

**Ghasri Local Council**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**Prepared by:**  
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& Registered Auditor

**Ghasri Local Council**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 December 2016**

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## **Ghasri Local Council**

### **Financial Statements for the year ending 31 December 2016**

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

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on

25 April

2017 by:



Dr Daniel Attard  
Mayor




Rita Mifsud Attard  
Executive Secretary

**Ghasri Local Council**

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2016**

	Notes	2016 €	2015 €
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	3a	<u>326,244</u>	<u>350,453</u>
Total non-current assets		<u>326,244</u>	<u>350,453</u>
<b>Current assets</b>			
Inventories	4.	2,082	2,019
Receivables	5.	1,526	1,622
Cash and Cash Equivalents	6.	<u>40,461</u>	<u>35,398</u>
Total current assets		<u>44,069</u>	<u>39,039</u>
<b>Total assets</b>		<u><b>€ 370,313</b></u>	<u><b>€ 389,492</b></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained fund		334,169	331,090
<b>Non-Current Liabilities</b>			
Deferred income - grants	7.	22,727	25,622
<b>Current Liabilities</b>			
Payables	8.	<u>13,417</u>	<u>32,780</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><b>€ 370,313</b></u>	<u><b>€ 389,492</b></u>

The notes on pages 8 to 21 are an integral part of the financial statements. The said financial statements were approved by the Local Council on 25 April 2017.

  
Dr Daniel Attard  
Mayor

  
Rita Mifsud Attard  
Executive Secretary

**Ghasri Local Council**

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2016**

	Notes	2016 €	2015 €
<b>INCOME</b>			
Funds received from central government	9.	175,859	169,921
General Income	10.	1,705	1,912
Income raised under the Local Enforcement System	11.	327	390
		<u>177,891</u>	<u>172,223</u>
<b>EXPENDITURE</b>			
Personal emoluments	12.	(53,496)	(53,140)
Operations and maintenance	13.	(61,860)	(68,024)
Administration and other expenditure	14.	(59,484)	(51,440)
		<u>(174,840)</u>	<u>(172,604)</u>
Operating surplus/(deficit) for the year		3,051	(381)
Investment income	15.	28	116
<b>Total Comprehensive income/(loss) for the year</b>		<u><u>3,079</u></u>	<u><u>(265)</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

**Ghasri Local Council**

**STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 December 2016**

	<b>Retained funds</b>
	<b>Account</b>
	<b>€</b>
Balance as at 1 January 2015	331,355
Total comprehensive loss for the year	(265)
	<hr/>
Balance as at 31 December 2015	331,090
Total comprehensive income for the year	3,079
	<hr/>
<b>Balance as at 31 December 2016</b>	<b>€ 334,169</b>

The notes on pages 8 to 21 are an integral part of the financial statements.

**Ghasri Local Council**

**STATEMENT OF CASH FLOW STATEMENT**  
**Year ended 31 December 2016**

	Notes	2016 €	2015 €
<b>Cash Flows from Operating Activities</b>			
Total comprehensive income/(loss) for the year		3,079	(265)
Adjustments for:			
Depreciation		25,144	25,437
Provision for bad debts		434	-
Grants released		(3,195)	(3,195)
Interest received		(28)	(116)
		<hr/>	<hr/>
Operating profit before Working Capital Changes		25,434	21,861
Movement in working capital:			
Inventories		(63)	(128)
Receivables		(338)	13,989
Payables		(19,063)	(3,524)
		<hr/>	<hr/>
<b>Net cash flow generated from operating activities</b>		<b>5,970</b>	<b>32,198</b>
<b>Cash flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment		(935)	(19,771)
Grants received		(0)	163
Interest received		28	116
		<hr/>	<hr/>
<b>Net cash flow used in investing activities</b>		<b>(907)</b>	<b>(19,492)</b>
Net increase in Cash and Cash Equivalents		5,063	12,706
Cash and Cash Equivalents at the beginning of year		35,398	22,692
		<hr/>	<hr/>
<b>Cash and Cash Equivalents at the end of year</b>	6.	<b>€ 40,461</b>	<b>€ 35,398</b>

The notes on pages 8 to 21 are an integral part of the financial statements.

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**1. General Information**

Ghasri Local Council is the local authority of Ghasri setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Dun Karm Caruana Ghasri.

**2. Accounting policies and Reporting Procedures**

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

**(a) Accounting convention**

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

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

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

During the year, the Local Council has adopted a number of new standards and interpretations, or amendments thereto, issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Council is of the opinion that the adoption of these standards, interpretations or amendments thereto, does not have material impact on these financial statements.

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the European Union, but not yet effective for the current financial year. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date. The Council anticipates that the adoption of the new standards, interpretations or amendments thereto, will not have a material impact on the financial statements upon initial application.



**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**2. Accounting policies and Reporting Procedures (Continued)**

**(c) Revenue recognition**

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

**(d) Local Enforcement System**

Ghasri Local Council forms part of the Gozo Regional committee. During 2016 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the Regional Committees and LESA for contraventions paid at the Council.

**(e) Tangible fixed assets**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Land	0%
Trees	0%
Buildings	1%
Furniture, fixtures & fittings	7.5%
Construction Works	10%
Urban Improvements (Street Furniture)	10%
Special Projects	10%
Office Equipment	20%
Motor Vehicles	20%
Plant and Machinery	20%
Computer Equipment	25%
Plants	100%
Litter Bins	replacement basis
Playground furniture	100%
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**(f) Government Grants**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**2. Accounting policies and Reporting Procedures (Continued)**

**(g) Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

**(h) Amounts Receivable**

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

**(i) Foreign Currencies**

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

**(j) Surplus and deficits**

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

**(k) Cash and Equivalents**

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

**(l) Related parties**

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

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**2. Accounting policies and Reporting Procedures (Continued)**

**(m) Payables**

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

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

**(n) Financial Instruments**

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

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

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

**Financial assets**

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

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

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

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

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

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**2. Accounting policies and Reporting Procedures (Continued)**

**Financial liabilities**

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

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

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

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

**(p) Inventories**

Inventories are shown in the financial statements at the lower of cost and net realisable value. The inventories consist of stamps and vouchers with a face value which is the cost and selling price of these items. The stock valuation at the end of the period is equivalent to the actual cost of the inventory items.

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**3a Tangible fixed assets**

	Cost 01-Jan-16	Additions / (disposal) for the year	Cost 31-Dec-16
<b>Cost</b>	€	€	€
Property	129,040	-	129,040
Furniture, fixtures & fittings	18,624	-	18,624
Plant and machinery	487	-	487
Computers and electronic equipment	8,678	-	8,678
Office Equipment	14,182	332	14,514
Urban Improvements	24,911	250	25,161
New Street Signs	2,115	-	2,115
Construction	562,248	353	562,601
	<u>760,285</u>	<u>935</u>	<u>761,220</u>
<b>Depreciation</b>			
Property	19,890	1,095	20,985
Furniture, fixtures & fittings	12,333	472	12,805
Plant and machinery	463	8	471
Computers and electronic equipment	7,277	309	7,586
Office Equipment	11,265	607	11,872
Urban Improvements	17,601	747	18,348
New Street Signs	2,115	-	2,115
Construction	279,977	21,906	301,883
	<u>350,921</u>	<u>25,144</u>	<u>376,065</u>
<b>Grants</b>			
Property	-	-	-
Furniture, fixtures & fittings	-	-	-
Plant and machinery	-	-	-
Computers and electronic equipment	-	-	-
Office Equipment	-	-	-
Urban Improvements	-	-	-
New Street Signs	-	-	-
Construction	58,911	(0)	58,911
	<u>58,911</u>	<u>(0)</u>	<u>58,911</u>
<b>Net book value</b>		<b>2016</b>	<b>2015</b>
		€	€
Property		108,055	109,150
Furniture, fixtures & fittings		5,819	6,291
Plant and machinery		16	24
Computers and electronic equipment		1,092	1,401
Office Equipment		2,642	2,917
Urban Improvements		6,813	7,310
New Street Signs		-	-
Construction		201,807	223,360
<b>Total fixed assets</b>		<u>€ 326,244</u>	<u>€ 350,453</u>

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**3b Tangible fixed assets (Continued)**

	Cost 01-Jan-15	Additions / (disposal) for the year	Cost 31-Dec-15
<b>Cost</b>	€	€	€
Property	129,040	-	129,040
Furniture, fixtures & fittings	18,624	-	18,624
Plant and machinery	487	-	487
Computers and electronic equipment	7,918	760	8,678
Office Equipment	14,182	-	14,182
Urban Improvements	24,430	481	24,911
New Street Signs	2,115	-	2,115
Construction	543,718	18,530	562,248
	<u>740,514</u>	<u>19,771</u>	<u>760,285</u>
<b>Depreciation</b>			
Property	18,783	1,107	19,890
Furniture, fixtures & fittings	11,822	511	12,333
Plant and machinery	463	-	463
Computers and electronic equipment	6,940	337	7,277
Office Equipment	10,537	728	11,265
Urban Improvements	16,829	772	17,601
New Street Signs	2,115	-	2,115
Construction	257,995	21,982	279,977
	<u>325,484</u>	<u>25,437</u>	<u>350,921</u>
<b>Grants</b>			
Property	-	-	-
Furniture, fixtures & fittings	-	-	-
Plant and machinery	-	-	-
Computers and electronic equipment	-	-	-
Office Equipment	-	-	-
Urban Improvements	-	-	-
New Street Signs	-	-	-
Construction	58,911	-	58,911
	<u>58,911</u>	<u>-</u>	<u>58,911</u>
<b>Net book value</b>		<b>2015</b>	<b>2014</b>
		€	€
Property		109,150	110,257
Furniture, fixtures & fittings		6,291	6,802
Plant and machinery		24	24
Computers and electronic equipment		1,401	978
Office Equipment		2,917	3,645
Urban Improvements		7,310	7,601
New Street Signs		-	-
Construction		223,360	226,812
<b>Total fixed assets</b>		<u>€ 350,453</u>	<u>€ 356,119</u>

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**4. Inventories**

	2016 €	2015 €
Ghasri Sub-post office: Inventories of stamps and cards	<u>€ 2,082</u>	<u>€ 2,019</u>

**5. Receivables**

	2016 €	2015 €
Amounts receivable	593	701
Prepayments and accrued income	933	921
	<u>1,526</u>	<u>1,622</u>
<b>Receivables</b>		
Within the credit period	1,340	1,062
Exceeded credit period but not yet impaired	186	560
	<u>1,526</u>	<u>1,622</u>

Amounts receivable are stated after making a provision of doubtful debts of €435.

**6. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2016 €	2015 €
Bank Balances		
Bank Current accounts	4,969	5,975
Savings Account	33,765	28,101
Current Account - Ghasri sub-post office	1,527	1,122
Cash in hand	200	200
<b>Cash at bank and in hand</b>	<u>€ 40,461</u>	<u>€ 35,398</u>

**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**7. Deferred income grants**

	2016 €	2015 €
Between 1 and 2 years	2,291	2,557
Between 2 and 5 years	5,553	4,483
Over 5 years	14,883	18,582
	<u>€ 22,727</u>	<u>€ 25,622</u>

	2016 €	2015 €
Opening balance	28,479	31,511
Increase in grants	(0)	163
Release of grants	(3,195)	(3,195)
Closing balance	25,284	28,479
Less Current portion	(2,557)	(2,857)
Non Current portions	<u>22,727</u>	<u>25,622</u>

**8. Payables**

	2016 €	2015 €
Accruals	4,953	3,979
Accounts payable	5,907	25,944
Current Deferred income	2,557	2,857
	<u>€ 13,417</u>	<u>€ 32,780</u>

**9. Funds received from Central Government**

	2016 €	2015 €
In terms of section 55 of the Local Councils Act (CAP 363)	169,180	163,698
Other Government Income	6,679	6,223
	<u>€ 175,859</u>	<u>€ 169,921</u>

**10. General Income**

	2016 €	2015 €
Income from tender documents	235	723
Income from permits	893	695
Income from SPO Services	503	369
Insurance Claims	-	125
Contributions and donations	74	-
	<u>€ 1,705</u>	<u>€ 1,912</u>



**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**11. Income raised under Local Enforcement System**

	2016	2015
	€	€
Administration income from contraventions	327	390
	<u>€ 327</u>	<u>€ 390</u>

**12. Personal Emoluments**

	2016	2015
	€	€
Personal Emoluments include, inter alia:		
Mayor's Allowance	7,229	7,048
Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	29,687	27,668
Employees' salary	7,263	8,984
Social Security Contributions	2,917	3,040
	<u>€ 53,496</u>	<u>€ 53,140</u>

**13. Operations and Maintenance**

	2016	2015
	€	€
Operations and maintenance includes, inter alia:		
<b><i>Repairs and Upkeep:</i></b>		
Road and Street Pavements (patching works)	27,287	27,594
Sundry Repairs	153	188
Public Property	2,575	6,600
Restoration works	-	-
Signs and markings	1,043	750
	<u>€ 31,058</u>	<u>€ 35,132</u>

***Contractual Services:***

	2016	2015
	€	€
Refuse Collection	11,543	11,996
Bulky Refuse Collection	1,898	1,862
Road and Street Cleaning	11,071	11,358
Cleaning and Maintenance - Public Conveniences	2,721	2,571
Cleaning and Maintenance - Soft areas	180	180
Cleaning - Council premises	520	520
Street Lighting	791	2,098
Other	2,078	2,307
	<u>€ 30,802</u>	<u>€ 32,892</u>

**Total Operations and Maintenance Expenses**

<u>€ 61,860</u>	<u>€ 68,024</u>
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**Ghasri Local Council**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 December 2016**

**14. Administration and other expenditure**

	2016	2015
	€	€
Utilities	2,893	2,099
Materials and supplies	372	227
National and International Memberships	500	600
Office Services	1,875	1,928
Transport	1,196	1,445
Rent	396	396
Information services	1,331	1,327
Professional Services	10,238	5,169
Community services and events	15,105	12,062
Provision for bad debts	434	-
Depreciation	25,144	25,437
Bad debt written off	-	750
	<b>€ 59,484</b>	<b>€ 51,440</b>

**15. Investment Income**

	2016	2015
	€	€
Bank Interest Receivable	28	116
	<b>€ 28</b>	<b>€ 116</b>

**16. Capital Commitments**

	2016	2015
	€	€
The Councils's Capital commitments are as follows:		
Approved but not yet contracted for:		
Construction	8,000	10,000
Improvements	3,000	5,000
Equipment	800	1,000
Special Programmes	5,000	8,000
	<b>€ 16,800</b>	<b>€ 24,000</b>

## Ghasri Local Council

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2016

#### 17. Related Parties Disclosures

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No Control
Malta Environment and Planning	No Control

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

	2016	2015
	€	€
Significant control:		
Revenue:		
Annual Financial allocation	€ 169,180	163,687

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

#### 18. Risk management objectives and policies

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

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

##### 18.1 Credit risk

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

	2016	2015
	€	€
Class of financial assets - carrying amounts		
Receivables	1,526	1,622
Cash and Cash Equivalents	40,461	35,398
	€ 41,987	€ 37,020

## Ghasri Local Council

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2016

#### 18. Risk management objectives and policies (Continued)

##### 18.1 Credit risk (Continued)

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

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

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

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

The company exercises a prudent credit control policy and accordingly it is not subject to any significant exposure or concentration of credit risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

##### 18.2 Liquidity risk

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

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

	2016 €	2015 €
Payables	10,860	29,923
	€ 10,860	€ 29,923

##### 18.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

## Ghasri Local Council

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2016

#### 18. Risk management objectives and policies (Continued)

##### 18.4 Summary of the financial assets and liabilities by category

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

	2016 €	2015 €
<b>Current Assets</b>		
Loans and receivables :		
Receivables	1,526	1,622
Cash and Cash Equivalents	40,461	35,398
	<u>41,987</u>	<u>37,020</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	13,417	32,780
	<u>13,417</u>	<u>32,780</u>

#### 19. Capital risk management

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

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

#### 20. Fair Value estimation

At 31 December 2015 and 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**GHASRI LOCAL COUNCIL****REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL****Opinion**

We have audited the accompanying financial statements of Ghasri Local Council, which comprise the statement of financial position as at 31 December 2016, 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 information set out on pages 4 - 21.

In our opinion, the financial statements give a true and fair view of the financial position of the Local Council as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Local Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The Executive Secretary and the Local Council Members are responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued**

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

As described on page 3, the Executive Secretary and the Local Council Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Executive Secretary and the Local Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the Local Council Members are responsible for assessing the Local Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Local Council will continue as a going concern.

The Executive Secretary and the Local Council Members are responsible for overseeing the Local Council's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Local Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Secretary and the Local Council Members.

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**REPORT OF THE LOCAL GOVERNMENT AUDITOR TO THE AUDITOR GENERAL - continued****Auditor's Responsibilities for the Audit of the Financial Statements - continued**

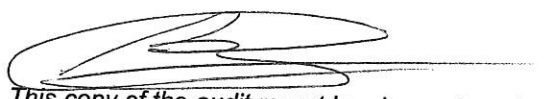
- Conclude on the appropriateness of the Executive Secretary's and the Local Council Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Local Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Local Council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Secretary and the Local Council Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been properly prepared in accordance with the Local Councils Act (Cap. 363), the Financial Regulations issued in terms of the said Act and the Local Councils (Financial) Procedures.



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

RSM Malta  
Certified Public Accountants

Date: 25<sup>th</sup> April 2017