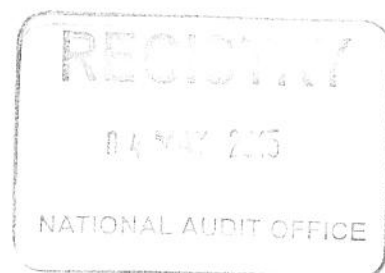


HAL GHARGHUR LOCAL COUNCIL

Audited Report and Financial

Statements for the year ended

31 December 2014



*Prepared by: DConsulta Ltd,
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HAL GHARGHUR LOCAL COUNCIL

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**STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES
for the year ended 31 December 2014**

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 27th April 2015 and signed on its behalf by:



Mario Gauci
Mayor



Kurt Guillaumier
Acting Executive
Secretary

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	Notes	Year Ended 2014 €	Year Ended 2013 €
Income			
Funds received from Central Government	3	260,208	265,746
Income from Law Enforcement System	4	5,454	1,446
General Income	5	17,680	11,771
		<u>283,342</u>	<u>278,963</u>
Expenditure			
Personal emoluments	7	75,231	63,331
Operations and maintenance	8	95,058	87,928
Administrative and other expenditure	9	107,725	134,124
		<u>278,014</u>	<u>285,383</u>
Net Operating Profit/(Loss) for the year		5,328	(6,420)
Investment income	10	196	154
		<u>196</u>	<u>154</u>
Net Profit/(Loss)		5,524	(6,266)

The notes on pages 6 to 30 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Year Ended 2014 €	Year Ended 2013 €
Assets			
<u>Non-current assets</u>			
Property, plant and equipment	11	655,087	691,317
Intangible Assets	12	1,436	837
Total non-current assets		656,523	692,154
<u>Current assets</u>			
Trade and other Receivables	13	24,379	58,139
Cash and cash equivalent	14	60,098	92,596
Total current assets		84,477	150,735
Total assets		741,000	842,889
Reserves and liabilities			
<u>Reserves</u>			
Retained Earnings		509,595	504,071
Total Reserves		509,595	504,071
<u>Non-current liabilities</u>			
Deferred Income	15	170,793	126,374
Long Term Borrowings	16	-	94,925
Total non-current liabilities		170,793	221,299
<u>Current liabilities</u>			
Trade and Other Payables	17	60,612	117,520
Total current liabilities		60,612	117,520
Total liabilities		231,405	338,820
Total reserves and liabilities		741,000	842,889

The financial statements were approved by the Council on 29th April 2015 and signed on its behalf by:



Mario Gauci
Mayor



Kurt Guillaumier
Acting Executive Secretary

The notes on pages 6 to 30 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Retained Earnings €	Total Earnings €
At 1 January 2013	510,337	510,337
Total Comprehensive Loss for the year	(6,266)	(6,266)
At 31 December 2013	504,071	504,071
At 1 January 2014	504,071	504,071
Total Comprehensive Profit for the year	5,524	5,524
At 31 December 2014	509,595	494,111

The notes on pages 6 to 30 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

STATEMENT OF CASHFLOWS

For the year ended 31 December 2014

	Notes	2014 €	2013 €
Cash flows from operating activities			
Surplus/(Loss) for the year		5,524	(6,266)
<u>Adjustments for:</u>			
Depreciation/amortisation		56,174	86,008
Amortisation of grants made by council		1,200	-
Interest receivable		-196	
Liabilities written off		-	(482)
Grants released		(38,637)	(40,540)
Operating Surplus before working capital changes		24,065	18,522
<u>Movements in working capital:</u>			
Decrease/(Increase) in receivables		27,097	(37,674)
(Decrease)/ Increase in payables		(13,021)	61,310
Net cash generated by operating activities		14,706	42,158
 Cash flows from investing activities			
Purchase of property, plant and equipment	11	(13,236)	(43,227)
Payments to PPP creditors previously accrued		-	-
Payments on new PPP contracts		-	-
Grants transferred to Special Programmes		-	-
Interest received		196	154
Net cash generated from/used in investing activities		(13,040)	(43,073)
 Cash flows from financing activities			
Grants Received		23,267	2,500
Payments on PPP Contracts		(80,866)	-
Net cash generated by financing activities		(57,599)	(2,500)
 Net movement in cash and cash equivalents in the year		(32,498)	1,585
Cash and cash equivalents at beginning of year	14	92,596	91,011
 Cash and equivalents at end of year	14	60,098	92,596

The notes on pages 6 to 30 form an integral part of these financial statements.

HAL GHARGHUR LOCAL COUNCIL

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

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 27th April 2015.

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.

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

..... continued

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)

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

..... 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 2014

..... 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.

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

..... 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.

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

..... 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.

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

..... 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.

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

..... continued

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.

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.

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

..... 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.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

3. Funds Received from Central Government

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act, 1993	216,129	216,472
Supplementary Income	5,442	6,700
Other Government Income	38,637	42,574
	<u>260,208</u>	<u>265,746</u>

4. Income raised under Law Enforcement System

	2014	2013
	€	€
Contraventions	196	35
Income from Regional Committees	5,258	1,411
	<u>5,454</u>	<u>1,446</u>

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

5. General Income

	2014	2013
	€	€
Cultural activities	3,226	2,150
Refunds – Green MT	2,560	2,560
Other general income	7,474	580
Income from permits	4,420	6,481
	<u>17,680</u>	<u>11,771</u>

6. Profit for the year

	Notes	2014	2013
		€	€
Personal Emoluments	7	79,234	63,331
Depreciation on property, plant and equipment & amortisation of intangible assets	11	<u>56,174</u>	<u>86,008</u>
		<u>135,408</u>	<u>149,339</u>

7. Personnel emoluments

	2014	2013
	€	€
Personnel emoluments include, inter alia:		
Mayor's Honoraria & Allowance	8,468	6,704
Council Members' Allowance	4,800	6,400
Executive Salary and Allowance	20,943	14,730
Employees' Salaries	36,336	31,370
Social Security Contributions - Employer's Share	4,684	4,127
	<u>75,231</u>	<u>63,331</u>

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

8. Operations and Maintenance

	2014	2013
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and Street Pavements (patching works)	1,857	6,116
Road Markings & Signs	2,003	14,737
Office furniture & equipment	205	518
Plant & machinery	246	-
Other repairs	788	542
	<u>5,099</u>	<u>21,913</u>
Contractual Services		
Refuse collection	37,034	28,331
Bulky refuse collection	2,461	2,994
Bring in sites/tipping fees	26,640	15,626
Roads and street cleaning	13,978	13,672
Cleaning and maintenance public conveniences	2,842	2,845
Cleaning and maintenance parks and gardens	3,178	2,271
LES expenditure	46	125
Other contractual services	3,780	151
	<u>89,959</u>	<u>66,015</u>
TOTAL OPERATIONS AND MAINTENANCE	<u>95,058</u>	<u>87,928</u>

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

9. Administration and Other Expenses

	2014	2013
	€	€
Utilities	5,808	5,284
Cleaning Materials & Supplies	227	66
Rent	4,349	4,007
Operating materials and supplies	993	1,472
Street lighting	5,701	5,901
e-government services	1,728	1,750
Bank charges	292	48
Insurance coverage	1,619	1,211
Participation fees	642	389
Legal and professional fees	3,872	1,800
Other minor expenses	114	44
Transport and travel	692	-
Office services	1,843	1,883
Training Courses	250	250
Community and Hospitality	17,491	16,103
Depreciation	56,174	86,008
Library & information service expenses	4,730	3,708
Amortisation of grants made by council	1,200	1,800
Staff training	-	60
Movement in Provisions on Bad Debts	-	-
Bad debts written off	-	2,340
TOTAL ADMINISTRATION AND OTHER EXPENSES	107,725	134,124

10. Investment income

	2014	2013
	€	€
Bank - interest receivable	196	154

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

11. Property, plant and equipment	Council Admin Offices										Assets Under Constructio	
	Buildings €	Construction Works €	Office Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office & Equip. €	Plant & machinery €	Special Programmes €	10%	20%	€	€
Depreciation rate	1%	10%	7.5%	100%	10%	25%	20%	10%			Nil	
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
N.B.V. at 31 December 2013	99,608	72,001	13,221	-	49,133	4,302	12,921	370,800		69,300		691,286

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

11. Property, plant and equipment

Depreciation									
At 1 January 2013	7,382	91,755	14,934	14,908	55,469	13,511	15,816	292,210	505,985
Current charge	1,002	8,114	1,033	-	5,530	1,085	2,887	66,069	85,719
At 31 December 2013	8,384	99,869	15,967	14,908	60,999	14,596	18,703	358,279	591,992
N.B.V. at 31 December 2013 N.B.V. at 31 December	99,608	72,002	13,221	-	49,283	4,302	12,921	370,648	692,287

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

12. Intangible Assets

	2014	2013
	€	€
Cost of software		
Opening Balance	1,156	-
Additions	1,144	1,156
Disposals	-	-
Closing Balance	<u>2,300</u>	<u>1,156</u>
Depreciation		
Opening Balance	289	-
Charge for the year	575	289
Closing Balance	<u>864</u>	<u>289</u>
Net Book Value	<u>1,436</u>	<u>867</u>

13. Trade and other Receivables

	2014	2013
	€	€
Falling due within One Year:		
Grants made by Council	9,500	10,700
Accrued Income and Prepayments	11,599	37,472
Receivables and other debtors	6,520	13,438
Provision for doubtful Debts-B/S	<u>(3,240)</u>	<u>(3,240)</u>
	<u>24,379</u>	<u>58,139</u>

HAL GHARGHUR LOCAL COUNCIL

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

..... 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.

	2014	2013
	€	€
Cash in hand	(246)	(220)
Bank – Current Accounts	(1,544)	12,033
Bank – Savings Accounts	61,888	80,783
Cash at bank and in hand	60,098	92,596

15. Deferred Income

	2014	2013
	€	€
Balance at the beginning of the year	257,822	295,862
Grants received during the year	26,137	2,500
Other adjustments re settlement of PPP creditor	(72,881)	
Released to income	(16,697)	(40,540)
Balance at the end of the year	194,381	257,822
Amount to be released within one year (note 17)	23,588	36,523
Amount to be released between 1 and 2 years	21,151	12,412
Amount to be released between 2 and 5 years	51,041	29,791
Amount to be released after 5 years	98,601	179,096
Non-current deferred income	170,793	221,299

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 to the end of the year under review.

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

16. Long-Term Borrowings

	2014	2013
	€	€
Long term borrowings in respect of PPP Contract	-	94,925
	-	94,925

Long term borrowings refer to the balance due in the long term in respect of the PPP Contract. This amount amount was paid in full by the Council during the reporting period.

17. Trade and Other Payables

	2014	2013
	€	€
Current Liabilities		
Trade creditors	19,782	14,197
Accruals	13,808	66,800
Other short term creditors	3,434	-
Deferred income- Grants (note 15)	23,588	36,523
	60,612	117,520

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

18. Capital commitments

2014	2013
€	€

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	-	88,605

The above represents commitments which the council had for 2014 and 2015. Given that the council came to an agreement to settle all commitments in connection with PP1 against a discount no further commitments in this regard existed at year end. No account for capital commitments relating to PPP2 has been taken into consideration in these financial statements. Capital commitments for other road resurfacing for the coming year amount to €71,750.

19. 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.

20. 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.

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

HAL GHARGHUR LOCAL COUNCIL

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

..... continued

Name of Entity:	Nature of Relationship
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

	2014	2013
	€	€
Income - Annual Financial Allocation	216,129	216,472

21. 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 2014

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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

	2014	2013
	€	€
Provision at 1 January	3,240	-
Movement during the year	-	3,240
Provision at 31 December	<u>3,240</u>	<u>3,240</u>

Provision for doubtful debts is in respect of LES debtors. As at 31.12.2014, 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

	2014	2013
	€	€
30 - 60 days	153	284
61 - 90 days	31	233
over 91 days	<u>5,253</u>	<u>9,603</u>
	<u>5,437</u>	<u>10,120</u>

HAL GHARGHUR LOCAL COUNCIL

Budget to Actual comparison for the year

	Budget	Actual	Variance
	2014	2014	Bud-Act
	€	€	€
Income			
Funds received from Central Government	267,500	260,208	7,292
Income from permits	4,000	4,420	(420)
Income from Law Enforcement System	5,000	5,454	(454)
Investment Income	500	196	304
Other Income	3,500	13,260	(9,760)
TOTAL Income	280,500	283,538	(3,038)

Expenditures

Personal emoluments	77,000	79,234	(2,234)
<i>Operations and maintenance:</i>			
Repairs and upkeep	12,500	5,099	7,401
Refuse collection	38,000	44,706	(6,706)
Bulky refuse collection	3,000	2,639	361
Bring in sites/tipping fees	12,684	28,472	(15,788)
Roads and street cleaning	15,000	13,978	1,022
Cleaning and maintenance public conveniences	2,500	4,022	(1,522)
Cleaning and maintenance parks and gardens	1,500	3,178	(1,678)
Other contractual services	11,800	3,826	3,974
Contractual Services	84,484	100,821	(16,337)
Total Operations and maintenance	96,984	105,920	(8,936)

HAL GHARGHUR LOCAL COUNCIL

Budget to Actual comparison for the year

	Budget	Actual	Variance
	2014	2014	Bud-Act
	€	€	€
<i>Administrative expenses:</i>			
Utilities	4,000	6,186	(2,186)
Cleaning & operating materials and supplies	2,000	1,220	780
E-Government services	2,000	1,743	257
Bank charges	316	292	24
Insurance coverage	2,000	1,619	381
Street lightning	6,000	5,777	223
Office services	2,700	1,843	857
Training courses	1,000	250	750
Travel and Transport costs	3,500	692	2,808
Legal and Professional services	6,000	4,022	1,978
Memberships and international participations	2,000	470	1,530
ICT expenses	3,000	1,070	1,930
Community and hospitality	15,000	17,491	(2,491)
Other minor expenses	800	114	686
Rent	4,000	4,349	(349)
Information services	6,500	3,660	2,840
Amortisation of grants made by council	1,200	1,200	-
Depreciation of tangibles and amortisation of intangible assets	64,719	56,174	8,545
Total Administrative expenses	125,535	108,344	17,191
Total Emoluments, operations, maintenance and administrative expenses	300,719	294,698	6,021
Total budgeted profit/(loss) / Variance of the year	(20,219)	(9,960)	(10,259)

HAL GHARGHUR LOCAL COUNCIL

Budget to Actual comparison for the year

	Budget	Actual	Variance
	2014	2014	Bud-Act
	€	€	€
<i>Capital Expenditure</i>			
Construction	79,000	9,958	69,042
Urban Improvement	-	10,640	(10,640)
Furniture & Fittings	-	125	(125)
Plant & Machinery	-	-	-
Office & Computer Equipment	6,000	1,328	4,672
Special programmes	-	-	-
Total Capital Expenditure/Variance for the year	85,000	22,051	62,949

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 31st December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

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

The Council does not maintain an appropriate fixed asset register to record acquisitions of property, plant and equipment. We could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balances of property, plant and equipment as well as on the completeness of the depreciation charged thereupon.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 2 – Inventories, IAS 7 – Statement of Cash Flows and IAS 24 – Related Party Disclosures.

Qualified Opinion

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

Opinion on Other Legal and Regulatory Requirements

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

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



PKF (Malta)
Certified Public Accountants & Registered Auditors

35, Mannarino Road,
Birkirkara, BKR 9080,
Malta

29th April 2015