>€ | Actual<br>2015<br>€ | Variance<br>Bud-Act<br>€ |
|--|---------------------|---------------------|--------------------------|
| <i>Administrative expenses:</i>  |                     |                     |                          |
| Utilities  | 6,600               | 5,647               | 953                      |
| Cleaning & operating materials and supplies                                  | 4,000               | 2,142               | 1,858                    |
| E-Government services  | 2,000               | 1,742               | 258                      |
| Bank charges   | 300                 | 268                 | 32                       |
| Insurance coverage   | 2,000               | 1,395               | 605                      |
| Street lightning   | 5,000               | 6,045               | (1045)                   |
| Office services  | 3,000               | 1,935               | 1,065                    |
| Training courses   | 1,000               | -                   | 1,000                    |
| Travel and Transport costs   | 3,500               | 64                  | 3,436                    |
| Legal and Professional services  | 5,000               | 2,915               | 2,085                    |
| Memberships and international participations                                 | 2,500               | 232                 | 2,268                    |
| ICT expenses   | 2,000               | 1,075               | 925                      |
| Community and hospitality  | 12,000              | 15,641              | (3,641)                  |
| Other minor expenses   | 660                 | 117                 | 543                      |
| Rent   | 5,000               | 3,873               | 1,127                    |
| Information services   | 6,500               | 4,672               | 1,828                    |
| Amortisation of grants made by council                                       | 1,200               | 2,400               | (1,200)                  |
| Movement in provision for bad and doubtful debts                             | -                   | 707                 | (707)                    |
| Depreciation of tangibles and amortisation of intangible assets              | 59,542              | 57,242              | 2,300                    |
| <b>Total Administrative expenses</b>   | <b>121,802</b>      | <b>108,112</b>      | <b>13,670</b>            |
| <b>Total Emoluments, operations, maintenance and administrative expenses</b> | <b>283,752</b>      | <b>247,975</b>      | <b>35,777</b>            |
| <b>Total budgeted profit/(loss) / Variance of the year</b>                   | <b>6,183</b>        | <b>28,568</b>       | <b>(22,385)</b>          |

*The notes on pages 6 to 26 form an integral part of these financial statements.*

# HAL GHARGHUR LOCAL COUNCIL

## Budget to Actual comparison for the year

|  | Budget<br>2015<br>€ | Actual<br>2015<br>€ | Variance<br>Bud-Act<br>€ |
|--|---------------------|---------------------|--------------------------|
| <i>Capital Expenditure</i>                             |                     |                     |                          |
| Construction   | 71,750              | 590                 | 71,160                   |
| Urban Improvement                                      | -                   | 8,730               | (8,730)                  |
| Furniture & Fittings                                   | -                   | -                   | -                        |
| Plant & machinery                                      | -                   | -                   | -                        |
| Office & Computer Equipment                            | -                   | 1,626               | (1,626)                  |
| Special programmes                                     | -                   | 10,489              | (10,489)                 |
| <b>Total Capital Expenditure/Variance for the year</b> | <b>71,750</b>       | <b>21,435</b>       | <b>50,315</b>            |

## LOCAL COUNCIL GHARGHUR

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

We have audited the accompanying financial statements of LOCAL COUNCIL GHARGHUR, which comprise the statement of financial position on page 3 as of 31<sup>st</sup> December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flow 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 Acting Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Acting Executive Secretary, as well as evaluating the overall presentation of the financial statements.

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

#### ***Basis for Qualified Opinion***

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which amounted to €34 for the year under review, which has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council recognised Government Grants as deferred income (net of releases) in the financial statements and amounting to €188,657 and a further amount of €24,263 released from deferred income to the Statement of Comprehensive Income. We were not provided with adequate and supporting information to provide reasonableness and accuracy to the amounts being recorded, recognised and disclosed. Furthermore, the Council is not fully adopting the income approach of IAS 20 - Accounting for Government grants and disclosures.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to new and revised standards as per requirements of IAS 1- Presentation of Financial Statements and certain appropriate recognition and disclosure requirements arising from IAS 2 – Inventories, IAS 7 – Statement of Cash flows, IAS 16 – Property, Plant and Equipment, IAS 24- Related Party Disclosures, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, IAS 8- Accounting policies, Changes in Accounting Estimates and Correction of Errors, and IAS 20 - Accounting for Government grants and disclosures.

***Qualified Opinion***

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

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

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.



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

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Certified Public Accountants

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Valley Road

Birkirkara BKR9024

**Date:** 25<sup>th</sup> May 2016