



IKLIN LOCAL COUNCIL

**Annual Report and
Financial Statements**

For the year ended 31 December 2015



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

CONTENTS	PAGES
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 26
Independent auditors' report	27 - 28

Financial Statements for the year ended 31 December 2015

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

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 10 May 2016 by:



Anthony Dalli
Mayor

Etienne Montfort
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015	2014 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	660,965	644,804
Current Assets			
Receivables	4	13,561	76,645
Cash and Cash Equivalents	5	224,166	147,558
Total current assets		237,727	224,203
Total Assets		898,692	869,007
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		429,984	395,390
Non-current Liabilities			
Deferred income	6	343,565	341,551
Non-current payables		20,628	25,281
		364,193	366,832
Current Liabilities			
Payables	7	104,515	106,785
Total liabilities		468,708	473,617
Total reserves and liabilities		898,692	869,007

The notes on pages 8 to 26 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 10 May 2016 and signed on its behalf by:



Anthony Dalli
Mayor



Etienne Montfort
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 €	2014 €
REVENUE			
Funds received from central government	8	279,156	252,803
Income from Law Enforcement System	9	4,290	2,639
General Income	11	14,232	7,064
		<u>297,678</u>	<u>262,506</u>
EXPENDITURE			
Personal emoluments	12	(72,023)	(67,716)
Operations and maintenance	13	(78,940)	(84,963)
Administration and other expenditure	14	(112,294)	(103,604)
		<u>(263,257)</u>	<u>(256,285)</u>
Operating surplus for the year		<u>34,421</u>	<u>6,221</u>
Investment income	10	<u>173</u>	<u>460</u>
Total Comprehensive Income for the year		<u>34,594</u>	<u>6,681</u>

The notes on pages 8 to 26 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Retained Funds 2015 €	Retained Funds 2014 €
At 1 January	395,390	388,709
Total Comprehensive Income for the year	34,594	6,681
At 31 December	<u>429,984</u>	<u>395,390</u>

The notes on pages 8 to 26 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 €	2014 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		34,594	6,681
Adjustments for:			
Depreciation		62,351	45,545
Investment Income		(173)	(460)
Deferred income released		(30,376)	(11,971)
Operating Profit before working capital changes		66,396	39,795
Increase in receivables		(4,136)	(15,929)
(Decrease)/ increase in payables		(14,901)	23,495
Net Cash generated from/ (used in) operating activities		47,359	47,361
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(72,934)	(62,050)
Investment Income		136	423
New Grants received		102,047	6,082
Net Cash used in Investing Activities		29,249	(55,545)
Net movement in Cash and Cash Equivalents		76,608	(8,184)
Cash and Cash Equivalents at the beginning of Year		147,558	155,742
Cash and Cash Equivalents at the end of year	5	224,166	147,558

The notes on pages 8 to 26 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General Information

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Councils Act. The office of the Local Council is situated at "Three Vilages", Triq ir-Rumanzieri, Iklin,

The financial statements were authorised for issue by the Council on the 10 May 2016.

2. Accounting Policies and Reporting Procedures

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

(a) Accounting convention

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

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

(b) Standards, amendments and interpretations to existing standards

New and amended standards adopted by the council

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

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

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

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); a Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). The issues include in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (portfolio exception) (IFRS 13); and Clarifying the Interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property (IAS 40). The amendments are effective for annual periods beginning on or after 1 July 2014.

New standards and amendments not yet effective and not yet adopted by the Local Council

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council accounting periods beginning on or after 1 January 2016 or later periods, but the Council has not early adopted them:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

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

For financial liabilities, the standard retains most of the IAS 39 requirements. The Council is yet to address the full impact of IFRS 9 and intends to adopt IFRS 9 subject to endorsement by the EU, no later than the accounting period beginning on or after 1 January 2018.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS18 'Revenue' and IAS11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Council is assessing the impact of IFRS 15.

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

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

(c) Revenue recognition

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

(d) Local Enforcement System

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(e) Property, Plant and Equipment

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

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

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

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

(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 years necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – 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) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(i) 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.

(j) 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.

(k) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(l) 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.

(m) 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.

(n) 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.

(o) Financial Instruments

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

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

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

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

Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(o) Financial Instruments – continued

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not

considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

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

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

(p) Capital management policies and procedures

The council's capital consists of its net assets, including working capital, presented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

(p) Critical accounting estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

3. PROPERTY, PLANT AND EQUIPMENT

	Construction €	Office Furniture & Fittings €	New Street Signs €	Urban Improvements €	Office Equipment €	Plant and Machinery €	Special Programmes €	Street Lights €	Projects Under Construction €	Total €
Cost										
At 1 Jan 2015	499,996	23,354	30,281	63,169	32,320	900	703,349	6,797	18,287	1,378,453
Additions	21,291	-	-	-	955	185	56,081	-	-	78,512
At 31 Dec 2015	521,287	23,354	30,281	63,169	33,275	1,085	759,430	6,797	18,287	1,456,965
Grants and other reimbursements										
At 1 Jan 2015	15,561	-	-	-	2,644	-	264,676	-	-	282,881
Additions	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2015	15,561	-	-	-	2,644	-	264,676	-	-	282,881
Depreciation										
At 1 Jan 2015	278,628	16,102	30,281	44,491	22,793	510	51,166	6,797	-	450,768
Charge for the year	21,054	540	-	1,784	1,387	96	37,490	-	-	62,351
At 31 Dec 2015	299,682	16,642	30,281	46,275	24,180	606	88,656	6,797	-	513,119
Net Book Value										
At 31 Dec 2015	206,044	6,712	-	16,894	6,451	479	406,098	-	18,287	660,965

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

3. PROPERTY, PLANT AND EQUIPMENT – Continued

Cost	Construction €	Office Furniture & Fittings €	New Street Signs €	Urban Improvements €	Office Equipment €	Plant and Machinery €	Special Programmes €	Street Lights €	Projects Under Construction €	Total €
At 1 Jan 2014	491,623	22,994	30,281	61,737	28,084	900	482,349	6,797	197,415	1,322,180
Additions	8,373	360	-	1,432	4,236	-	41,872	-	-	56,273
Reclassifications	-	-	-	-	-	-	179,128	-	(179,128)	-
At 31 Dec 2014	499,996	23,354	30,281	63,169	32,320	900	703,349	6,797	18,287	1,378,453
Grants and other reimbursements	-	-	-	-	-	-	-	-	-	-
At 1 Jan 2014	15,561	-	-	-	2,844	-	264,676	-	-	282,881
Additions	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2014	15,561	-	-	-	2,844	-	264,676	-	-	282,881
Depreciation	-	-	-	-	-	-	-	-	-	-
At 1 Jan 2014	254,308	15,527	30,281	42,489	21,559	413	33,849	6,797	-	405,223
Charge for the year	24,320	575	-	2,002	1,234	97	17,317	-	-	45,545
At 31 Dec 2014	278,628	16,102	30,281	44,491	22,793	510	51,166	6,797	-	450,768
Net Book Value	-	-	-	-	-	-	-	-	-	-
At 31 Dec 2014	205,807	7,257	-	18,678	6,883	390	387,507	-	18,287	644,804

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

4. Receivables	2015	2014
	€	€
Amounts invoices but not yet settled	2,872	4,256
Prepayments	-	2,795
Accrued income	10,689	69,594
	<u>13,561</u>	<u>76,645</u>

Amounts invoiced but not yet settled are analysed as follows:	2015	2014
	€	€
Within the current period	631	1,026
Exceeded credit period but not yet impaired	2,241	3,230
	<u>2,872</u>	<u>4,256</u>

Prepayment include prepayments of Local council property rental and insurance premium

5. Cash and Cash Equivalents

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

	2015	2014
	€	€
Bank Balances:		
Ordinary funds	205,794	140,655
Special needs fund	18,308	6,870
Cash in hand	64	33
	<u>224,166</u>	<u>€ 147,558</u>
Cash at bank and in hand		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

	2015 €	2014 €
6. Deferred Income		
Between 1 and 2 years	29,272	25,975
Between 2 and 5 years	72,079	63,962
Over 5 years	242,214	251,614
	<u>€ 343,565</u>	<u>€ 341,551</u>

	2015 €	2014 €
Opening balance	371,515	382,977
Increase in grants	34,790	509
Release of grants	(30,376)	(11,971)
Closing balance	<u>375,929</u>	<u>371,515</u>
Less Current portion	<u>(32,364)</u>	<u>(29,964)</u>
Non-current portion	<u>343,565</u>	<u>341,551</u>

	2015 €	2014 €
7. Payables		
Trade creditors	52,293	71,450
Other creditors	18,220	18,220
Accruals	22,266	12,432
Deferred income within 1 year	32,364	29,964
	<u>125,143</u>	<u>132,066</u>
Less non-current payables	<u>(20,628)</u>	<u>(25,281)</u>
	<u>104,515</u>	<u>106,785</u>

	2015 €	2014 €
Non-current payables		
Between 1 and 2 years	4,653	7,987
Between 2 and 5 years	12,641	10,625
Over 5 years	3,334	6,669
Closing balance	<u>20,628</u>	<u>25,281</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

8. Funds received from Central Government	2015	2014
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	227,377	219,719
Supplementary Government Income	20,404	21,048
Other Government Income	31,375	12,036
	<u>279,156</u>	<u>252,803</u>
9. Income raised from Local Enforcement System	2015	2014
	€	€
Income from Regional administration fee	3,347	2,639
Income from Joint Committee	943	-
	<u>4,290</u>	<u>2,639</u>
10. Investment income	2015	2014
	€	€
Bank Interest Receivable	173	460
11. General Income	2015	2014
	€	€
Income from permits	7,002	2,389
Income from tender documents	648	168
Other income	738	19
Contributions and donations	5,844	4,488
	<u>14,232</u>	<u>7,064</u>
12. Personal Emoluments	2015	2014
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	7,047	6,868
Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	27,765	26,865
Employees' Salaries	26,289	23,205
Social Security Contributions	4,522	4,380
Total	<u>72,023</u>	<u>67,718</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

13. Operations and Maintenance

Operations and maintenance includes, inter alia	2015	2014
Repairs and Upkeep:	€	€
Road and street maintenance	5,095	10,083
Road and street pavements	1,806	301
Office furniture and equipment	351	980
Other repairs and upkeep	2,042	574
	<u>9,294</u>	<u>11,938</u>
Contractual Services:	2015	2014
	€	€
Refuse Collection	22,149	22,645
Bulky Refuse Collection	5,937	3,993
Waste disposal	22,553	25,421
Road and street cleaning	10,480	11,580
Cleaning and maintenance of parks and gardens	1,372	1,645
Cleaning and maintenance council premises	929	1,122
Other contractual services	4,069	4,220
Street Lighting	1,665	1,138
Les related expenditure	492	1,261
	<u>69,646</u>	<u>73,025</u>
Total Operations and Maintenance Expenses	<u>78,940</u>	<u>84,963</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

14. Administrative and other Expenses	2015	2014
	€	€
Depreciation	62,351	45,545
Water and electricity	3,117	3,102
Telecommunications	2,806	3,001
Meetings and conventions – Overseas	3,765	749
Rent	13,023	12,591
Printing and stationery	3,433	2,899
Postages	228	272
Subscriptions	143	48
Publications	267	19
Staff training	-	60
Advertising	886	649
Office services	756	720
Sundry minor expenses	-	62
Professional services	7,758	12,394
Transport expenses	3,871	4,395
Community and hospitality	9,890	17,098
	<u>112,294</u>	<u>103,604</u>

15. Contingent liabilities

On 19 February 2015, the Local Council received a legal letter requesting compensation amounting to € 726 in respect of damages suffered by a motorist. This matter is being contested by the Local Council.

16. Capital Commitments

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

Details of capital commitments are as follows	2015	2014
	€	€
Approved but not contracted for	€ 91,200	164,541
Contracted for but not provided for:		
Construction of Council premises	41,541	41,541
Street paving works	32,459	45,000
Special program works	-	67,000
Urban improvements	3,500	3,500
Furniture and equipment	500	7,500
Motor vehicle	13,200	-
	<u>€ 91,200</u>	<u>164,541</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

16. 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
Birkirkara Joint Committee for Local Enforcement	Joint control
Central Regional Committee for Local Enforcement	Joint control
Malta Environment and Planning Authority	
Arms Limited, Water Service Corporation, Enemalta Corporation, Inland Revenue Department, Direc	
General Works Division, WasteServ Malta Ltd,	
Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Police General Head Quarters,	
Bank of Valletta Plc and the Department of Lands	No control

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

	2015	2014
	€	€
Significant control		
Revenue:		
Annual financial allocation	227,377	219,719

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

17. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

17. Risk management objectives and policies - continued**17.1 Credit risk**

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

	2015	2014
	€	€
Class of financial assets – carrying amounts		
Trade and other receivables	13,561	73,850
Cash and Cash Equivalents	224,166	147,558
	<u>237,727</u>	<u>221,408</u>

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 4 for further information on impairment or financial assets that are past due.

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

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

17.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

17. Risk management objectives and policies - continued

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

	Current Within 1 year €	Non – Current 1 to 5 years €	Non – Current More than 5 years €
Payables	52,293	17,294	3,334
Accruals	22,266	-	-
Other payables	18,220	-	-

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

	Current Within 1 year €	Non – Current 1 to 5 years €	Non – Current More than 5 years €
Payables	71,450	18,582	6,669
Accruals	12,432	-	-
Other payables	18,220	-	-

17.3 Interest rate risk

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

17.4 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:

Current Assets	2015 €	2014 €
Loans and receivables:		
Trade and other receivables	13,561	73,850
Cash and Cash Equivalents	224,166	147,558
	<u>237,727</u>	<u>221,408</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015 – continued

17. Risk management objectives and policies - continued

Current Liabilities	2015	2014
	€	€
Financial liabilities measured at amortised costs:		
Payables	52,293	71,450
Accruals	22,266	12,432
Other payables	18,220	18,220
	<u>€ 92,779</u>	<u>€ 102,102</u>

17.5 Capital risk management

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

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

18. Fair value estimation

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

19. Events after the statement of financial position date

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

Financial statements for the year ended 31 December 2015

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Iklin Local Council which comprise the statement of financial position as at 31 December 2015, 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.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 3, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

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 of 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 our 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, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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

1. As from 1 January 2000, all income and expenditure from the Local Enforcement System (LES) were centralised through the Birkikara Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Birkikara Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Central Regional Committee as from 1 September 2011. The Council has reported income of EUR943 from Pre-Regional tickets in the current year. We were unable to determine the amount of any additional income the Council is entitled to receive from Birkikara Joint Committee since the audited financial statements of the Joint Committee are qualified on the basis that amounts receivable could not be reconciled to the IT system. All LES receivables of the Joint Committee have been provided for.

Financial statements for the year ended 31 December 2015

Report of the Local Government auditor to the Auditor General (continued)

Basis for qualified opinion (continued)

2. The financial statements do not disclose the relevant lease commitments arising on leased areas and a brief description of the lease agreement as required by IAS 17 *Leases*.
3. The Council's interest free non-current payable arising on the PPP project is accounted for at historical cost rather amortised cost as required by IAS 39, *Financial Instruments*.
4. The Council did not disclose contingent liabilities arising from an invoice under dispute from a local contractor for the sum of EUR3,149 and from a claim from a private citizen for damages to his motor vehicle quantified at EUR726. Such disclosure is required by IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
5. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Council (Financial) Procedures, 1996.

Qualified opinion

In our opinion, except for the effects of the matters described in paragraphs 1, 2, 3 and 4 above, the financial statements give a true and fair view of the financial position of Iklin Local Council as of 31 December 2015 and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 15.

Because of the matter set out in paragraph 5 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 1, 2, 3, and 4 above these financial statements have not been prepared in accordance with International Financial Reporting Standards.



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

Mazars Malta
Certified Public Accountants
Attard

10 May 2016